

Audit & Governance Committee
9 April 2015

2014/15 Review of the Effectiveness of the System of Internal Audit

SUMMARY AND PURPOSE:

This report sets out the findings and recommendations from the 2014/15 review of the effectiveness of the system of internal audit in Surrey County Council. The agreed Terms of Reference for this review are attached at Annex A

RECOMMENDATIONS:

The Committee is asked to note the findings of this report and consider whether any further action is required.

BACKGROUND:

1. The Accounts and Audit (England) Regulations 2011 required a review of the effectiveness of the Council's internal audit arrangements to be conducted at least annually and it was under this statutory requirement that the 2014/15 review was conducted. It should be noted however that from 1 April 2015, these regulations have been replaced by the Accounts and Audit (England) regulations 2015 which remove the requirement for such an annual review. Internal Audit's Quality Assurance and Improvement Programme has been amended to reflect this change in legislation although an annual review of the effectiveness of the system of internal audit - notably an assessment of compliance with the Public Sector Internal Audit Standards - will continue to be conducted.
2. For 2013/14 a comprehensive check against the PSIAS and the Local Government Application Note was conducted by an officer from the Performance and Research team and consequently it was agreed by the Chairman of this Committee that the 2014/15 review would be more light touch and would focus on the controls in place to mitigate the following risks:
 - Internal Audit is not viewed as sufficiently independent of undue influences
 - Internal Audit resource may not be focussed on key areas of risk
 - The Internal Audit team may not be sufficiently resourced/skilled
 - Internal Audit work may not be to an acceptable level of quality
 - Management action in response to audit recommendations may not be timely/effective
 - Select Committee review of progress in implementing management action plans may be inconsistent
 - Internal Audit may not have a sufficiently high profile within the organisation to be a force for change

KEY FINDINGS:

3. There is evidence to show that appropriate controls were in place during 2014/15 to ensure an effective Internal Audit service was provided.
4. Internal Audit in Surrey County Council is independent of undue influences and has a high profile within the organisation. The Internal Audit team is sufficiently well resourced with highly skilled and experienced auditors and resource is properly focussed on key areas of risk. Appropriate controls are in place to ensure Internal Audit work is of high quality. Management action in response to audit recommendations is generally both effective and timely and Select Committee scrutiny is effective in ensuring this.
5. The evidence underpinning the above conclusions is set out in Annex B

FOLLOW-UP OF 2013/14 REVIEW RECOMMENDATIONS:

6. An updated assessment of implementation of the recommendations arising from the 2013/14 Effectiveness Review is attached at Annex C. This shows all recommendations as “Green” with the exception of one which relates to printing of confidential materials. There have been delays in implementing the “Managed Print” facility which includes the facility to use locked print functionality when printing confidential materials. In the interim the Internal Audit team are mindful of the need to take care when printing confidential materials.

CONCLUSIONS:

7. Internal Audit in the Council is well led and given a high priority by those charged with good governance. During 2014/15 additional steps have been taken to further raise the profile of Internal Audit work – notably through Internal Audit representation on the Statutory Responsibilities Network and the Continual Improvement and Productivity Network.
8. A joint Cabinet/Audit and Governance Committee seminar on Internal Audit, planned for July 2015, is an opportunity to further improve the understanding of the role Internal Audit plays in driving improvement across services to improve outcomes for Surrey residents.

IMPLICATIONS:

Financial

There are no direct financial implications arising from this report

Equalities

There are no direct equalities implications arising from this report

Risk management

An effective system of internal audit complements good risk management across the Council

WHAT HAPPENS NEXT:

The findings from this review will help inform the Council’s 2014/15 Annual Governance Statement.

REPORT AUTHOR: Sue Lewry-Jones, Chief Internal Auditor

CONTACT DETAILS: telephone: 020 8541 9190 e-mail: sue.lewry-jones@surreycc.gov.uk

Sources/background papers: Public Sector Internal Audit Standards and Internal Audit Quality Assurance and Improvement Programme.