

Effectiveness of the System of Internal Audit 2014/2015

To review the effectiveness of the current system of Internal Audit in Surrey County Council and consider whether appropriate controls are in place to mitigate the following risks:

Risk	Controls in place/evidence	Conclusion
Internal Audit is not viewed as sufficiently independent of undue influences	<p>Internal Audit has no operational responsibilities which might impair its ability to provide an objective opinion.</p> <p>All members of the team are reminded, at least annually, of the Code of Ethics they are expected to follow and are asked to inform the Chief Internal Auditor of any known conflict of interest or any matter that may impair their ability to be impartial and unbiased in performing their duties as an Internal Auditor. If there are none - a "nil" return is required for completeness.</p> <p>The position of the Internal Audit team, within Policy and Performance in the Chief Executive's Directorate, means it is suitably removed from Business Services where operational responsibility for most of the council's corporate systems and processes resides.</p>	The controls in place should ensure Internal Audit is sufficiently independent of undue influences.
Internal Audit resource may not be focussed on key areas of risk	<p>The Internal Audit planning process is risk based in accordance with the Public Sector Internal Audit Standards. Directorate/Service risk registers are used to inform the annual audit plan and an assurance mapping exercise has been completed at Leadership Risk Register level to highlight any gaps in the assurance framework.</p> <p>The Internal Audit plan is aligned to the Corporate Strategy. The plan detail is not rigid however and regular service liaison meetings throughout the year would highlight if there is a change in risk priority which may require a change of audit focus/timing.</p>	The audit planning process should ensure that audit resource is focussed on the key areas of risk. Regular service liaison meetings throughout the year would highlight if there is a change in risk priority which may require a change of audit focus/timing.

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<p>The Internal Audit team may not be sufficiently resourced/skilled</p>	<p>The Internal Audit team has an establishment of 12fte and in addition currently has one apprentice (funded centrally). The number of audit days in the 2014/15 Internal Audit plan is 2180 which is a small reduction on the previous year (2228).</p> <p>The Chief Internal Auditor, the two Audit Performance Managers and all three of the Lead Auditors are CCAB qualified. Other members of the team hold other relevant qualifications (eg Institute of Internal Auditors and Certified Information Systems Auditor). All members of professional bodies are required to maintain and evidence Continuing Professional Development as a practical means of demonstrating on-going competency.</p> <p>Continuing Professional Development during 2014/15 is in evidence with one member of the team achieving accreditation as a professional Counter Fraud Specialist and another becoming a Certified IDEA Data Analyst.</p> <p>Suitably experienced agency resource has been used during the year to cover vacancies and recruitment of permanent staff to vacancies has been managed in a timely way.</p>	<p>There was a 33% turnover of staff in the period, which is unusually high for the service and reflects the planned retirement of two members of the team. Use of agency resource has meant that resourcing levels were sufficient in 2014/15 to give a good level of audit coverage.</p> <p>The Internal Audit team is well qualified and highly skilled with a broad range of relevant experience.</p>
<p>Internal Audit work may not be to an acceptable level of quality</p>	<p>Internal Audit work is performed by suitably skilled staff in accordance with the Public Sector Internal Audit Standards.</p> <p>The level of supervision of audit work depends on the experience of the auditor and complexity of the area being reviewed. The Audit Performance Managers review audit terms of reference, working papers and draft audit reports. The Chief Internal Auditor also reviews all draft Internal Audit reports prior to issue.</p> <p>Auditees have an opportunity to comment on the usefulness of audits through specific customer satisfaction surveys and any feedback received is discussed as necessary in 1-2-1s.</p>	<p>The quality assurance controls in place should ensure Internal Audit work is of a high quality and feedback (both formal and ad hoc) received throughout the year would appear to endorse this.</p> <p>Auditees have an opportunity to comment on the factual accuracy of draft audit reports and the relatively low level of concerns raised in this regard, is another indicator of the high quality of audit work.</p>

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<p>Management action in response to audit recommendations may not be timely/effective</p>	<p>Management Action Plans (MAPs) must be agreed by the relevant Head of Service who is then responsible for timely completion of actions and for informing Internal Audit if timescales are likely to be missed.</p> <p>Twice yearly reports to Audit and Governance on progress on implementing MAPs are a useful spur to encourage completion of agreed actions. Service liaison meetings throughout the year are another opportunity to check on MAP progress.</p> <p>Where an audit attracts an audit opinion of Unsatisfactory or Significant Improvement Needed, a follow-up audit will usually take place with a formal audit report on progress.</p>	<p>There are appropriate controls in place to encourage timely completion of agreed management actions.</p> <p>Although the MAP progress report included in the Half Yearly report to Audit and Governance in December showed generally good progress, one Medium Priority audit recommendation was assessed as “Red” six months after completion of the audit. 10 High Priority Recommendations were assessed as “Amber” more than a year after completion of the audit (out of a total of 69 High Priority recommendations made in the corresponding period).</p>
<p>Select Committee review of progress in implementing management action plans may be inconsistent</p>	<p>A process is in place which ensures that Select Committee Chairmen consider audit reports that include an “Unsatisfactory” or “Significant Improvement Needed” audit opinion and/or High Priority audit recommendations, for inclusion in their forward plan. Internal Auditor attendance at Select Committees assists this process.</p>	<p>Select Committee scrutiny of management action in response to Internal Audit recommendations has been helpful during 2014/15 in encouraging timely completion of actions.</p>

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<p>Internal Audit may not have a sufficiently high profile within the organisation to be a force for change</p>	<p>Internal Audit reports are circulated to senior officers (including Strategic Directors) as well as the relevant Cabinet Member and Select Committee Chairman. All final Internal Audit reports are stored in an on-line members' library accessible to all members.</p> <p>The Chief Internal Auditor is a member of the council's extended leadership team and a member of the Statutory Responsibilities Network and a member of the Council's Investment Panel. Internal Audit is also represented on the Continual Improvement and Productivity Network</p> <p>The Chief Internal Auditor meets regularly on a 1-2-1 basis with the Chief Executive, the Director of Finance (S151 Officer) and the Cabinet Member for Business Services.</p> <p>The Audit and Governance Committee met informally with the whole Internal Audit team on two occasions during the year and members of the Committee have received copies of all Internal Audit reports issued. The Committee supports the work of the Internal Audit team through consideration, and follow up action where necessary, of a Completed Audit Reports item included in every Committee meeting agenda.</p> <p>Throughout the year Internal Audit have presented 28 Fraud Awareness presentations to more than 450 members of staff which has further raised the profile of Internal Audit across key service areas.</p>	<p>Internal Audit has a high profile within the Council and the six monthly reports to Audit and Governance Committee on management action plan progress provide positive assurance that Internal Audit reviews lead to change and improvement.</p>