



Audit & Governance Committee
7 December 2015

Internal Audit Half Year Report 2015/16

Purpose of the report:

This interim report summarises the work of Internal Audit during the first six months of 2015/16. The purpose of this report is to enable the Committee to consider the activities of Internal Audit during the six month period to 30 September 2015 and determine whether there are any matters that they wish to draw to the attention of the Cabinet and/or the County Council. A list of all Internal Audit reports issued in the period April – September 2015 is attached at Annex A for information.

The Chief Internal Auditor reports key findings and recommendations arising from audits undertaken as part of regular reporting to this Committee on completed audits. As such this report focuses on activity undertaken rather than detailing audit findings previously identified. However in response to member interest in management action taken to implement Internal Audit recommendations this report also provides, at Annex B, an update on progress made to date for those audit reports issued since January 2015. In addition, at Annex C is an update on earlier audit reports where management action plan progress for High Priority audit recommendations had not previously been rated as “Green”.

RECOMMENDATIONS:

Members are asked to consider the contents of this report and determine whether there are any matters that they wish to draw to the attention of the Cabinet and/or the County Council.

INTRODUCTION:

1. The Accounts and Audit Regulations require every local authority to undertake an adequate and effective internal audit of its accounting records and of its system of internal control. Within Surrey County Council the Internal Audit function, which sits within the Policy and Performance Service, carries out the work required to satisfy this legislative requirement and reports its findings and conclusions to management and to this Committee.

2. The terms of reference of the Audit and Governance Committee include the requirement to consider the reports of the internal and external auditor, consider the effectiveness of the internal audit function, and make recommendations to the County Council or Cabinet, as appropriate, on any matters that it feels should be drawn to their attention.

PERFORMANCE SUMMARY:

3. The audit plan for 2015/16 was approved by this Committee on 9 April 2015. The table below shows actual performance against the original plan for the first half year.

Audit Area	Plan Days (whole year)	Actual Days (half year)	% Actual to planned
Corporate Governance Arrangements	85	32	37%
Key Financial Systems	185	62	34%
Grants	61	15	24%
Contract reviews	125	54	44%
Service reviews (systems and projects)	845	438	52%
Follow-up Audits	50	23	47%
Client Support/ Service Liaison/Innovation Support	153	82	54%
Irregularity and Special Investigations including Fraud Prevention	280	115	41%
Internal Audit Management, Corporate Support and Organisational Learning	285	138	49%
Total days	2069	959	46%
Figures as shown in 2014/15 half year report (for comparison)	2180	768	35%

4. The above table shows that 959 days were spent delivering the audit plan in the first half of the year, this represents 46% of the total number of days planned for the year.
5. The following table shows progress as at 30 September against the annual audit plan with 2014/15 and 2013/14 half year comparative figures also shown:

	2015/16		2014/15		2013/14	
	No	%	No	%	No	%
Audits in planning stage:	35	30	36	37	41	33
Audits in progress	37	31	20	20	39	31
Audits completed	46	39	42	43	44	36

6. The Internal Audit team has had a productive first six months with some 46 audits, projects or investigations completed since April, including 31 final audit reports issued (as detailed at Annex A), 1 grant certificate produced, 1 special ad hoc review, and 13 investigations closed.
7. The following table shows the spread of audit opinions for the 31 reports issued in the period with comparative information for 2014/15 full year:

Audit Opinion	2015/16 (half year)		2014/15 (full year)	
	No of Audit Reports	%	No of Audit Reports	%
Effective	9	29	16	26
Some Improvement Needed	13	42	33	53
Significant Improvement Needed	7	23	5	8
Unsatisfactory	1	3	1	2
n/a	1	3	7	11
Total	31	100	62	100

Customer Satisfaction Survey (CSQ)

8. The Internal Audit team is continually aiming to improve the service it provides and as such, on completion of each review the auditee is asked to complete a Customer Satisfaction Survey (CSQ) to provide feedback on a number of aspects of the audit – from planning through to reporting. The CSQ also asks for an overall rating on the added value of the audit on a scale of 1 to 4, where 1 is **not very** useful and 4 is **very** useful.
9. The following table shows the breakdown of CSQ scores received during the six month period to September 2015:

CSQ Overall Rating	No of CSQs	%
4 – very useful	4	36
3	4	36
2	3	28
1 – not very useful	0	0
Total	11	100

MANAGEMENT ACTION PLAN PROGRESS

10. A summary of progress made on implementing audit recommendations for all audits completed in the period January – June 2015 is attached at Annex B.

11. The status of all high priority audit recommendations, not previously reported as “Green” to this Committee is set out at Annex C.
12. These progress updates show evidence of improvements being made across the council. There are some areas however which have been (or continue to be) assessed as Red/Amber and Internal Audit will closely monitor these management action plans going forward.

AUDIT ACTIVITY – 2015/16 ANNUAL PLAN

Corporate Governance Arrangements

13. This element of the annual audit plan includes activities that directly support the Annual Governance Statement. As such, audit involvement in this is concentrated in the latter part of the audit year.

Key Financial Systems

14. Key Financial Systems audit reports issued in 2015/16 and presented to this Committee include:
Accounts Payable; Accounts Receivable; Capital Monitoring; Revenue Budget Control; and, Pensions Administration.

Grants

15. One grant audit was completed in the period, as follows:
The sixth and final certification audit of RESTORE project grant funding, received from the European Union for the restoration of quarry and mineral excavation sites

Contract Reviews

16. Contract review audit reports issued in 2015/16 and presented to this Committee include:
Surrey Choices
17. The following contract audits were in progress at the 30 September:
ASC Strategic Contracts; Babcock4S Contract; Highways Contract

Service Reviews

18. Service review audit reports issued in 2015/16 to date include:
Adult Social Care: AIS Care Assessments; Care Act Preparedness; and, Telecare.
Business Services: Data Analytics; Risk Management; Managed Print Services; Review of PSO Waivers; and, Consultants.

Children Schools and Families: Children's Safeguarding Quality Assurance Process; and, School Places.

Chief Executive's Office: Henrietta Parker Trust; Community Learning and Skills; Fire Transformation Grant; and, Information Governance.

Environment and Infrastructure: Waste Management and Minimisation; Highways Safety Inspection; Highways Integrated Transport Schemes; Energy Management; and, Streetworks Permit Scheme.

Follow-up Audits

19. The following follow-up audit reports were issued in the period:
- Surrey Arts
 - Absence Management
 - Trust Funds
 - Agency Staffing
 - Fuel Cards
 - Social Care Debt – Credit balances

Client Support and Service Liaison

20. Each member of the team is responsible for a number of service areas and liaising with those services on a regular basis throughout the year. These meetings allow the auditor to become more familiar with the requirements of each service and to develop a more positive working relationship in which the services may themselves approach Internal Audit for independent support and advice.
21. Some examples of client support provided during the first six months of the year have included:
- Advice/assistance to services involved in disciplinary investigation;
 - Advice to Finance following an instance of Mandate Fraud;
 - Advice to schools on matters ranging from setting up asset registers, dealing with spam and phishing emails, and unofficial fund examination;
 - Working with ASC on the Adult Data System Project (Liquid Logic implementation task group);
 - Providing advice to services for improvements in financial control and matters of governance;
 - Continuing to advise and support the Flood Grant application process, refining the evaluation criteria and assisting in the passing of suspicious looking applications through to Trading Standards;
 - Resolution of both grievance and complaint cases for Human Resources;
 - Ongoing Fighting Fraud presentations across the council, with 270 more officers attending in the first half of 2015/16.

Irregularity and Special investigations

22. A separate report will be presented to this Committee providing a full explanation of time spent on irregularity investigations in the six months to 30 September 2015.
23. Special investigations usually take place as a result of concerns being raised directly with Internal Audit by members or officers.

Corporate Support and Internal Management

24. During the six month period to 30 September 2015 Internal Audit has participated in a number of activities which are categorised for planning purposes as corporate support and internal management. This activity has included:
 - member support including attendance at meetings of this Committee and various Scrutiny Boards and sub-groups.
 - attendance at various Leadership meetings including regular participation in the Statutory Responsibilities Network and Continuous Improvement and Productivity Network
 - attendance at meetings of the Governance Panel; Strategic Risk Forum; Investment Panel; and, Information Risk Governance Board.
 - Attendance at Information Access Officers' meetings and dealing with Freedom of Information requests on behalf of the wider Policy and Performance Service
25. Internal Audit has also been actively involved in the development of Orbis, the business services partnership between East Sussex and Surrey County Councils. More than 1,400 staff from the two councils make up the Orbis workforce, providing a range of business support services, including Internal Audit, finance, human resources, IT and digital services, property, procurement and business operations.
26. At the heart of the business plan is a new operating model, based on collaboration between the two councils. This aims to take the best from each authority to exploit economies of scale and integrate management structures and business processes for more effective working. Through the effective integration of resources, Orbis aims to provide excellent customer service and deliver public value by building on its expertise, innovation and passion. Orbis aspires to be the compelling alternative for other public service partners and customers

TRAINING AND DEVELOPMENT:

27. The Public Sector Internal Audit Standards place a personal responsibility on each Internal Auditor to undertake a programme of continuing professional development. In practice training/development plans are discussed on an on-going basis as part of 1-2-1s with management and will be formally discussed/reviewed as part of mid year and year end appraisals.

28. Development/training may take many forms. Examples undertaken in the period include:
- Attendance at events organised by:
 - The London Audit Group
 - Counties Chief Auditors Network
 - Home Counties Chief Internal Auditors Network (HCCIAG)
 - SAP Specialist Interest Groups

CONCLUSION:

29. The Internal Audit Team has had a productive six months and there is evidence of real improvements being made across the council as a result of the management actions implemented in response to audit recommendations.

IMPLICATIONS:

30. There are no direct implications (relating to finance, equalities, risk management or value for money) arising from this report. Any such matters highlighted as part of the audit work referred to in this report, would be progressed through the agreed audit reporting policy.
31. Terms of Reference for all audit reviews include the requirement to specifically consider value for money; risk management; and, equalities and diversity.

WHAT HAPPENS NEXT:

32. A report will be presented on completed audits at future meetings of this Committee and the Chief Internal Auditor's Annual Report for 2015/16 will be presented to this Committee at the meeting planned for May 2016.

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Sources/background papers: 2015/16 Internal Audit plan

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