

Effectiveness of the System of Internal Audit 2015/2016

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 other 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 Strategy and Performance in the Deputy 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 external influences.
Internal Audit resource may not be focussed on key areas of risk	<p>The Internal Audit planning process is risk-based, which accords with the Public Sector Internal Audit Standards. Directorate/Service risk registers are used to inform the annual Audit Plan and again reliance has been placed on the assurance mapping exercise 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 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> <p>Intelligence is gathered from professional audit networks and from colleagues within Orbis to identify emerging risks on a national or local basis.</p>	<p>The audit planning process should ensure that audit resource is focused on the key areas of risk.</p> <p>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>

Annex B

<p>The Internal Audit team may not be sufficiently resourced/skilled</p>	<p>The Internal Audit team has an establishment of 12fte. The number of audit days in the 2015/16 Internal Audit plan is 2069 which is a small reduction on the previous year (2180).</p> <p>The Chief Internal Auditor, the two Audit Performance Managers and two of the Lead Auditors are CCAB qualified. Other members of the team hold other relevant qualifications (e.g. Accredited Counter Fraud Specialist). 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 2015/16 is in evidence with one member of the team passing the next stages of his ACCA professional qualification and another staff attending professional training events for computer auditing and the use of Idea software analysis.</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, including the recent appointment of a Lead Auditor in February 2016 and the recruitment to the vacant Auditor post in September 2015.</p>	<p>Net turnover of staff in the period has reduced since 2014/15, and ongoing use of agency resource has meant that resourcing levels were sufficient in 2015/16 to maintain 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>Management action in</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</p>	<p>There are appropriate controls in place to encourage timely</p>

<p>response to audit recommendations may not be timely/effective</p>	<p>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 an additional 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>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, 7 High Priority Recommendations were assessed as “Amber” more than a year after completion of the audit.</p>
<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 Scrutiny Board Chairman. All final Internal Audit reports are stored in an on-line library on S:Net 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. 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 Internal Audit team 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>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>

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