

Audit & Governance Committee
26 July 2018

**Internal Audit & Counter Fraud Annual Report and Opinion
2017-18**

SUMMARY AND PURPOSE:

This report summarises the work of Orbis Internal Audit and Counter Fraud ('Internal Audit') for the period 1 April 2017 to 31 March 2018, identifying the main themes arising from the audit reviews and the implications for the County Council. The Audit Manager reports key findings and agreed actions arising from audits undertaken as part of quarterly reports to this Committee.

A list of all audit reports issued in the period is attached at Appendix B for information. In response to member interest in the performance of Internal Audit, a summary of progress against Key Performance Indicators for the year is shown at Appendix A. The report also provides, at Appendix C, the summary of audit reports issued in the last quarter of 2017-18.

RECOMMENDATIONS:

The Audit & Governance Committee is asked to:

- (i) Note the work undertaken and the performance of Internal Audit in 2017-18 and the resultant annual opinion of the Chief Internal Auditor; and
- (ii) Determine whether there are any matters that the Committee wishes to draw to the attention of the relevant Select Committee.

BACKGROUND:

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 service carries out the work required to satisfy this legislative requirement and reports its findings and conclusions to management and to this Committee.
2. Best practice requires the Chief Internal Auditor to produce an annual report that:
 - (a) Provides an opinion on the overall adequacy and effectiveness of the organisation's control environment;
 - (b) Discloses any qualifications to that opinion, together with reasons for the qualification;
 - (c) Presents a summary of the key audit work from which the opinion is derived;
 - (d) Draws attention to any issues of particular relevance; and
 - (e) Compares the work actually undertaken to the work that was planned.

3. This report fulfils the requirements above and represents the Internal Audit Annual Report for 2017-18. This report informs the 2017/18 Annual Governance Statement and provides an overview of key findings arising from the audit reviews, and the implications for the County Council. Taking account of the issues described, the Committee will need to consider whether any matters should be referred to the Cabinet or to full Council.

INTRODUCTION:

4. Following the repositioning of Internal Audit back into the Finance community and the wider Orbis partnership, the service has progressed to become a fully integrated internal audit team with East Sussex County Council and Brighton & Hove City Council. At the heart of this cooperative function is an aspiration to be 'the compelling alternative' for other public sector partners and customers, providing excellent customer service and deliver public sector value by building on its expertise, innovation and passion.
5. During 2017/18 the Surrey County Council Internal Audit team has worked closely with the two partner internal audit teams to share best practice and align working practices, which has been facilitated by the procurement of a shared audit management system.
6. Collaborative working has led to changes in various aspects of Internal Audit practice and process, including revised audit report formats, revisions to the narrative of audit opinions, and more closely aligned committee reports between all partners. These have all been introduced and embedded over the last twelve months. Within the new structure there sits an Orbis Chief Internal Auditor, whilst Audit Managers have been appointed to the three sovereign authority teams and to the two specialist teams (ICT, and Counter Fraud).
7. During 2017/18 the Audit Manager has continued to undertake the following responsibilities within the council to complement the work of Internal Audit:
 - Member of the Investment Panel (which reviews business cases in advance of them being presented to the Cabinet for approval);
 - Member of the Governance Panel; and
 - Member of the Strategic Risk Forum.

The Chief Internal Auditor also undertakes additional responsibilities across all three partner organisations, but specifically at Surrey County Council to be:

- Member of the Tier 3 management group
 - Member of the Risk and Governance Board
8. The high profile of Internal Audit has been maintained in 2017/18 with the Audit and Governance Committee; Scrutiny Boards and senior management showing a strong interest in the actions taken by officers in response to audit findings. The on-line library means all elected members can access reports as the wish.

IMPLICATIONS:

9. Financial
Equalities
Risk management and value for money
10. 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 Reporting and Escalation Policy.

WHAT HAPPENS NEXT:

11. The Chief Internal Auditor and Audit Manager will continue to update members on the progress of issues within this report that have not been fully concluded.

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