



AUDIT & GOVERNANCE COMMITTEE 29 JULY 2019

Internal Audit & Counter Fraud Annual Report and Opinion 2018-19

SUMMARY AND PURPOSE:

The purpose of this report is to give an opinion on the adequacy of Surrey County Council's control environment as a contribution to the proper, economic, efficient and effective use of resources. The report covers the audit work completed in the year from 1 April 2018 to 31 March 2019 in accordance with the Internal Audit Strategy for 2018/19.

RECOMMENDATIONS:

Members are asked to:

- (i) Note the work undertaken and the performance of Internal Audit in 2018-19 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 Cabinet or full Council;
- (iii) Consider whether the Council's arrangements for internal audit have proved effective during 2018/19.

BACKGROUND:

1. All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The latter states that authorities 'must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'. Annually, the Chief Internal Auditor is required to provide an overall opinion on the Council's internal control environment, risk management arrangements and governance framework to support the Annual Governance Statement.
2. It is a management responsibility to establish and maintain internal control systems and to ensure that resources are properly applied, risks appropriately managed and outcomes achieved.
3. No assurance can ever be absolute; however, based on the internal audit work completed, the Chief Internal Auditor can provide partial assurance that Surrey County Council has in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2018 to 31 March 2019.
4. This opinion, and the evidence that underpins it, is further explained in the full Internal Audit Service's Annual Report and Opinion which forms Annex 1 of this report. The report highlights:
 - Key issues for the year, including a summary of all audit opinions provided;
 - Progress on implementation of high risk recommendations;
 - Key financial systems;
 - Other internal audit activity;
 - Anti-fraud and corruption.

5. A summary of the major findings from audit reviews completed during Quarter 4 of 2018/19 is included in Annex 2 (major findings from previous quarters have already been reported).
6. Finally, Section 6 of the annual report sets out details of internal audit performance for the year, including details of compliance against the relevant professional standards.

INTRODUCTION:

7. 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.
8. During 2018/19 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 implementation of a shared audit management system.
9. 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 further embedded over the last twelve months. Within the 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).
10. During 2018/19 the Audit Manager has continued to undertake the following responsibilities within the Council to complement the work of Internal Audit:
 - Member of the Governance Panel; and
 - Member of the Risk Network.

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

- Member of the Tier 3 management group; and
- Member of the Risk and Governance Board.

IMPLICATIONS:

11. Financial, Equalities, Risk management and value for money.
12. 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.

REPORT AUTHORS: Russell Banks, Chief Internal Auditor
David John, Audit Manager

CONTACT DETAILS: Tel: 01273 481447 or email: Russell.Banks@eastsussex.gov.uk

Tel: 0208 541 7762 or email: david.john@surreycc.gov.uk

This page is intentionally left blank