

## Agenda Item 5

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<b>Date</b>	26 November 2015

<b>Subject</b>	Internal Audit Progress Report: November 2015
<b><u>RECOMMENDATIONS</u></b>	
1.1	That the Committee notes the progress against the 2014/15 and 2015/16 Audit Plans as detailed in the attached appendix.

<b><u>SUMMARY</u></b>	
2.1	This is the latest progress report for the 2014/15 and 2015/16 programme of audit reviews. The purpose of the report is to update Members on progress against the audit plan and report the outcome of finalised audit reviews to date.

### **BACKGROUND**

- 3.1 Internal Audit is a statutory requirement in local government as defined in the Local Government Act 1972. The Accounts and Audit Regulations 2011 (Regulation 6) require the Council to "maintain an adequate and effective internal audit of its accounting records and of its system of internal control".
- 3.2 The Council has delegated this responsibility to the Deputy Chief Executive (and Section 151 Officer) and appointed RSM UK (formerly Baker Tilly) as its Internal Auditor through a joint contract with neighbouring Local Authorities (Reigate & Banstead BC, Epsom & Ewell BC and Tandridge DC).

### **REVIEWS COMPLETED**

- 4.1 RSM UK's Progress Report for 2014/15 and 2015/16 is attached as Annex A. The previous progress report was provided to the March meeting of the Audit Committee. This report therefore covers the final reports in 2014/15 and the first reports for 2015/16.
- 4.2 The Audit "opinion" following each investigation undertaken by RSM UK is categorised in traffic light fashion as follows . . .

GREEN – substantial assurance can be taken that the controls are suitably designed, consistently applied and effective;

AMBER/GREEN – reasonable assurance can be taken that the controls are suitably designed, consistently applied and effective;

AMBER/RED – some assurance can be taken that the controls are suitably designed, consistently applied and effective but action needs to be taken to manage the risk;

RED – no assurance can be taken that the controls are suitably designed, consistently applied and effective; action needs to be taken to ensure this risk is managed.

- 4.3 Nine reports have been finalised since the previous report to the Audit Committee in March. Of the nine “traffic light” opinions delivered by RSM UK, five are GREEN and 4 are AMBER/GREEN. The main findings, recommendations and management actions for each review are set out in the attached pages.

Reviews Pending

- 4.4 The last two reviews in the 2014/15 programme remain outstanding. These relate to (i) Payroll and (ii) the Follow Up review on earlier recommendations. RSM UK have produced draft reports in each case and are awaiting the management response to the proposed actions. These have been prepared since the publication of this progress report and the details will feature in the Committee’s next progress update.

**CORPORATE IMPLICATIONS**

- 5.1 **Monitoring Officer commentary** – No legal implications contained within the report.
- 5.2 **Statement of the s151 Officer : Financial Implications** - There are no direct financial implications arising from this report.
- 5.3 **Risk Implications** – Delivery of the Internal Audit Strategy is based upon an analysis of:
- Risk based coverage such as Risk Management, Corporate Governance Reviews and Information Technology (IT) Systems in the Council.
  - Addressing specific key risk areas in the Plan
  - Follow-up review and management of the Audit Plan
- 5.4 **Equalities Implications** – None contained within the report.
- 5.5 **Employment Issues** – None contained within the report.
- 5.6 **Sustainability Issues** – None contained within the report.
- 5.7 **Consultation** – None contained within the report.