

# Audit Committee

26 July 2018



<b>Title</b>	Annual Internal Audit Summary 2017/18		
<b>Purpose of the report</b>	To note		
<b>Report Author</b>	Internal Audit Manager, Punita Talwar		
<b>Cabinet Member</b>	Councillor Howard Williams	<b>Confidential</b>	No
<b>Corporate Priority</b>	Financial Sustainability		
<b>Recommendations</b>	The Audit Committee notes the Annual Internal Audit Summary Report for 2017/18.		
<b>Reason for Recommendation</b>	<b>Not Applicable</b>		

## 1. Key issues

- 1.1 *“Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”* (Definition of Internal Auditing - Public Sector Internal Audit Standards)
- 1.2 Appendix 1 summarises Internal Audit reviews carried out in 2017/18, including assignments undertaken in April 18 which also relate to this period. Progress on implementation of audit recommendations together with the direction of travel is provided. Details of other work undertaken by the team is outlined. Audit reports were issued during the year to Group Heads and relevant managers, as well as Management Team, and these included recommendations aimed at reducing risks and strengthening internal controls.
- 1.3 In addition to the reviews carried out, Internal Audit assists the organisation in achieving its objectives through other aspects of its work at Spelthorne:
  - (a) Advice provided to services and corporate groups on various risk and control issues
  - (b) Management of counter fraud initiatives
  - (c) Supporting corporate governance arrangements
  - (d) Suspected fraud Investigations

- (e) Corporate Risk Management – see separate risk report. Audit provides advice to Management Team, Corporate Risk Management Group (CRMG) and co-ordinates the Council's Corporate Risk Register.

1.4 A progress report was submitted to the Audit Committee in October 2017 detailing work undertaken from April to September 2017. A significant period of sickness absence within the team during 2017/18 required some reprioritising of the Internal Audit plan. Some contracted resource was commissioned to deliver priority audit assignments.

1.5 The Internal Audit Managers opinion on the Council's control environment for 2017/18 (as prepared in May 2018) is as follows:

*Whilst the overall opinion is that the Council's internal control environment is generally adequate, significant shortcomings identified by Internal Audit need to be highlighted. In the majority of cases Management have agreed to address, or accept the associated risks of not doing so. We consider the following represents the key themes and issues arising from Internal Audit's work:*

- *The Authority should be much closer to being compliant with significant legislation than it is (such as GDPR). It is, therefore, vital that efforts to implement the new GDPR regulations are increased immediately and the necessary resources to enable this to happen are made available. An Information Governance Officer was appointed in 2017 and represents the subject matter expert in leading progress. Going forward, the authority needs to plan more effectively for preparedness and implementation of significant legislation (including resource planning and application of corporate project processes) which links to the point below. Recent developments include preparation of a data protection compliance plan to assist services and persual of additional resource to support the Data Protection (IG) Officer;*
- *Consistent application of robust Project Governance arrangements are required to contribute to the likely success of projects whilst reducing potential risks of delays and overspend. Effective governance should incorporate the necessary structures and processes to support key decisions and approvals, promote the need for robust project plans, monitor progress of the project against pre-determined plans and milestones, and include regular effective reporting to the appropriate monitoring board/committee. Recent amendments to project documentation are intended to assist project monitoring going forward and the review continues;*
- *Effective reconciliation exercises between key financial systems represent a fundamental financial control and need to be carried out regularly to enable prompt identification and investigation of discrepancies, errors and potential fraud. Adequate staff contingency arrangements need to be built into the process. This has been acknowledged by the Accountancy team with additional resource now in place to support such tasks.*
- *As System Administrators also have operational and processing roles within the associated service area, this lack of segregation of duties (between operations and administration) increases associated risks of*

*fraud or error. This is a longstanding issue and will be considered further as part of the review of the ICT function.*

- *A recurring theme across some service areas is resourcing (constraints) often combined with weak resilience arrangements. These are often highlighted as reasons for controls and governance processes being compromised. This will be one of the issues considered as part of the root and branch service reviews being undertaken in 2018/19. Additional growth was built into the 2018-19 budget to provide additional resources in HR, Accountancy, Legal and Property.*

*Issues with a significant level of risk attached have been transferred into the Council's Corporate Risk Register for regular monitoring by Management Team, Cabinet and the Audit Committee.*

The above issues are also referred to in the Council's Annual Governance Statement.

## **2. Options analysis and proposal**

- 2.1 There are no options.
- 2.2 Implementation of audit recommendations will reduce risks for the authority which is acknowledged by the Councils Management Team.
- 2.3 Failure to undertake internal audit work to the required professional standards would lessen the Council's assurance that effective control systems are in place and could result in an increase in the Council's annual external audit fee.

## **3. Financial implications**

- 3.1 The Corporate fraud returns collated by the Internal Audit Manager demonstrate the significant cumulative financial returns/savings achieved. From January 2015 to March 2018, savings to the public purse exceed £1.5m with quantifiable cashable savings for Spelthorne amounting to £327k. Specifically for the 2017/18 period, the overall savings to the public purse equated to £676,805 with cashable savings for Spelthorne amounting to £92,603.

## **4. Other considerations**

- 4.1 There are none.

## **5. Timetable for implementation**

- 5.1 Not applicable.

## **Background papers:**

**Appendices: Appendix 1 – Summary of Internal Audit Work for the year 1 April 2017 – 31 March 2018**