

## Agenda Item 5

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<b>Date</b>	31st May 2018

<b>Subject</b>	Internal Audit (RSM UK) Progress Report and Annual Report 2017/18
<b><u>RECOMMENDATIONS</u></b>	
That the Committee:	
<ul style="list-style-type: none"> <li>(i) Notes the progress against the 2017/18 Internal Audit Plan</li> <li>(ii) Notes the content of the 2017/18 Internal Audit Annual Report</li> </ul>	
<b>Executive Summary</b>	
<p>This report combines the latest updates and plans from our Internal Auditors, RSM UK. It comprises the final progress update from the 2017/18 programme of reviews and the Annual Report 2017/18. There are two annexes:</p> <p>Annex A: RSM Progress Report (May 2018) Annex B: RSM Annual Report 2017/18</p>	
<b>Corporate Priorities</b>	
<p>The Internal Audit Annual Plan is based on an analysis of MVDC corporate objectives, risk profile and assurance framework as well as other, factors affecting Mole Valley District Council.</p>	
<b>The Committee has the authority to determine the Recommendations</b>	

### 1.0 BACKGROUND

- 1.1 Internal Audit is a statutory requirement in local government as defined in the Local Government Act 1972. The Accounts and Audit Regulations 2015 (Regulation 5) require the Council to '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'.

- 1.2 The Council has delegated this responsibility to the Deputy Chief Executive (and Section 151 Officer) and appointed RSM UK as its Internal Auditor through a joint contract with neighbouring Local Authorities (Reigate & Banstead BC, Epsom & Ewell BC and Tandridge DC).

## **2.0 PROGRESS ON 2017/18 REVIEWS**

- 2.1 RSM UK's latest Progress Report for 2017/18 is attached as Annex A. The previous progress report was provided to the March 2018 meeting of the Audit Committee.

- 2.2 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 – partial 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.

- 2.3 There are four reports that have been finalised since the previous report to the Audit Committee. The assurance levels are as follows:

- Green (Substantial) : Asset Investment, Payroll
- Amber/green (Reasonable) : Community Grants
- Amber/red (Partial) : Southern Building Control Partnership

The main findings, recommendations and management actions for each review are set out in Annex A.

## **3.0 2017/18 ANNUAL REPORT**

- 3.1 Annex B contains the Internal Auditor's Annual Report for 2017/18. The purpose of the report is to summarise, for Members of the Audit Committee, the overall 2017/18 programme and progress against the audit plan.

- 3.2 16 reviews were completed during 2017/18 of which the traffic light opinions were 8 green, 5 amber/green and 2 amber/red. One report was advisory. Further detail is included in Annex B.

- 3.3 The Annual Report contains an overall opinion on the authority's framework for risk management and governance, based on the work carried out during the year:-

#### **Head of internal audit opinion 2017/18**

The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.

- 3.4 The RSM UK methodology allows for a range of four possible opinions. This one represents the second most satisfactory. In traffic light terms, it is equivalent to amber/green and is the same as the previous year's opinion.
- 3.5 The opinion is informed by the outcome of the reviews undertaken during the year as well as the assessment of the implementation of audit recommendations.

#### **4.0 Financial Implications**

- 4.1 The s151 Officer confirms that all relevant financial risks and implications have been outlined in the report.

#### **5.0 Legal Implications**

- 5.1 Under the Accounts and Audit Regulations 2015 the Council is required to ensure that it has a sound system of internal control which: (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives; (b) ensures that the financial and operational management of the authority is effective; and (c) includes effective arrangements for the management of risk. The Council must undertake an effective internal audit for these purposes and, in each financial year, conduct a review of the effectiveness of its system of internal control.

#### **6.0 CORPORATE IMPLICATIONS**

##### **Monitoring Officer commentary**

- 6.1 The legal implications have been considered in the report but there are no legal implications arising as a direct result of this report

##### **Statement of the s151 Officer**

- 6.2 The s151 Officer confirms that all relevant financial risks and implications have been considered in this report.

##### **Risk Implications**

- 6.3 Delivery of the Internal Audit Strategy is based upon an analysis of:

- Risk based coverage such as risk management and corporate governance reviews
- Addressing specific key risk areas in the plan
- Follow-up review and management of the audit plan

#### **Equalities Implications**

6.4 None contained within the report.

#### **Employment Issues**

6.5 None contained within the report.

#### **Sustainability Issues**

6.6 None contained within the report.

#### **Consultation**

6.7 None contained within the report.