



MOLE VALLEY DISTRICT COUNCIL

Annual Internal Audit Report 2017/2018

May 2018

This report is solely for the use of the persons to whom it is addressed.
To the fullest extent permitted by law, RSM Risk Assurance Services LLP
will accept no responsibility or liability in respect of this report to any other party.





CONTENTS

1 The head of internal audit opinion.....	2
2 The basis of our internal audit opinion	5
3 Our performance	6
Appendix A: Annual opinions	8
Appendix B: Summary of internal audit work completed 2017/2018	9
For further information contact	12

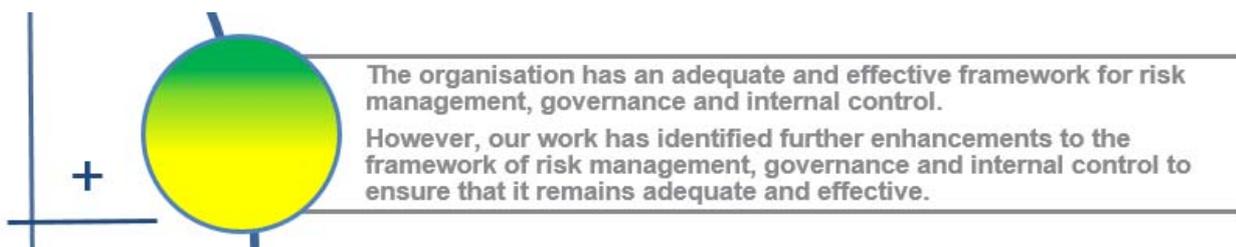
1 THE HEAD OF INTERNAL AUDIT OPINION

In accordance with Public Sector Internal Audit Standards, the head of internal audit is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes. The opinion should contribute to the organisation's annual governance statement.

1.1 The opinion

For the 12 months ended 31 March 2018, the head of internal audit opinion for Mole Valley District Council is as follows:

Head of internal audit opinion 2017/18



Please see appendix A for the full range of annual opinions available to us in preparing this report and opinion.

1.2 Scope and limitations of our work

The formation of our opinion is achieved through a risk-based plan of work, agreed with management and approved by the audit committee, our opinion is subject to inherent limitations, as detailed below:

- The opinion does not imply that internal audit has reviewed all risks and assurances relating to the organisation;
- The opinion is substantially derived from the conduct of risk-based plans generated from a robust and organisation-led assurance framework. As such, the assurance framework is one component that the Council takes into account in making its annual governance statement (AGS);
- The opinion is based on the findings and conclusions from the work undertaken, the scope of which has been agreed with management;
- The opinion is based on the testing we have undertaken, which was limited to the area being audited, as detailed in the agreed audit scope;
- Where strong levels of control have been identified, there are still instances where these may not always be effective. This may be due to human error, incorrect management judgement, management override, controls being by-passed or a reduction in compliance;

- Due to the limited scope of our audits, there may be weaknesses in the control system which we are not aware of, or which were not brought to attention; and
- It remains management's responsibility to develop and maintain a sound system of risk management, internal control and governance, and for the prevention and detection of material errors, loss or fraud. The work of internal audit should not be seen as a substitute for management responsibility around the design and effective operation of these systems.

1.3 Factors and findings which have informed our opinion

Based on the work undertaken up until 31 March 2018, there is generally a sound system of internal control, designed to meet the District Council's objectives, and controls are generally being applied consistently. We have provided either a substantial or reasonable level of assurance in the majority of areas reviewed.

As noted above, we have given either reasonable or substantial assurance to the following reports in the period:

- Planning and Development (Reasonable)
- Financial Management (Substantial)
- Local Plan (Reasonable)
- Revenues (Reasonable)
- Benefits (Substantial)
- Data Quality (Reasonable)
- Complaints (Substantial)
- Main Accounting (Substantial)
- Corporate Governance (Substantial)
- Risk Management (Substantial)
- Community Grants (Reasonable)
- Payroll (Substantial)
- Commercial Property Acquisition (Substantial)
-

However, we have issued 'partial assurance' opinions in the following two areas:

Casual Payments and Members Expenses:

We sampled on-line input payments from five sources and found control weaknesses in two of the five selected (Parking and Dorking Halls). We raised five 'Medium' and one 'Low' priority management actions with regards to the design and application with the control framework, full details of which were included in the specific assignment report.

Southern Building Control Partnership:

In the autumn of 2016 Mole Valley DC (MV), Reigate and Banstead BC (RBBC) and Tandridge DC (TDC) approved the creation of a building control shared service; Southern Building Control Partnership (SBCP). An Inter Authority Agreement (IAA) setting out the arrangements governing the partnership was signed by the three partners. The partnership was launched in June 2017 and from that date TDC has exercised building control functions on behalf of the three Councils.

The key finding from this review was that the first six months of operations have been hampered by software issues which have reduced assurances that income has been accurately and promptly recovered. The control issues experienced were reported to the governance board in January 2018, together with a risk register highlighting actions taken and those planned to mitigate further risks arising.

We were assured therefore that the issues faced are well understood by the SBCP management team and that the difficulties faced in the first six months of operations were being actively addressed. We raised one 'High', four 'Medium' and two 'Low' priority management actions with regards to the design and application with the control framework, full details of which were included in the specific assignment report.

Additionally, we have issued two advisory reports in relation to Disabled Facilities Grants and Contract Management (Draft). Detailed action plans are in place with remedial actions assigned to relevant members of the respective management teams to resolve any issues identified.

A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

1.4 Topics judged relevant for consideration as part of the annual governance statement

There are no areas that we are aware of through our work or from wider sector knowledge that have impacted your AGS.

2 THE BASIS OF OUR INTERNAL AUDIT OPINION

As well as those headlines discussed at paragraph 1.3, the following areas have helped to inform our opinion. A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

2.1 Acceptance of internal audit management actions

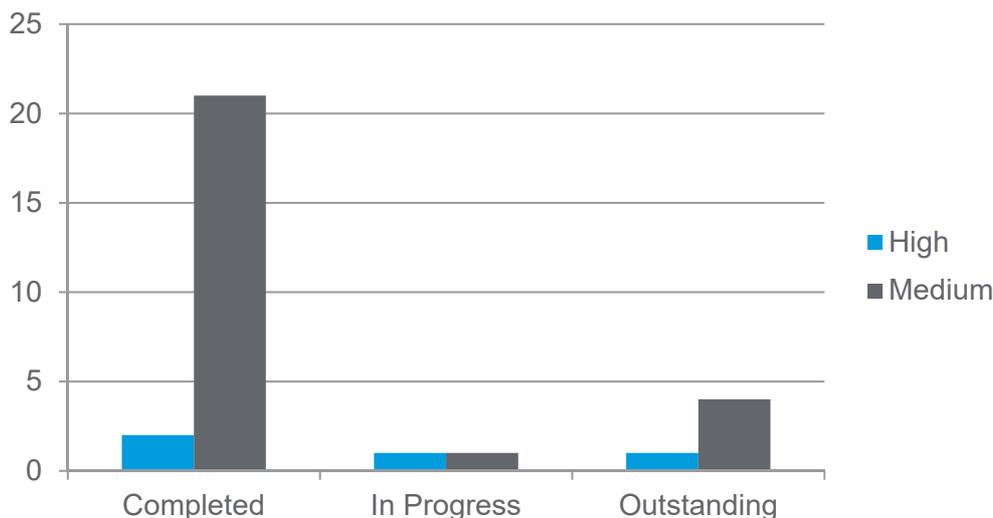
Management have agreed actions to address all of the findings reported by the internal audit service during 2017/2018.

2.2 Implementation of internal audit management actions

Where actions have been agreed by management, these have been monitored by management through the action tracking process in place. During the year progress has been reported to the audit committee, with the validation of the action status confirmed by internal audit on a rolling basis through reporting to management.

Our follow up of the actions agreed to address previous years' internal audit findings shows that the organisation had made good progress in implementing the agreed actions.

Of the five outstanding actions and two in progress, we note that three relate to asset management and are dependent on the roll out of the corporate landlord model, one relates to car parking which we will be reviewing as part of our 2018/19 internal audit plan, one relates to revenues and has been delayed owing to staff resourcing issues and two relate to procurement where we are awaiting a further update on progress.



2.3 Working with other assurance providers

In forming our opinion we have not placed any direct reliance on other assurance providers.

3 OUR PERFORMANCE

3.1 Wider value adding delivery

In the last year we have:

- highlighted actions for management throughout our audit reports based on our knowledge and experience in the local government sector to provide areas for consideration;
- provided regular contact and ad-hoc telephone calls and responded to queries from senior staff throughout the year.

3.2 Conflicts of interest

RSM has not undertaken any work or activity during 2017/2018 that would lead us to declare any conflict of interest.

3.3 Conformance with internal auditing standards

RSM affirms that our internal audit services are designed to conform to the Public Sector Internal Audit Standards (PSIAS).

Under PSIAS, internal audit services are required to have an external quality assessment every five years. Our risk assurance service line commissioned an external independent review of our internal audit services in 2016 to provide assurance whether our approach meets the requirements of the International Professional Practices Framework (IPPF) published by the Global Institute of Internal Auditors (IIA) on which PSIAS is based.

The external review concluded that ““there is a robust approach to the annual and assignment planning processes and the documentation reviewed was thorough in both terms of reports provided to audit committee and the supporting working papers.” RSM was found to have an excellent level of conformance with the IIA’s professional standards.

The risk assurance service line has in place a quality assurance and improvement programme to ensure continuous improvement of our internal audit services. Resulting from the programme, there are no areas which we believe warrant flagging to your attention as impacting on the quality of the service we provide to you.

3.4 Quality assurance and continual improvement

To ensure that RSM remains compliant with the PSIAS framework we have a dedicated internal Quality Assurance Team who undertake a programme of reviews to ensure the quality of our audit assignments. This is applicable to all Heads of Internal Audit, where a sample of their clients will be reviewed. Any findings from these reviews are used to inform the training needs of our audit teams.

This is in addition to any feedback we receive from our post assignment surveys, client feedback, appraisal processes and training needs assessments.

3.5 Performance indicators

A number of performance indicators were agreed with the audit committee through our 2017/18 internal audit plan and through the original contract. Our performance against those indicators is as follows:

Delivery				Quality			
	Target	Actual	Notes (ref)		Target	Actual	Notes (ref)
Audits commenced in line with original timescales	Yes	No	1	Conformance with PSIAS	Yes	Yes	
Draft reports issued within 10 working days of debrief meeting	100%	92%	2	Liaison with external audit to allow, where appropriate and required, the external auditor to place reliance on the work of internal audit.	Yes	Yes	
Management responses received within 5 working days of draft report	100%	58%	3	% of staff with CCAB/CMIIA qualifications	>50%	>50%	
Final report issued within 3 working days of management response	100%	92%		Turnover rate of staff	<10%	<10%	
% audit reports presented to agreed Audit Committee meetings	100%	100%		Respond to general enquiries for assistance within two working days	100%	100%	
% of High & Medium actions followed up	100%	100%		Respond to emergencies or notifications of potential fraud within one working day	N/A	N/a	

Notes

1 – Any changes were at the request of Council management

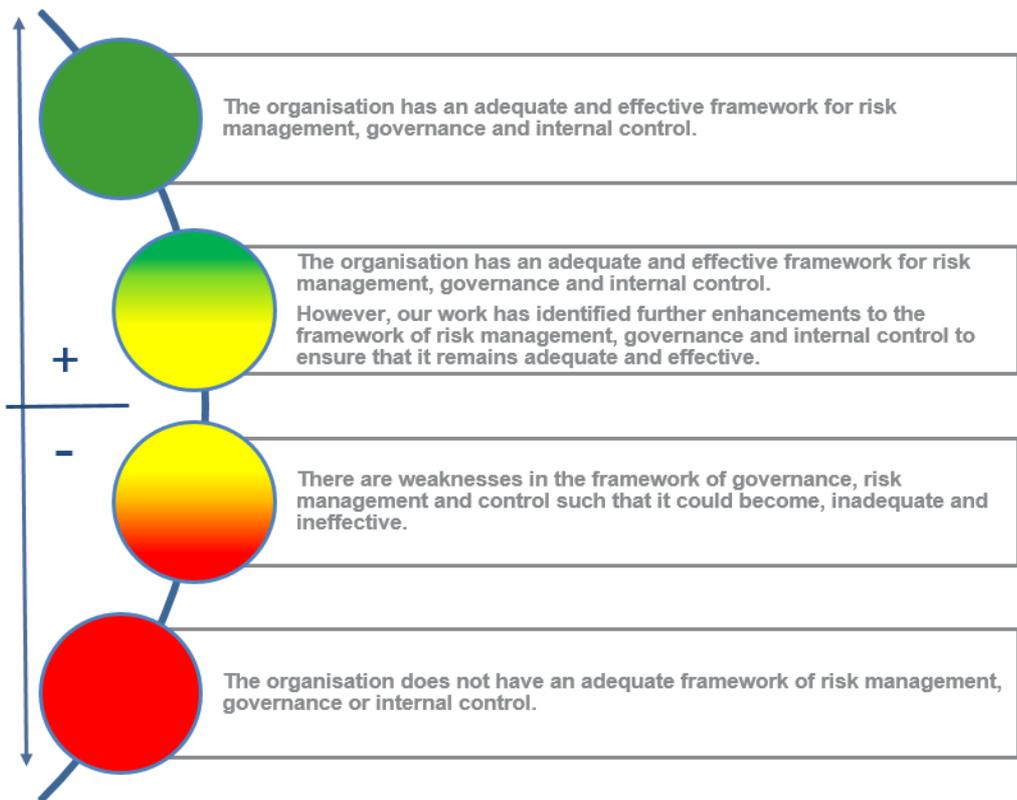
2 – 10 working days is the RSM target per the client care standards, the contractual target is 20 working days.

3 – Whilst not all responses have been received within the target timescales, we have in all instances received responses in time to report to the next Audit Committee meeting.

APPENDIX A: ANNUAL OPINIONS

The following shows the full range of opinions available to us within our internal audit methodology to provide you with context regarding your annual internal audit opinion.

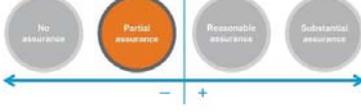
Annual opinions	Factors influencing our opinion
-----------------	---------------------------------

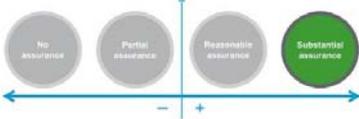
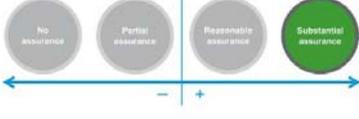
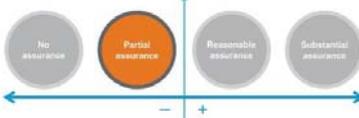


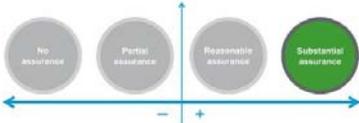
The factors which are considered when influencing our opinion are:

- inherent risk in the area being audited;
- limitations in the individual audit assignments;
- the adequacy and effectiveness of the risk management and / or governance control framework;
- the impact of weakness identified;
- the level of risk exposure; and
- the response to management actions raised and timeliness of actions taken.

APPENDIX B: SUMMARY OF INTERNAL AUDIT WORK COMPLETED 2017/2018

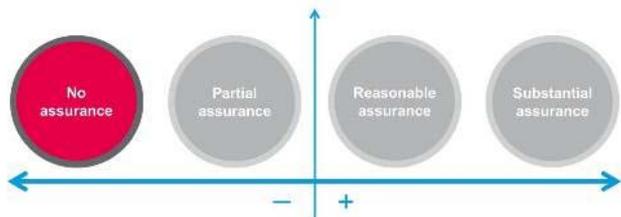
Assignment	Executive lead	Assurance level	Actions agreed		
			H	M	L
Planning and Development	Phil Mitchell, Financial Services Manager Gary Rhoades-Brown, Development Manager	Reasonable Assurance 	0	2	0
Financial Management	Phil Mitchell, Financial Services Manager	Substantial Assurance 	0	0	0
Local Plan	Guy Davies, Planning Policy Manager	Reasonable Assurance 	0	1	1
Casual Payments and Member Expenses	Sue Scott, Transactional HR & Systems Development Manager	Partial Assurance 	0	5	1
Revenues	Liz Huish, Revenues Manager	Reasonable Assurance 	0	2	1
Benefits	Rob Boxall, Benefits Manager	Substantial Assurance 	0	1	0
Data Quality	Jane Nottage, Policy and Performance Manager	Reasonable Assurance 	0	1	4

Assignment	Executive lead	Assurance level	Actions agreed		
			H	M	L
Complaints	Louise Bircher, Customer Care Manager	Substantial Assurance 	0	0	1
Main Accounting	Simon Kay, Chief Accountant	Substantial Assurance 	0	0	1
Disabled Facilities Grants	David Hine, Strategic Partnership Manager	Advisory	2	4	3
Corporate Governance	Candida Goulden, Senior Policy and Performance Officer	Substantial Assurance 	0	1	2
Risk Management	Jane Nottage, Risk Management and Performance Manager	Substantial Assurance 	0	1	1
Southern Building Control Partnership	Jack Straw, Chief Planning Officer	Partial Assurance 	1	4	2
Community Grants	Stella Keen, Community Safety Manager (Interim)	Reasonable Assurance 	0	2	1
Payroll	Phil Mitchell, Financial Services Manager	Substantial Assurance 	0	2	2
Contract Management Review (Draft)	Emma Day, Investment and Regeneration Manager	N/a - Advisory	6 ungraded		

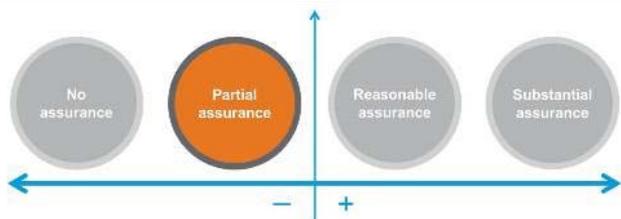
Assignment	Executive lead	Assurance level	Actions agreed		
			H	M	L
Commercial Property Acquisitions	Emma Day, Investment and Regeneration Manager	Substantial Assurance 	0	0	0

All of the assurance levels and outcomes provided above should be considered in the context of the scope, and the limitations of scope, set out in the individual Assignment Reports.

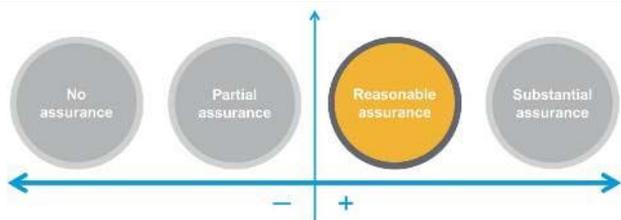
We use the following levels of opinion classification within our internal audit reports. Reflecting the level of assurance the board can take:



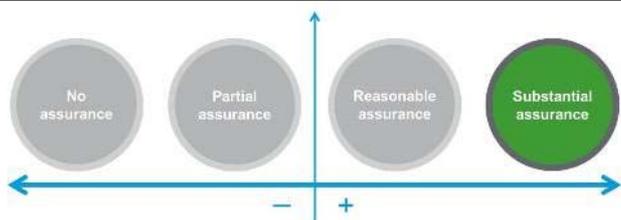
Taking account of the issues identified, the board cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective. Urgent action is needed to strengthen the control framework to manage the identified risk(s).



Taking account of the issues identified, the board can take partial assurance that the controls to manage this risk are suitably designed and consistently applied. Action is needed to strengthen the control framework to manage the identified risk(s).



Taking account of the issues identified, the board can take reasonable assurance that the controls in place to manage this risk are suitably designed and consistently applied. However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified risk(s).



Taking account of the issues identified, the board can take substantial assurance that the controls upon which the organisation relies to manage the identified risk(s) are suitably designed, consistently applied and operating effectively.

FOR FURTHER INFORMATION CONTACT

Mike Cheetham

Mike.cheetham@rsmuk.com

07800617204

Lorna Raynes

Lorna.raynes@rsmuk.com

07972004175

rsmuk.com

As a practising member firm of the Institute of Chartered Accountants in England and Wales (ICAEW), we are subject to its ethical and other professional requirements which are detailed at <http://www.icaew.com/en/members/regulations-standards-and-guidance>.

The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

Our report is prepared solely for the confidential use of Mole Valley District Council, and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to you on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

RSM Risk Assurance Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.