



MOLE VALLEY DISTRICT COUNCIL

Annual internal audit report 2015/2016

April 2016



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1 THE ANNUAL INTERNAL AUDIT OPINION

This report provides an annual internal audit 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 2016, the head of internal audit opinion for Mole Valley District Council is as follows:

Head of internal audit opinion 2015/2016

The organisation has an adequate and effective framework for risk management and governance.

However, our work has identified further enhancements to the framework of internal control to ensure that it remains adequate and effective.

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

1.2 Scope 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, which should provide a reasonable level of assurance, subject to the inherent limitations described 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 board takes into account in making its annual governance statement (AGS).

1.3 Factors and findings which have informed our opinion

We have reported on 14 audits completed in year. This has resulted in the following opinions:

- 1 advisory audit – no formal opinion provided;
- 5 substantial assurance;
- 7 reasonable assurance;
- for the remaining report we gave no assurance: this related to the Payment Care Industry Standards compliance audit requested by management. This report remains in draft.

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 issues that we consider relevant for inclusion in the Council's Annual Governance Statement.

Whilst we were unable to provide assurance as to the adequacy of the control framework for the PCI compliance, we are aware that management action has been taking place to address exposure to the risks identified.

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 recommendations

Whilst five reports remain in draft, management have agreed actions to address the findings reported by the internal audit service during 2015/2016 either through the agreement of final reports or based on feedback in respect of draft reports.

2.2 Implementation of internal audit recommendations

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

From the detail below it can be seen that there are 3 high rated actions not yet implemented, relating to procurement and housing adaptations, with a further 14 medium rated actions outstanding also relating to procurement, as well as payroll.

Implementation status by review	Number of actions agreed	Status of management actions			
		Implemented	Implementation ongoing	Not implemented	Superseded
Newdigate Housing Nominations	4	4	-	-	-
Car Parking Income	2	2	-	-	-
Telecare	3	3	-	-	-
Property Maintenance	5	3	2	-	-
Creditors	1	1	-	-	-
Medium Term Financial Planning	1	1	-	-	-
Procurement	7	2	4	1	-
Planning enforcement	1	1	-	-	-
Payroll	3	-	-	3	-
Follow up	18	5	1	6	6
Total	45	22	7	10	6

Implementation status by management action priority	Number of actions agreed	Status of management actions			
		Implemented (1)	Implementation ongoing (2)	Not implemented (3)	Superseded (4)
High	4	-	2	1	1
Medium	41	22	5	9	5
Total	45	22	7	10	6

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 year we have:

- issued 8 local authority news bulletins;
- provided benchmarking within our reports on the number and category of recommendations and assurance opinions across other organisations where appropriate;
- highlighted actions for management throughout our audit reports based on our knowledge and experience in the local government sector to provide areas for consideration;
- used specialists to undertake a review of your project and contract management approach;
- used a specialist to review your compliance with the Payment Card Industry standards;
- 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 2015/2016 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 International Standards for the Professional Practice of Internal Auditing (the Standards).

Under the Standards, 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 2011 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).

The external review concluded that “the design and implementation of systems for the delivery of internal audit provides substantial assurance that the standards established by the IIA in the IPPF will be delivered in an adequate and effective manner”. Work is in hand to arrange our next review.

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 Feedback

We have not received any responses to the post assignment surveys issued to management.

3.5 Performance indicators

A number of performance indicators were agreed with the audit committee. 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	Yes	1	Conformance with IIA standards	Yes	Yes	
Draft reports issued within 10 days of debrief meeting	100%	60%	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	
Final report issued within 3 days of management response	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	100%	None received.	

Notes

- 1 – Some changes to the timetable were requested by management
- 2 – We achieved 80% compliance against the 20 day contractual requirement.

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

The organisation has an adequate and effective framework for risk management, governance and internal control.

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.

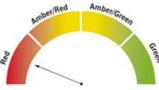
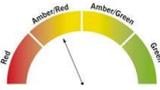
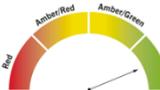
There are weaknesses in the framework of governance, risk management and control such that it could be, or could become, inadequate and ineffective.

The organisation does not have an adequate framework of risk management, governance or internal control.

APPENDIX B: SUMMARY OF INTERNAL AUDIT WORK COMPLETED 2015/2016

Assignment	Assurance level	Actions agreed		
		H	M	L
Information Governance (1.15/16)	Reasonable	-	-	5
Compliance with Section 106 requirements (2.15/16)	Reasonable	1	1	1
Financial Management (3.15/16)	Substantial	-	-	-
Disabled Facilities Grant (4.15/16)	Reasonable	-	3	-
PCI Compliance (5.15/16) DRAFT	None	5	3	1
Payroll (6.15/16)	Reasonable	-	3	1
Main Accounting (7.15/16)	Reasonable	-	2	-
Revenues (8.15/16)	Substantial	-	-	1
Capital Accounting (9.15/16)	Reasonable	-	2	-
Governance (10.15/16)	Substantial	-	-	2
Housing Benefits and Council Tax Support (11.15/16)	Substantial	-	-	3
Capital Projects – achievement of business case benefits (12.15/16) DRAFT	Advisory	-	2	-
Risk Management (13.15/16)	Substantial	-	-	2
Health and Safety (14.15/16)	Reasonable	-	2	2
		6	18	18

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

None	Partial	Reasonable	Substantial
 <p>Taking account of the issues identified, the Council 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).</p>	 <p>Taking account of the issues identified, the Council 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).</p>	 <p>Taking account of the issues identified, the Council 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).</p>	 <p>Taking account of the issues identified, the Council 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.</p>

FOR FURTHER INFORMATION CONTACT

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