



MOLE VALLEY DISTRICT COUNCIL

Internal Audit Progress Report

Audit Committee presented to

29 June 2017

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1 INTRODUCTION

The internal audit plan for 2016/17 was approved by the Audit Committee in 17 March 2016. This report provides a summary update on progress against that plan and summarises the results of our work to date.

2 REPORTS CONSIDERED AT THIS AUDIT COMMITTEE

We have finalised the following reports since the last meeting of the Audit Committee:

Assignments	Opinion issued	Actions agreed		
		H	M	L
Payroll (10.16/17)	Substantial	-	1	-
Housing Allocations and Homelessness (12.16/17)	Substantial	-	-	-
Corporate Governance (15.16/17)	Substantial	-	-	-
Risk Management (17.16/17)	Substantial	-	1	1

The Executive Summaries and Key Findings of the assignments are attached to this progress report.

3 LOOKING AHEAD

Assignment area	Timing per approved IA plan 2016/17	Approved revised timescale	Status
Creditors (9.16/17)	December 2016	-	Draft report issued 25 January 2017
Treasury Management (11.16/17)	September 2016	-	Draft report issued 7 February 2017
Benefits (13.16/17)	September 2016	-	Draft report issued 9 March 2017
PCI code of conduct compliance – follow up	January 2017	-	Fieldwork complete; reporting in progress
Procurement (16.16//17)	September 2016	-	Draft report issued 13 April 2017
Asset Management (14.16/17)	February 2017	-	Draft report issued 17 March 2017
Follow up	Quarterly report to management	-	n/a

4 OTHER MATTERS

4.1 Changes to the audit plan

There are no requests for changes for approval at this meeting.

Previous changes approved by the Audit Committee are reflected in the table at section 3.

FOR FURTHER INFORMATION CONTACT

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APPENDIX A: INTERNAL AUDIT ASSIGNMENTS COMPLETED TO DATE

Reports previously seen by the Audit Committee and included for information purposes only:

Assignment	Opinion issued	Actions agreed		
		H	M	L
Income Activities – Licensing (1.16/17)	Substantial			2
Income activities - Car Parking (2.16/17)	Reasonable	1		1
Fusion Contract Management Review (3.16/7)	Advisory		7 Advisory recommendations	
Income activities – Telecare (4.16/17)	Substantial			2
Cyber Security (5.16/17)	Reasonable	1	3	1
Debtors (6.16/17)	Reasonable	-	1	3
Business Continuity (7.16/17)	Substantial	-	-	-
Revenues (8.16/17)	Reasonable	-	1	1

APPENDIX B: INTERNAL AUDIT ASSIGNMENTS COMPLETED SINCE LAST MEETING

Executive Summaries and Action Plans

Assignment: Payroll (10.16/17)	Opinion:	Substantial
<p>The key findings from this review are as follows:</p> <ul style="list-style-type: none"> For a sample of 10 new starters at the Council during 2016/17, we confirmed that starter forms were in place for each employee. The Council has recently introduced a new method for authorising new positions at the Council. This requires an advertisement form to be signed off by the budget holder. However, we found the use of the Council's new advertisement form to be inconsistent. We confirmed that 5/10 budget holders were still using the old form and a further 3/10 budget holders had not signed off their form via electronic signature. This presents the risk that forms are being processed incorrectly and without sufficient approval at the Council. <p>Well-Designed Controls Being Applied Effectively</p> <ul style="list-style-type: none"> The Council has a procedural document detailing the processes in place with regards to the payroll function at the Council. The document clearly outlines the roles and responsibilities of HR and Payroll. The Council authorises the payment run and BACS payments. For a sample of five payroll payment runs we found that all had been authorised by an appropriate individual in a timely manner and prior to the payment run. The final BACS submission is made by payroll department at Epsom & Ewell Borough Council only after authorisation has been given from Mole Valley District Council. We confirmed, for a sample of five BACS submissions each was paid after the payment run was appropriately authorised at Mole Valley District Council. On an employee starting employment at the Council a starter's checklist form is completed and the individual is issued with a contract. For a sample of new starters at the Council we found a starter checklist was in place and completed by a member of the HR team at the Council and an employment contract was on file. Amendments to standing data are made by a member of the Human Resources team. A senior member of HR authorises the change, and an administrator carries it out. The changes are sent to the Epsom payroll team as per the monthly changes spreadsheet and activated on ITrent by the EEBC payroll team. For a sample of amendments we found that correspondence was in place between a senior member of HR and the individual whose information was being changed. Where there was a contractual change a new contract was in place matching the information on the system. Leaver information is captured by the HR team via a notification from line management. Through an electronic work-flow the payroll team are prompted to remove the leaver from the payroll system. For a sample of ten leavers at the Council during 2016/17, we found that all had a leaver form in place and all ten had some form of correspondence with HR confirming their reasons for leaving and the end date of their employment. Reconciliations between the General Ledger and the Payroll module are prepared by the Accounts Assistant on a monthly basis. We reviewed a sample of five monthly reconciliations between the General Ledger and the Payroll module. In each case, we confirmed that where there were reconciling issues that were explained and the reconciliation balanced. There was evidence of who prepared the reconciliation and that a senior member of the finance team had reviewed it in a timely manner. Exception reports are produced on a monthly basis detailing any variances greater than £50. Explanations for variances are provided within the exception report. We found for a sample of five months that an exception report was in place. In each case, variances greater than or equal to £50 had explanations in place and all 		

reports were signed off by the lead HR Officer.

- . There had been a total of seven overpayments identified and recorded by staff with a total value of £1636 in year. Overpayments for current employees are deducted through the monthly salary for employees whilst overpayments for ex-employees are processed via invoice and debt recovery procedures We reviewed a sample of five of these overpayments and confirmed that they were all repaid..

Action	Date	Responsible Officer
HR staff will not process a job posting until the correct form has been completed. The form will be returned for full sign off.	1 April 2016	Gurpreet Kalsi – HR Officer

Assignment: Housing Allocations and Homelessness (12.16/17)	Opinion:	Substantial
<p>The Housing Allocations Scheme provides clear guidance on applications to join the Housing Register, the information and evidence required, eligibility and qualification criteria generally and for each of the three bandings. It includes details of special cases such as for Members of the Armed Forces and non-UK nationals.</p> <p>Application to join the Housing Register is by online or by hard copy application. We confirmed for a sample of households on the register that documentation supporting their application was held, including their banding.</p> <p>Performance in management of the Housing Register is reviewed by the Housing Options Manager in one-to-one meetings with the Home Choice Officers and Assistants. This involves a review of all pending cases, or current applications to the Housing Register. Reports created from Abrisas are used. These show the status of the application, such as enquiries complete and suspended, and the number of days the household had been on that status. We verified for a sample that the spreadsheet report used reconciled to the Abrisas system. Statistical reports are also created from Abrisas to allow workloads and trends to be reviewed.</p> <p>Households on the Housing Register are reviewed every twelve months as prompted by the Abrisas system. We confirmed for a sample of active households on the register that the latest annual review was recorded or the household was being placed in a property, at which point the procedure is that their qualification for the housing is checked and verified.</p> <p>The Abrisas system provides clear and efficient recording and management for the Housing Register and homelessness advice cases. There are flexible search facilities; customer relationship management records of contacts and processing events; details of the application, the household and all household members; and document management.</p> <p>The Council has a process for complaints, which is used for housing customer complaints. Formal complaints are managed by the Customer Services Team. We confirmed for a sample of complaints that the responses were within the complaints policy timescale and the complaint documentation was held in the Abrisas record.</p> <p>We confirmed for a sample of requests for reviews of Housing Register applications that these had been responded to within the target timescale.</p> <p>Property adverts are placed on Mole Valley HomeChoice website directly by Circle Housing Mole Valley, the main provider in the district. Other housing associations send their property advertising details for input by the Home Choice Officers. We verified that the example available was input correctly to Abrisas. An action plan has been drawn up for implementation of recommendations made by the National Practitioner Support Service Diagnostic</p>		

Peer Review of the Council's homelessness service. The recommendations were reviewed by Housing Options Manager to identify what action was appropriate and which were covered elsewhere or not required. Appropriate actions have been incorporated into the Council's Homelessness Strategy 2015 to 2020 Action Plan. This Action Plan is reviewed annually by the Scrutiny Committee. We reviewed a sample of the actions in the action plan and found they were SMART (Specific, Measurable, Achievable Responsibility assigned, Time-bound). We confirmed that progress had been reviewed by the Scrutiny Committee on 8th November 2016. We confirmed that Bronze and Silver Certificates have been awarded to the Council by the National Practitioner Support Service.

Action	Date	Responsible Officer
No Actions Required		

Assignment: Corporate Governance (15.16/17)	Opinion:	Substantial
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Corporate Governance specifically relates to those leadership systems and structures that together determine and control the way in which the Council manages its business, formulates its strategies and objectives and sets about delivering its services to the Public. The Accounts and Audit Regulations 2011 require the Council to prepare and publish annually a statement on the adequacy of its internal control and governance framework. This is known as the Annual Governance Statement (AGS). The Accounts and Audit Regulations require that the AGS accompany the Council's annual Statement of Accounts.

The Council's annual statement of Corporate Governance specifically considers the extent to which the authority complies with the principles and elements of good governance set out in the Good Governance Framework authored by CIPFA / SOLACE.

The 2007 CIPFA/SOLACE guidance was refreshed and updated in 2016 and the Council's 2015/16 statement addressed the amended principles prescribed.

This review examined evidence that the organisation continues to have sound corporate governance arrangements and reviews its assessments at least annually

The key findings from this review are as follows:

- The Council's Corporate Strategy is the public statement of the action that it will take to maintain and improve the economic, social and environmental prosperity of the borough. The strategy is underpinned by a vision and key principles (sustainability, cost effectiveness and openness), with overall objectives set for five years (2015-20)
- The Corporate Strategy shapes the work of Mole Valley District Council and sets out its corporate priorities in three areas:
 - The Environment
 - Prosperity
 - Community Wellbeing
- A portfolio of projects and performance indicators (PI's) have been developed to manage, monitor and report progress being made on delivering the priorities set out in the Corporate Strategy. We satisfactorily verified that performance reports containing these outcomes are made to the Councils Executive. Within reports made to the Executive we confirmed that narrative provides contextual analysis of performance and specific commentary on slippage or poor performance and where appropriate planned remedial action.

- In addition we satisfactorily verified the monitoring and reporting of operational PI's to the Corporate Board. Contextual analysis for variance is similarly provided and we note that if Corporate Board so wish they can escalate poor PI's to members for further consideration.
- We verified that annual departmental business plans are prepared to a set template and represent a consolidated and comprehensive piece of documentation that fully considers the remit, objectives, and challenges faced.
- The annual statement of corporate governance is approved and signed by the Chief Executive and the Leader of the Council. It is set out in accordance with the CIPFA / SOLACE framework and key elements of corporate governance have been listed and considered. In particular narrative and reference to supporting evidence makes specific comment on the following assurances:
 - objective setting / strategic vision
 - budget monitoring / quality of service / VFM
 - councillor / officer roles and responsibilities/ / schemes of delegation
 - risk management and scrutiny processes
 - HR communication / codes of conduct / standards.
- Furthermore a self-assessment against the CIPFA /SOLACE principles has provided a gap analysis and action plan for development going forward. Satisfactory monitoring of progress against this plan was last reported to the Corporate Board in December 2016.
- Overall the changes between the 2007 and 2016 CIPFA guidance are subtle but there is a slight change of increased emphasis on sustainability, transparency and demonstrating that effective decision making and intervention are adding value. In response to these changes a refreshed 'MVDC Framework' of corporate Governance has been prepared by officers. This drafted framework is clearly structured in such a way as to consider how as an organisation those governance processes and controls that currently exist address the requirements of the 7 principles of good governance as defined in the 2016 guidance.

There are no actions arising as a result of this review.

Action	Date	Responsible Officer
There are no management actions arising from this audit.		

Assignment: Risk Management (17.16/17)	Opinion:	Substantial
<p>The establishment of risk management is a critical success factor in all organisations if they are to achieve their objectives. Effective risk management aids continuous improvement and, as far as possible, safeguards against loss or failure. The management of risk is central to good corporate governance to ensure that direction and control is established and maintained.</p> <p>This audit sought to provide assurance to management and Members that the risk management policy has been complied with during 2016/17. Risk management is co-ordinated by the Policy and Performance Manager, who ensures that Service Units are reviewing and updating their risk registers on a quarterly basis. Risk management is routinely discussed by the Management Team on a monthly basis. Risk registers are now principally recorded on Excel spread sheets.</p> <p>Risks are assessed by assigning a score between 1 and 25; with the scoring split between impact and likelihood. The risk appetite has been set and individual risks with a residual risk score of 15 or above are closely monitored.</p>		

- When identified, key risks are considered by senior officers and members are informed of any changes to the strategic risk profile through portfolio briefings and on an annual basis at the Audit Committee .
- The Risk Management Policy is reviewed and approved by the Executive Committee. The strategy sets out the processes, responsibilities and reporting structures for managing risk. The last review occurred on 31st March 2015. We note that the strategy is now well defined it is anticipated that going forward the strategy will need reviewing on a 4 yearly cycle, in March 2019.
- Strategic risks are clearly reported and recorded in accordance with the requirements of the Risk Management Policy. Mitigating controls are described in detail and the level of consideration described would indicate that risk management is adequately evidenced.

There are 22 service areas reporting through to 6 Corporate Heads of Service. At the time of audit there were 173 risks recorded across the Service Registers. All registers are clearly formatted to comply with the requirements set out in the Risk Management Policy.

- From our wider sampling and observation we note that there are examples within the registers where a risk may attract a residual amber score and no additional actions are prescribed. (e.g PR06 / IT02). There is an implication here that the risk level is accepted although this acceptance is not positively confirmed. Going forward officers will examine further the commentary attached to these risks within the registers.
- There is a prescribed risk assurance framework and we satisfactorily verified that an up to date detailed assessment, gap analysis and action plan going forward has been undertaken, to evaluate the adequacy of controls, in respect of key risks, in compliance with Policy. This framework adds tangible value to governance and risk management arrangements within the organisation.
- We confirmed that officers are taking action to address specific concerns raised at the Audit Committee of 16th March 2017. In particular a six point action plan has been prepared to strengthen overall governance arrangements, define clearer linkage between Strategic Risks and Corporate priorities and those processes that horizon scan for potentially new and emerging risks. A report covering these actions will be presented to the next Audit Committee.
- Project risk is recorded in registers in the same excel format currently used for service and strategic risk. We satisfactorily sampled and confirmed this arrangement for two 2 project areas (Football Ground Meadowbank, and Transform Leatherhead)
- The Risk Management Policy states that 'It is imperative that, as part of the process of setting up partnerships, that relevant risks are identified, shared and a risk management plan agreed'. In this respect we note that a number of initiatives are in place to develop partnership and service sharing platforms or to realise income potential from property investment.
 - Building control
 - Environmental health
 - Waste
 - Property Investment

Going forward there is a commitment from officers to ensure that risk consideration and reporting lines are documented and factored into future governance arrangements for these initiatives.

Action	Date	Responsible Officer
<p>1 Officers will consider further the scope for further clarity within the service registers to indicate where risks have reached a level of control that management readily accept (but may currently attract an amber assessment rating)</p>	<p>31 October 2017</p>	<p>Jane Nottage</p>
<p>2 Going forward Officers will ensure that once the governance arrangements for new partnership and investment initiatives are established, the risks related to these operations will be documented, reported and monitored:</p> <ul style="list-style-type: none"> - Building control - Environmental health - Waste - Property Investment 	<p>31 December 2017</p>	<p>Jane Nottage</p>