



MOLE VALLEY DISTRICT COUNCIL

Internal Audit Annual Report – 2016/17

June 2017

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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. Management actions for improvements should be assessed by you for their full impact before they are implemented. 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.

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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.

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 2017, the head of internal audit opinion for Mole Valley District Council is as follows:

Head of internal audit opinion 2016/2017

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 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 completed 17 audits in year, and the opinions can be summarised as follows:

- 9 - substantial assurance
- 6 - reasonable assurance
- 1 – partial assurance
- 1 - advisory report

We issued a partial opinion in respect of the council's procurement systems. Our overall assurance was reduced as governance arrangements, corporate support for the organisation and key controls are being actively worked on. In particular we found that:

- The Procurement Policy provides little guidance on the responsibilities and obligations placed on officers within the organisation.
- A medium term action plan with detailed measures intended to support the procurement Policy is required to improve assurances that key policy objectives will be delivered.
- The Corporate Procurement Advisory Board has not been formed and has not met as planned to drive the policy and plans forward.
- There is not currently a procurement guide for staff to assist in the initial engagement process with the Procurement Team.
- Testing undertaken by the Procurement Manager has identified areas of historic significant procurement spend with suppliers that are not in contract. MVDC's relationship with these suppliers is non-compliant with CSO's.

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 our opinion and therefore should be flagged in your AGS.

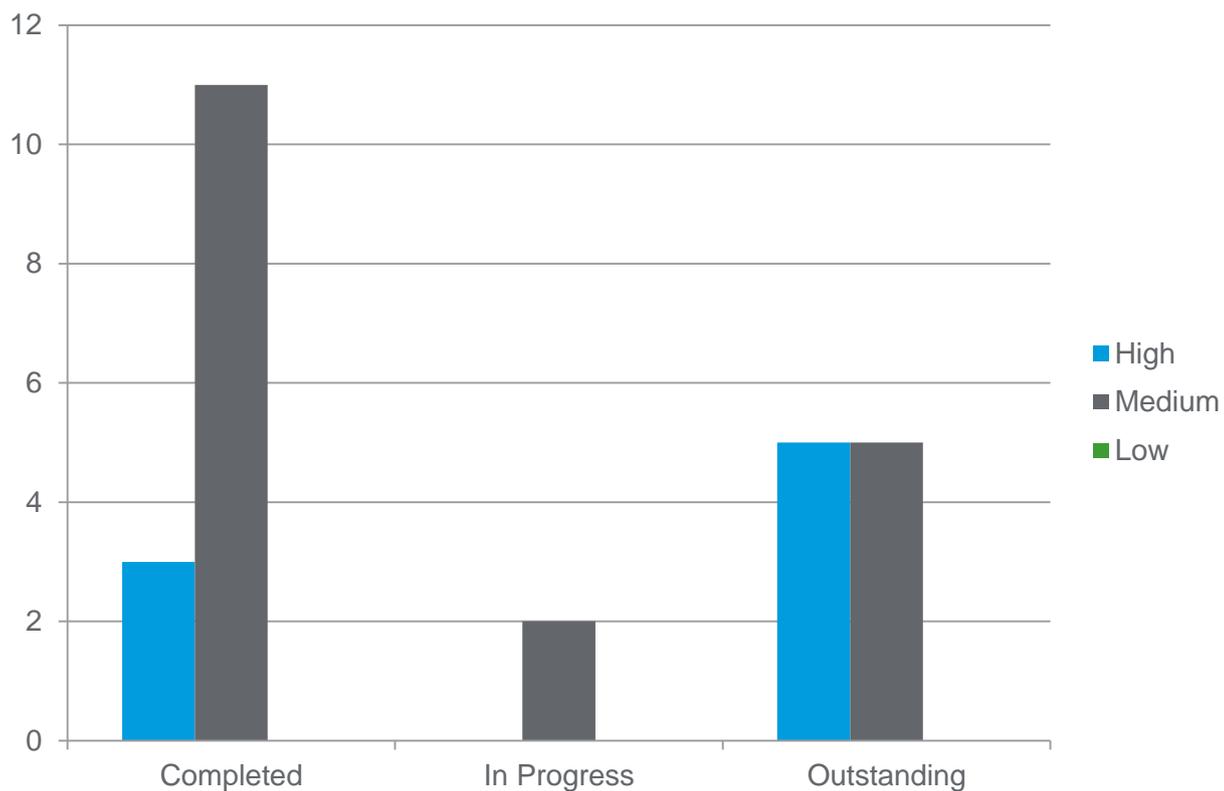
2 THE BASIS OF OUR INTERNAL AUDIT OPINION

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 2016/2017. Implementation of internal audit management actions

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



There were five 'High' level management actions that had not been implemented. These related to PCI compliance

2.2 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;
- 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 2016/2017 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 Feedback

We received one response to our post assignment surveys in the year. This rated our service as good with clearly reported findings

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 PSIAS	Yes	Yes	
Draft reports issued within 10 working days of debrief meeting	95%	47%	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	
Draft reports issued within 20 working days of debrief meeting	100%	100%	2	% audit reports presented to agreed Audit Committee meetings	100%	100%	
Final report issued within 3 working 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%	3	Respond to emergencies or notifications of potential fraud within one working day	100%	N/A	

Notes

1 – Any changes were at the request of Council management

2 – 10 working days is the RSM target, the contractual target is 20 working days. Average for the year across all audits = 12 days (taking into account client delays)

3 – Results of follow up reported quarterly to management

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.

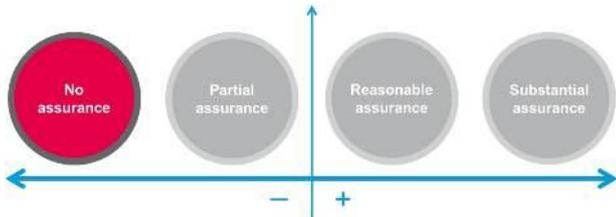
There are weaknesses in the framework of governance, risk management and control such that it could be, or could become, inadequate and ineffective.

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

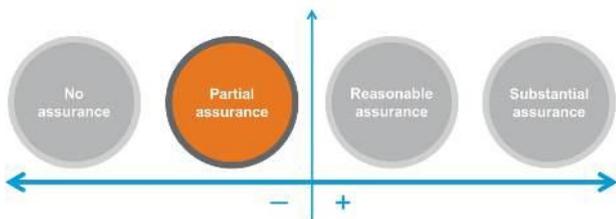
APPENDIX B: SUMMARY OF INTERNAL AUDIT WORK COMPLETED 2016/2017

Assignment	Assurance level	Actions agreed		
		H	M	L
Income Activities – Licensing (1.16/17)	Substantial	-	-	2
Income activities - Car Parking (2.16/17)	Reasonable	1	-	7
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
Creditors (9.16/17) DRAFT	Reasonable	-	1	1
Payroll (10.16/17)	Substantial	-	1	-
Treasury Management (11.16/17) DRAFT	Substantial	-	-	2
Housing Allocations and Homelessness (12.16/17)	Substantial	-	-	-
Benefits (13.16/17) DRAFT	Substantial	-	-	1
Asset Management (14.16/17) DRAFT	Reasonable	1	4	3
Corporate Governance (15.16/17)	Substantial	-	-	-
Procurement (16.16/17) (DRAFT)	Partial	3	3	2
Risk Management (17.16/17)	Substantial	-	1	1
PCI code of conduct compliance – follow up (Fieldwork completed)				

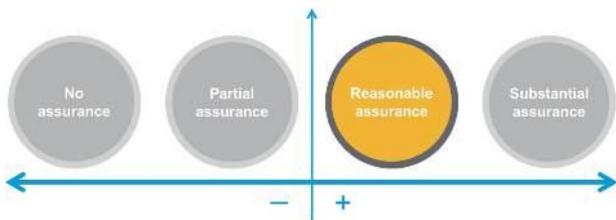
We use the following levels of opinion classification within our internal audit reports. Reflecting the level of assurance the board can take:



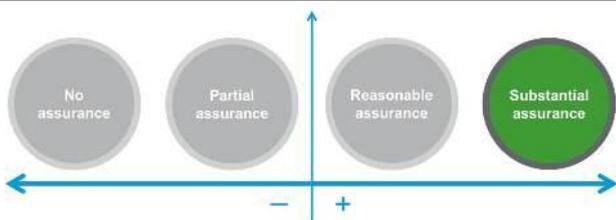
Taking account of the issues identified, the board cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective. Urgent action is needed to strengthen the control framework to manage the identified risk(s).



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

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