

Agenda Item 5

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Subject	Internal Audit (RSM UK) Progress Report 2017/18
Recommendations	
1.1	That the Committee notes the progress against the 2017/18 Audit Plan as detailed in the attached appendix.
1.2	That the Committee approves the proposed change to the timing and content of the programme.

Background

- 2.1 Internal Audit is a statutory requirement in local government as defined in the Local Government Act 1972. The Accounts and Audit Regulations 2011 (Regulation 6) require the Council to "maintain an adequate and effective internal audit of its accounting records and of its system of internal control".
- 2.2 The Council has delegated this responsibility to the Deputy Chief Executive (and Section 151 Officer) and appointed RSM UK (formerly Baker Tilly) as its Internal Auditor through a joint contract with neighbouring Local Authorities (Reigate & Banstead BC, Epsom & Ewell BC and Tandridge DC).

Progress on 2017/18 Reviews

- 3.1 RSM UK's latest Progress Report for 2017/18 is attached as Annex A. The previous progress report was provided to the June 2017 meeting of the Audit Committee.
- 3.2 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.

- 3.3 Of the seven reports that have been finalised since the previous report to the Audit Committee, three have GREEN opinions, three have AMBER/GREEN and one is AMBER/RED. The main findings, recommendations and management actions for each review are set out in Appendix A. Also included is a short background paragraph on each review (in Section 2) setting out the scope and the value of financial activity in the service area reviewed.

Procurement

- 3.4 There are a number of recommended actions on the Procurement review with a target date of November 2017. This ties in with the annual report on Procurement to be received by the Committee at its November meeting which will cover the progress made against these actions.

Proposed change to Plan

- 3.5 One change is proposed to the programme. A review of Asset Management was part of last year's Audit Plan and took place at the end of the year. The recommendations and management responses are included in Appendix A. The approved plan for 2017/18 includes a Property Maintenance review in the second quarter. This overlaps substantially with the Asset Management review and draws on the time of the same officers, mainly in Property, who are particularly busy at present progressing the Meadowbank and other Asset Investment schemes.
- 3.6 MVDC Management has proposed that a postponement of the Property Maintenance review to early next year is appropriate. In its place this year, a review of the process of allocating and monitoring grants to the Voluntary, Community & Faith Sector (VCFS), that was discussed by Standing Budget Panel and Audit Committee last year, has been added to the Plan.
- 3.7 It is recommended that the Audit Committee approve this change to the 2017/18 Plan.

Corporate Implications

- 4.1 Monitoring Officer commentary – No legal implications contained within the progress report.
- 4.2 Statement of the s151 Officer : Financial Implications - There are no direct financial implications arising from this report.
- 4.3 Risk Implications – Delivery of the Internal Audit Plan is based upon an analysis of:
- Risk based coverage such as Risk Management, Corporate Governance Reviews and Information Technology (IT) Systems in the Council.

- Addressing specific key risk areas in the Plan
 - Follow-up review and management of the Audit Plan
- 4.4 Equalities Implications – None contained within the report.
- 4.5 Employment Issues – None contained within the report.
- 4.6 Sustainability Issues – None contained within the report.
- 4.7 Consultation – None contained within the report.