



# EPSOM AND EWELL BOROUGH COUNCIL

## Internal Audit Progress Report

**Audit, Crime & Disorder and Scrutiny  
Committee Meeting**

**16 April 2019**

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# 1 INTRODUCTION

The Internal Audit Plan for 2018/19 was approved by the Audit, Crime & Disorder Scrutiny Committee in June 2018. Below provides a summary update on progress against that plan and summarises the results of our work to date.

This table informs of the audit assignments that have been finalised and the impacts of those findings since our last report to the Audit, Crime & Disorder Scrutiny Committee.

The Executive Summary and Key Findings of the assignments below are attached to the end of this progress report.

Assignments	Status	Opinion issued	Actions agreed		
			H	M	L
Payroll (12.18/19)	FINAL	Reasonable Assurance	0	3	3
Residential Property – Health and Safety Checks (13.18/19)	FINAL	Reasonable Assurance	1	0	0
Corporate Governance (Members) (14.18/19)	FINAL	Substantial Assurance	0	0	2
Risk Management (15.18/19)	FINAL	Substantial Assurance	0	1	0

## 2 LOOKING AHEAD

Assignment area	Timing per approved IA plan 2018/19	Status
IT Audit	January 2019	Confirmed start date 1 April 2019
Continuous Assurance Q3 and Q4	March 2019	Fieldwork in progress
Follow up	Ongoing	Fieldwork in progress

## 3 OTHER MATTERS

### 3.1 Changes to the audit plan

As reported to the November meeting of the Audit, Crime & Disorder Scrutiny Committee, there have been some minor changes to timings of reviews since this was agreed in June 2018. This includes combining the Q3 and Q4 continuous assurance reviews in order to fit with management availability. There have also been two additions to the plan. The first is, as previously reported. Venues Management, that was added in at management request in response to a budget overspend in this area in 2017/18. The second is Health and Safety Property Checks which again was a management request, this time in response to some concerns as to whether the correct checks were being completed and retained.

## FOR FURTHER INFORMATION CONTACT

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## APPENDIX A: INTERNAL AUDIT ASSIGNMENTS COMPLETED TO DATE

The following reports have previously been reported to Audit Committee.

Assignments	Opinion issued	Actions agreed		
		H	M	L
Health & Safety (1.18/19)	Partial Assurance	2	2	3
Income from s106 agreement and implementation of the Community Infrastructure Levy (2.18/19)	Reasonable Assurance	0	1	3
EEPIC Company Governance (3.18/19)	Reasonable Assurance	0	4	2
Community safety (4.18/19)	N/a - Advisory	0	1	2
Homelessness (5.18/19)	Reasonable Assurance	0	3	1
Continuous assurance Q1 (6.18/19)	N/a - Advisory	0	1	0
Venues Management (7.18/19)	N/a - Advisory	2	3	0
Treasury Management (8.18/19)	Substantial Assurance	0	1	0
Project Management (9.18/19)	Simply Weekly and Cemetery Extension – Substantial Assurance Ebbisham Exit – Partial Assurance	1	3	1
Continuous Assurance Q2 (10.18/19)	N/a - Advisory	0	1	0
Midland HR ITrent System (11.18/19)	N/a - Advisory	0	3	1

# PAYROLL - EXECUTIVE SUMMARY

## 1.1 Background

An audit of Payroll was undertaken as part of the Council's approved internal audit plan for 2018/19.

Epsom and Ewell Borough Council entered into a contract with Midland iTrent (MHR) in April 2017 for the provision of an outsourced payroll service, with responsibility for Payroll currently shared between the Council's Payroll and Human Resources teams and MHR.

The Council uses the iTrent system for Payroll and HR purposes, with employee details such as of salaries, changes in contracts, standing data and other relevant documentation stored on iTrent and on the Council's servers.

HR input information for new starters, leavers and amendments as and when they occur and then add this information onto monthly change spreadsheets. These spreadsheets are then sent to MHR each month by a cut-off date, to ensure that any changes to payroll data are updated in time for the next month's effective date.

The Payroll coordinator reviews all changes before sending this information to MHR. The Council also receives monthly payroll reports from MHR, listing the previous and current month's salaries for all employees at the Council. The Payroll coordinator carries out an initial check of this report, with significant variations investigated before a final version of this variation report is run and checked prior to each month's payment run.

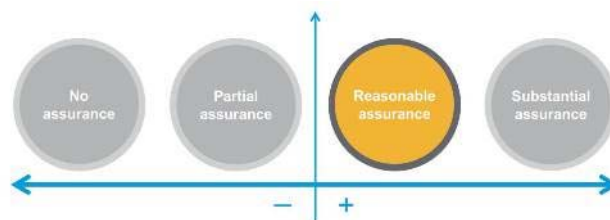
Overpayments identified by the Council are passed onto the Finance team to raise debts accordingly, with the finance team responsible for requesting repayments, in line with the Council's debt recovery process.

The objective of this audit was to evaluate the adequacy of the Council's control framework for the accurate payment of staff, and the extent to which these controls are applied.

## 1.2 Conclusion

### Internal audit opinion:

Taking account of the issues identified, the Council can take reasonable assurance that the controls in place to manage this area 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 area(s).



## 1.3 Key findings

The key findings from this review are as follows:

We have raised three '**Medium**' and three '**Low**' priority management actions relating to the design and application of the control framework. Details of the Low priority actions are outlined in the Detailed Findings section of this report:



- **Payroll Procedural Documentation:**

The Council does not currently have up to date procedural documentation in place to explain the process of payroll, and the roles and responsibilities of individuals since the migration of payroll to MHR. There is a risk that procedural guidance currently in place will not be up to date to reflect the current payroll processes. **(Medium)**

- **Payroll Reconciliations:**

Through discussions with members of the Finance team, it was noted that due to software upgrade issues, Payroll control account reconciliations (PAYE, Net Pay and Pensions) have not been completed and reviewed since September 2018. It was noted that these issues have since been resolved, and that payroll reconciliations are expected to be completed each month going forward. In the absence of reconciliations being completed and reviewed each month, there is a risk that any possible errors or omissions will not be identified and investigated and resolved in a timely manner. **(Medium)**

- **Overpayments:**

The HR and Payroll teams at the Council maintain a spreadsheet of overpayments identified, with four overpayments having been identified since April 2018. Through discussions with the Finance team, it was confirmed that two of these overpayments had since been recovered and repaid in full and in a timely manner, with the remaining two cases currently outstanding. Although it was confirmed that the Council's recovery process had begun for these debts, it was noted that due to staff shortages and finance system issues, the Council's full debt recovery process had not been applied in these cases. In the absence of regular recovery attempts, there is a risk that debts will not be recovered, increasing the risk of debt write-offs. **(Medium)**

Notwithstanding the above, we noted the following examples of well-designed and applied controls:

- For a sample of amendments and changes made to payroll data such as increases in hours worked, salary increases and maternity leave, it was confirmed in each case that these changes had been appropriately authorised, with evidence of this authorisation clearly recorded. It was confirmed through reviewing the dates of these changes on Payroll that these had been made only after being authorised. In each case, the details of the authorised changes matched the changes made to payroll. No exceptions were noted.
- There are various schemes that employees at the Council can sign up to, such as gym memberships and cycle schemes, with deductions made to employee's monthly pay once authorised. Individuals apply to these schemes online, with applications monitored by a member of the HR team through an online workflow. HR receive notifications of applications and confirm that the individual can afford the scheme deductions. Once this has been confirmed, the schemes are authorised, and payroll are alerted. The system workflow ensures that changes to payroll cannot be made prior to HR authorising an application. It was confirmed for a sample of deductions that these had been correctly applied, with the correct deductions made to monthly pay.
- Through our sample testing of new starters, leavers and amendments made to Payroll data, it was confirmed that there is clear segregation of duties in place in the processing of these changes, with responsibilities segregated between HR and Payroll personnel, and with HR having restricted access to the Payroll system.
- For a sample of months, it was confirmed that monthly BACs payment runs and payment to HMRC had been authorised and submitted in a timely manner, in line with the Council's timetable for submission deadlines. It was also confirmed that payments had been authorised by an appropriate person in each case.

## 1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The detailed findings section lists the specific actions agreed with management to implement.

Area	Control design not effective*		Non Compliance with controls*		Agreed actions		
					Low	Medium	High
Procedural documentation;	0	(1)	1	(1)	0	1	0
Authorisation of payment run and payments to HMRC;	0	(1)	0	(1)	0	0	0
Authorisation and processing of starters and, leavers and changes made to the payroll standing data;	0	(3)	2	(3)	2	0	0
Appropriate segregation of duties exist for processing payroll information and pay;	0	(1)	0	(1)	0	0	0
Reconciliation between the general ledger and payroll;	0	(1)	1	(1)	0	1	0
Exception reports are in place that monitor significant variances;	0	(1)	1	(1)	1	0	0
Salary overpayments are monitored and are recovered in a timely manner;	0	(1)	1	(1)	0	1	0
Salary deductions have been made accurately and can be traced back to source documentation	0	(1)	0	(1)	0	0	0
<b>Total</b>					<b>3</b>	<b>3</b>	<b>0</b>

\* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

## 2 DETAILED FINDINGS

### Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible regulatory scrutiny/reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, regulatory scrutiny, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
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#### Area: Payroll Procedural Documentation

2.1	The Council has in place various payroll procedural documents, outlining the procedures for processes such as the addition of new starters, the removal of leavers, the processing of changes and amendments made to payroll standing data and also guidelines on the monthly payment run process.	Yes	No	<p>The Council does not currently have up to date procedural documentation in place to explain the process of payroll, and the roles and responsibilities of individuals since the migration of payroll to MHR.</p> <p>There is a risk that procedural guidance currently in place will not be up to date to reflect the current payroll processes followed.</p>	Medium	The Council will ensure a procedural document is in place and up to date to detail the roles and responsibilities and changes in processes relating to payroll since the outsourcing to MHR in April 2017.	01 April 2019	Debbie Childs – Senior HR Advisor
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Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
<b>Area: Exception reports are in place that monitor significant variances</b>								
2.2	BACs payroll payment runs and payments to HMRC are authorised each month following the completion of checks such as exception reporting carried out by the Payroll team. Significant differences arising from these checks are investigated and resolved prior to payment runs being authorised.	Yes	No	<p>We reviewed payroll variance reports for a sample of months and confirmed that in each case, these were produced and reviewed by the Payroll team, showing the current and previous month's pay for each employee at the Council. It was confirmed that variances of over £100 were noted and investigated in each report, with a second, final variation report also produced and reviewed as part of the monthly payroll process.</p> <p>It was noted that these reports are not currently dated and signed to evidence completion of these checks. As these checks are required to be completed prior to monthly payment runs being authorised, there is a risk that without dates, no audit trail can be established to confirm that checks are completed in line with the Council's monthly payroll schedule.</p>	Low	Variance reports will be signed and dated when checks are completed, to provide confirmation that these checks are completed prior to monthly payment runs.	01 April 2019	Jackie Edwards – Payroll Coordinator
<b>Area: Authorisation and processing of starters and, leavers and changes made to the payroll standing data</b>								
2.3	New starters at the Council are required to complete standard new starter forms, detailing the start dates of employees and recording personal	Yes	No	<p>For a sample of ten recent starters at the Council, it was confirmed in each case that employees had been added to payroll at the appropriate time.</p> <p>In two cases, signed contracts were</p>	Low	The Council will ensure that signed contracts are returned and held for all individuals, with a view to receiving these within	01 April 2019	Debbie Childs – Senior HR Advisor

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
	details. Once a new starter form is completed and authorised, the individual is then set up on Payroll.			<p>not held by the Council for these individuals, and it could not be confirmed if signed contracts had since been received for these employees. It was noted through discussions with members of the HR team that individuals can begin employment before signed contracts have been returned, but that HR would follow up to receive these contracts soon after.</p> <p>In the absence of signed contracts being returned and held by the Council, there is a risk that any disputes that may arise between an employee and the Council cannot be easily resolved.</p>		one month of an individual's start date.		
2.4	Staff leaving the Council are required to complete termination forms, which record details such as an individual's last working day. Individuals are removed from payroll by their last working day, to avoid overpayments.	Yes	No	<p>For a sample of ten recent leavers, it was confirmed in each case that the individuals had been removed from payroll on time, with no overpayments recorded for this sample. It was also confirmed for each individual that a leaver checklist had been completed, with the last working day recorded on these checklists matching the last working day recorded for these individuals on the Council's HR system.</p> <p>It was noted that leaver checklists are not currently dated when completed. As some checks are</p>	Low	<p>The Council will ensure that leaver checklists are dated upon completion and signed to confirm when checks have been completed.</p> <p>Where certain checks are to be completed prior to an individual's last working day, these will be separately dated to ensure there is a record of timely completion.</p>	01 April 2019	Debbie Childs – Senior HR Advisor

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				<p>required to be completed prior to an individual's last working day, in the absence of dates to evidence completion, it is not possible to establish an audit trail to confirm that these checks are completed prior to an individual's last working day.</p> <p>There is a risk that some checks required to be completed by an individual's last working day, such as removing an individual's access to Council premises and IT services will not be completed prior to an individual's last working day.</p>				
<b>Area: Salary overpayments are monitored and are recovered in a timely manner</b>								
2.5	An overpayments recovery spreadsheet is maintained by the HR department, with details of overpayments identified in the current financial year including the reasons for the overpayments and the status of recovery such as the recovery actions taken for these overpayments. The Finance team at the Council are responsible for raising a debt for overpayments and for	Yes	No	<p>The HR and Payroll teams at the Council maintain a spreadsheet of overpayments identified, with details of the reasons noted for each overpayment. Four overpayments were recorded as having been identified since April 2018 at the time of testing. Through discussions with the Finance team, it was confirmed that two of these overpayments had since been recovered and repaid in full and in a timely manner, with the remaining two cases currently outstanding. The months and amounts of these two outstanding overpayments are:</p> <p>June 2018 - £2,568.68 October 2018 - £151</p>	Medium	The Council will ensure that the full debt recovery process in place at the Council will be followed and applied in the recovery of overpayments, with regular attempts made to recover these debts.	01 April 2019	Linda Sanz-Monteys – Exchequer Team Supervisor

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
	following the Council's debt recovery process.			<p>Although it was confirmed that the Council's recovery process had begun for these two outstanding debts, it was noted that due to staff shortages and finance system issues, the Council's full debt recovery process had not been applied in these cases.</p> <p>In the absence of regular recovery attempts, there is a risk that debts will not be recovered, increasing the risk of debt write-offs.</p>				
<b>Area: Reconciliation between the general ledger and payroll</b>								
2.6	Payroll Control Account reconciliations (PAYE, Net Pay and Pensions) are completed and reviewed each month by the Finance team, with variations investigated as part of this review.	Yes	No	<p>Through discussions with members of the Finance team, it was noted that due to software upgrade issues, Payroll control account reconciliations (PAYE, Net Pay and Pensions) have not been completed and reviewed since September 2018.</p> <p>It was noted that these issues have since been resolved, and that payroll reconciliations are expected to be completed each month going forward.</p> <p>In the absence of reconciliations being completed and reviewed each month, there is a risk that any possible errors or omissions will not</p>	Medium	The Finance team will ensure that Payroll control account reconciliations are completed and reviewed each month.	01 April 2019	Tony Wainwright - Accountant

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
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be identified and investigated and resolved in a timely manner.

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# RESIDENTIAL PROPERTY – HEALTH AND SAFETY CHECKS - EXECUTIVE SUMMARY

## 1.1 Background

The Council either owns or leases a number of residential properties that are either used by staff in respect of parks and open spaces or are let to social housing tenants in need. As part of this audit we were informed that this consisted of 5 staff properties and 4 owned properties for temporary accommodation.

In addition, there are a number of short term lease agreements with Local Landlords for properties secured through the Private Sector Leasing Scheme, which also provide Temporary Accommodation for people in need.

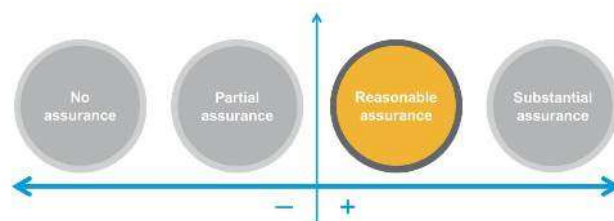
This audit sought to examine those controls that provide assurance that evidence is routinely maintained to ensure that the Council's health and safety and liability risk exposure in respect of these properties is minimised.

## 1.2 Conclusion

Evidence of safety maintenance controls is satisfactorily evidenced for Housing properties providing temporary accommodation. Actions have been agreed with officers to improve evidence of controls in respect of residential properties used by Council staff.

### Internal audit opinion:

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).



## 1.3 Key findings

The key findings from this review are as follows:

We have raised one **'High'** priority action in relation to:

The Estates Surveyor commented that for the Council's domestic staff properties, no safety electrical inspection certificates or checks to verify sensors exist in the properties for fire / carbon monoxide were in place. (Medium, 2.1)

Notwithstanding the above we noted the following examples of well designed controls operating in practice:

In respect of properties either owned or secured through the PSL (Private Sector Leasing) scheme for the purposes of providing Temporary Housing Accommodation for people in need, the Housing Team maintains a monitoring spreadsheet that lists all safety controls/ certificates that have been obtained together with a trigger renewal date for monitoring purposes going forward.

We confirmed that in respect of Housing properties either directly owned by EEBC or secured through the PSL initiative that the monitoring spreadsheet was up to date and recorded safety information in respect of:

- 1) Annual Gas Safety Certificate
- 2) Domestic Electrical Safety Inspection Certificate (NICEIC) – 5 or 10 yearly
- 3) Asbestos Survey Findings
- 4) Energy Performance Certificate
- 5) Building Insurance Certificate (Annual) – provided by Landlord

In addition, the Housing Team also maintains a record checklist of quarterly visits to the properties which includes a check on fire alarms. All source documentation relating to properties is held in a property file and safely archived. We verified that future trigger dates were scheduled for all Temporary Accommodation properties. In addition, we verified to source documentation the following for two of these properties (14 sample): Annual Gas Safety Certificate / Domestic Electricity Check / Asbestos Survey / Landlord Building Insurance.

The Property and Regeneration Team administer and manage safety controls relating to the remaining five Staff properties. In respect of these properties we confirmed that an up to date annual gas certificate was held.

Staff properties being part of the general council portfolio are insured by the council under its block policy administered through Surrey County Council.

We note that accident registers are maintained by the Council for operational properties but not the residential properties covered by this audit as we were informed that this is not a legal requirement.

## 2 DETAILED FINDINGS

### Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible regulatory scrutiny/reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, regulatory scrutiny, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
<b>Area: .Evidence must be routinely maintained to ensure that the Council's health and safety and liability risk exposure is minimised</b>								
2.1	The Property and Regeneration Team administer and manage safety controls relating to the five Staff properties.	Yes	No	In respect of safety checks that would be appropriate for the Council's domestic staff properties the Estates Surveyor commented that appropriate asbestos surveys for the properties were held, but no domestic safety electrical inspection certificates or checks to verify sensors exist in the properties for fire / carbon monoxide. There is therefore a risk that the Council's health and safety and liability risk exposure is not currently minimised.	High	a) In respect of residential staff properties, officers will ensure that domestic safety electrical inspections are actioned and that checks are undertaken to verify sensors exist in the properties for fire / carbon monoxide detection purposes.  b) Going forward a monitoring spreadsheet that lists all safety	30 June 2019	P Groen / T Foxwell

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
						controls/certificates that have been obtained together with a trigger renewal date for monitoring purposes will be maintained for domestic staff properties.		

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# CORPORATE GOVERNANCE (MEMBERS) - EXECUTIVE SUMMARY

## 1.1 Background

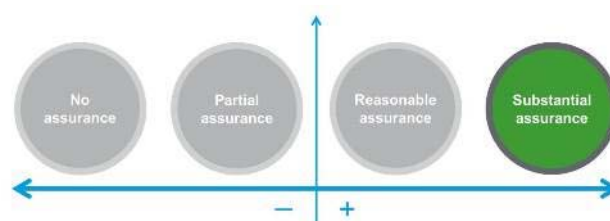
Governance relates to those leadership systems and structures that together determine and control the way in which the Council manages its business, formulates its strategies and objectives and sets about delivering its services to the Public. Members must behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated.

The Council has approved a code of conduct for Members as a way of ensuring the business of the Council is undertaken in a professional manner and this code clarifies and reinforces the ethical standards in local government. It defines a set of practical guidelines and clearly sets out councillors' responsibilities as representatives of the residents of Epsom and Ewell. It also requires that appropriate interests in jobs, property and businesses are declared. This audit examined evidence that these controls are clearly prescribed and complied with.

## 1.2 Conclusion

### Internal audit opinion:

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



## 1.3 Key findings

There are no High or Medium level actions arising from this review. There are two low level actions which are detailed in Section 2 of this report.

The key findings from this review are as follows:

The Council has determined a code of conduct for councillors that is based on and is consistent with the principles of public life set out in Section 28 Localism Act 2011: It defines a series of practical guidelines and clearly sets out a councillor's responsibilities as a representative of the residents of Epsom and Ewell.

In order to demonstrate complete transparency in their duties and decisions Councillors, as part of the process of taking public office, are required to disclose their pecuniary interests. We satisfactorily verified for a sample of Councillors that signed pecuniary disclosures of interest were completed and were publicly available on the Council's website.

Part 6 of the Council's constitution clearly prescribes the controls regarding members expenses / subsistence. At the time of our audit the accounting ledger recorded the total value of expense payments as £1031.32 (2018/19). We sampled three of the highest claims, that accounted for 89% of this expenditure. All three were in respect of attendance at an LGA conference in Birmingham and all three were satisfactorily approved and authorised by the Committee Services Manager.

We satisfactorily confirmed that a register of Gifts and Hospitality is maintained and safely archived. We verified that complete entries are made in the register and examined evidence that members are routinely reminded of the requirement to declare such items.

The Council has chosen to appoint a Standards Committee in accordance with the Section 28(6) and (7) of the Localism Act 2011. The Standards Committee's terms of reference and functions are clearly set out in the Council's constitution and this committee can appoint an independent person to advise it when matters of conduct arise. We satisfactorily confirmed with officers that there has been one case of Councillor misconduct investigated and reported to the Standards Hearing Sub-Committee in 2018/19. The case was investigated by an independent person in accordance with procedure and clear actions were determined and agreed to improve conduct going forward. The report of the committee is publicly available on the Council's website

## 1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The detailed findings section lists the specific actions agreed with management to implement.

Area	Control design not effective*		Non Compliance with controls*		Agreed actions		
					Low	Medium	High
A Members Code of Conduct is satisfactorily prescribed and communicated to Councillors;	0	(1)	1	(1)	1	0	0
Members have up to date Declarations of Interest publicly available on the Council's website;	0	(1)	1	(1)	1	0	0
Travel expenses and subsistence are only paid to members in accordance with the terms laid out in the Council's constitution	0	(1)	0	(1)	0	0	0
A member's hospitality register is maintained	0	(1)	0	(1)	0	0	0
A standards committee receives updates regarding the outcomes of any investigations into Members conduct.	0	(1)	0	(1)	0	0	0
<b>Total</b>					<b>2</b>	<b>0</b>	<b>0</b>

\* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

## 2 DETAILED FINDINGS

### Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible regulatory scrutiny/reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, regulatory scrutiny, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
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#### Area: . A Members Code of Conduct is satisfactorily prescribed and communicated to Councillors

2.1	A members' code of conduct is prescribed within Section 5 of the Councils Constitution. It is also publicly available on the Council's Website.	Yes	Yes (scope to improve)	<p>The Code of Conduct for Councillors is based on and is consistent with the principles of public life set out in Section 28 Localism Act 2011: It defines a set of practical guidelines and clearly sets out the councillor's responsibilities.</p> <p>We note that historically when taking office Councillors were required to 'sign up' to the code in their declaration of accepting office. However, the Localism Act (2011) no longer prescribed a statutory power to insist upon such a requirement and in the elections of</p>	Low	Going forward a consistent approach in the wording of members acceptance of office will be prescribed.	31 May 2019	F Cotter
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Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				2015 the signed declaration of accepting office deleted this previously required affirmation. Since this time we noted two instances where by-elections occurred in 2018 and the statement of accepting the code had been reintroduced to the declaration of accepting office and in this respect there is some inconsistency in approach.				
<b>Area: . Members have up to date Declarations of Interest publicly available on the Council's website</b>								
2.2	As part of the process of taking public office, councillors are required to disclose their pecuniary interests in order to demonstrate complete transparency in their duties and decisions.  (This includes the pecuniary interest of somebody with whom the Member is living with as a husband or wife, or civil partner).	Yes	No	We satisfactorily verified for our sample that signed pecuniary disclosures of interest were completed and were publicly available on the the Council's website. We noted for two of our sample that a number of the prompted questions were left blank by the members completing the disclosure form. In order to demonstrate complete transparency a positive affirmation of 'None' or 'Not applicable (N/A)' would provide a clearer response.	Low	Members will be reminded during the induction process that all sections of the Declaration of Interests Form must be completed and that if parts of the form are not applicable to their circumstances a positive 'None' or N/A must be entered in the relevant response.	31 May 2019	F Cotter



# RISK MANAGEMENT - EXECUTIVE SUMMARY

## 1.1 Background

An audit of the Council's risk management arrangements was undertaken as part of the approved internal audit plan for 2018/19.

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.

This audit sought to provide assurance that risk management processes have been satisfactorily prescribed and complied with during 2018/19. Risk management is co-ordinated by the Head of Policy, Performance & Corporate Governance, who ensures that risk registers are routinely presented to and discussed by the Leadership Team.

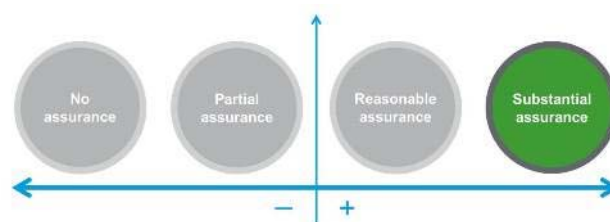
The Council maintains a Leadership Risk Register, Service Risk Register and all key corporate projects are identified, monitored and risk assessed by the Leadership Team and the detailed risks are controlled through the project management framework.

Risks are assessed against a prescriptive matrix which gives guidance re financial, reputational, service delivery, health and safety exposure and also impact and likelihood.

## 1.2 Conclusion

### Internal audit opinion:

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



## 1.3 Key findings

The key findings from this review are as follows:

We satisfactorily confirmed that key risks are evidenced and routinely considered by senior officers within the Council and members are annually updated regarding the risk management strategy and any changes to the strategic risk profile.

Individual divisional service area governance statements are required from each Head of Service. These statements require the Head of service to sign a statement declaring that services have been delivered in accordance with legislation, local financial regulations, standing orders and that efficient and effective processes are in place. In particular, control weakness and risks which impact on service delivery are listed in this statement together with actions intended to mitigate their outcome. We satisfactorily verified a sample of signed divisional statements of assurance for 2018/19. These statements clearly set out the responsibilities and accountability for service delivery and the reporting of control weaknesses and known risks from individual heads of service.

This process integrates risk management with corporate governance and provides a clear method for embedding risk management within the organisation and capturing 'service level' risks. These service risks are then monitored throughout the year. The Service Register is currently recording a total of 65 risks of which 4 were identified as 'high' risk. Those risks that have been escalated to the Leadership Team Register are clearly flagged.

We confirmed that the Leadership Team consider and update the Leadership Risk Register together with reviewing the service level risk record. In this respect a report highlighting the changes and updates to both registers is made by the Head of Policy, Performance & Governance and was last reported and discussed in October 2018.

The Risk Management Strategy is reviewed and updated through the Audit, Crime & Disorder and Scrutiny Committee. The strategy sets out the processes, responsibilities and reporting structures for managing risk and provides a summary of the key leadership risks. We confirmed that the last review occurred on 15<sup>th</sup> November 2016 when a strategy for 2017-2021 was approved. This committee also receives an annual update on risk management and the strategic risk profile. This last occurred in November 2018.

We note that the risk management strategy prescribed supporting risk management responsibilities for the Officer Corporate Governance Group. In particular, to identify and address cross cutting risks and to identify and escalate common themes to the Leadership Team and make recommendations or changes to corporate risk arrangements and strategic risk. We have been informed that the Corporate Governance Group no longer meets. As part of a Governance and staff reorganisation a number of other management Boards have been set up beneath the Leadership Team and in most respects, these have replaced this Group. In addition, the Leadership Team is playing a more proactive role in reviewing and monitoring the risk registers. Officers recognise however that there is merit in either reinstating the Corporate Governance Group or specifically prescribing in the terms of reference of another management Board the responsibility for challenging, moderating and leading on organisational risk management. In this respect a management action has been raised in section 2 below. **(Medium)**

We note since our last review of risk management that there is now an 'assurance rating' in place on the Leadership Risk Register. This provides an assessment of the strength of the controls in place to provide assurance that the controls defined in the register are adequate and effective. In this respect a scoring of one (low) to five (high) is recorded. In addition, we note that both registers also now record the inherent and residual (after controls are taken in to account) risk assessment. Both of these developments add value to the risk management process.

We confirmed that the Project Management Toolkit has a prescribed template to record Risks, Actions, Issues, Dependencies and the Decisions. We have seen examples of this in practice and our Project Management report earlier in the year commented further on risk management within a sample of projects reviewed. One of the management actions arising from that review was for further training to ensure that the toolkit controls are fully understood by staff.

## 1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The detailed findings section lists the specific actions agreed with management to implement.

Area	Control design not effective*		Non Compliance with controls*		Agreed actions		
					Low	Medium	High
There is an up to date risk management policy / process that is communicated to staff / officers;	0	(1)	0	(1)	0	0	0
There is adherence to the risk management 'register' process at a strategic and operational level	0	(2)	0	(2)	0	0	0
Risk reporting is sufficient and timely to the management team and members;	0	(2)	1	(2)	0	1	0
Processes are in place to provide assurance on the effectiveness of controls	0	(1)	0	(1)	0	0	0
Any outstanding recommendations from previous reviews have been implemented	0	(1)	0	(1)	0	0	0
<b>Total</b>					<b>0</b>	<b>1</b>	<b>0</b>

\* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

## 2 DETAILED FINDINGS

### Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible regulatory scrutiny/reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, regulatory scrutiny, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
<b>Area: Risk Reporting to Leadership Team and Members is timely and sufficient</b>								
2.1	<p>The risk management strategy prescribed the following responsibilities for the Corporate Governance Group. To:</p> <ul style="list-style-type: none"> <li>Identify and address cross cutting risks, including key project risks.</li> <li>Identify and escalate common themes to the Leadership Team and make recommendations or</li> </ul>	Yes	No	<p>We have been informed that the Corporate Governance Group no longer meets. As part of a Governance and staff reorganisation a number of other management Boards have been set up beneath the Leadership Team and in most respects, these have replaced this Group. Officers recognise however that there is merit in either reinstating the Corporate Governance Group or specifically prescribing in the terms of reference of another management Board the responsibility for challenging,</p>	Medium	Officers will consider further the previous remit and responsibilities of the Corporate Governance Group and which management board in future will deliver the lead challenge and, moderation for organisational risk management going forward.	Sept 2019	G McTaggart

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
	<p>changes to corporate risk arrangements and strategic risk.</p> <ul style="list-style-type: none"> <li>Communicate risk management information to ensure it is understood.</li> </ul>			moderating and leading on organisational risk management.				

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