



EPSOM AND EWELL BOROUGH COUNCIL

DRAFT Annual internal audit report 2018/2019

April 2019

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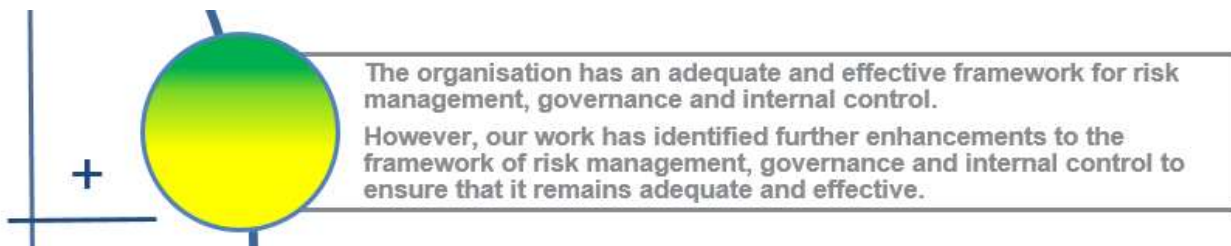
1 THE HEAD OF INTERNAL AUDIT OPINION

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 2019, the head of internal audit opinion for Epsom and Ewell Borough Council is as follows:

Head of internal audit opinion 2018/19



We will update this report for any further work completed and reports finalised and if necessary will update this opinion accordingly.

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

1.2 Scope and limitations 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, our opinion is subject to inherent limitations, as detailed 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);
- the opinion is based on the findings and conclusions from the work undertaken, the scope of which has been agreed with management;
- the opinion is based on the testing we have undertaken, which was limited to the area being audited, as detailed in the agreed audit scope;

- where strong levels of control have been identified, there are still instances where these may not always be effective. This may be due to human error, incorrect management judgement, management override, controls being by-passed or a reduction in compliance;
- due to the limited scope of our audits, there may be weaknesses in the control system which we are not aware of, or which were not brought to attention; and
- it remains management's responsibility to develop and maintain a sound system of risk management, internal control and governance, and for the prevention and detection of material errors, loss or fraud. The work of internal audit should not be seen as a substitute for management responsibility around the design and effective operation of these systems.

1.3 Factors and findings which have informed our opinion

Based on the work undertaken up until 31 March 2019, there is generally a sound system of internal control, designed to meet the Borough Council's objectives, and controls are generally being applied consistently. We have provided either a substantial or reasonable level of assurance in the majority of areas reviewed.

As noted above, the Council can take reasonable or substantial assurance for the following areas reviewed in the period:

- Treasury Management (Substantial)
- Corporate Governance (Members) (Substantial)
- Risk Management (Substantial)
- Project Management – Simply Weekly and Cemetery Extension (Substantial)
- EEPIC Company Governance (Reasonable)
- Homelessness (Reasonable)
- Income from S106 Agreements and Implementation of Community Infrastructure Levy (Reasonable)
- Payroll (Reasonable)
- Residential Property – Health and Safety Checks (Reasonable)

However, for the following two areas the Council can only take 'partial assurance':

Health and Safety:

We found there were weaknesses around the consistent use of accident/incident reporting forms by employees at the Council. In addition, we found weaknesses around the monitoring framework for the annual Risk Assessment reviews and for reviewing the implementation of the actions resulting from the fire risk assessments undertaken by the Council. We raised two high, two medium and three low priority actions during this review, details of which can be found in the full reports.

Project Management – Ebbisham Exit:

Officers interviewed (Borough Solicitor / Head of Property) as part of this review have highlighted that there were flaws in the initial business case and that this exercise was not treated as a project in the formal sense of the term but was rather seen as a conveyancing and legal process. Additionally,

further legal complications arose in establishing the sub-agreements in place with the users of the Ebbisham Centre which would transfer to the new Lessor. as the Council's Solicitor found differing types of agreement were in place. Either a licence, a hire agreement or lease arrangement. In addition, some of these could not be located or were out of date. Further delay occurred as correct agreements were required going forward.

We raised one high and one low priority actions during the review of this project, details of which can be found in the full reports.

We have additionally completed four advisory reviews. These related to Community Safety, Continuous Assurance Q1 and Q2, Midland HR iTrent System IT Review and Venues Management.

We also have a number of reviews yet to complete. These are:

- Continuous Assurance (Q3 and Q4)
- ICT Service Catalogue Review
- Follow up

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 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 2018/2019.

2.2 Implementation of internal audit management actions

Where actions have been agreed by management, these have been monitored by management through the action tracking process in place using the 4action system. During the year progress has been reported to the audit committee, with the validation of the action status confirmed by internal audit on rolling basis.

Our follow up of the actions agreed to address previous years' internal audit findings as at November 2018 shows that the organisation had made adequate progress in implementing the agreed actions. At this time we found of the 16 actions that were due to have been implemented five were fully implemented, one was no longer relevant and 13 were in progress. A further ten actions were not due for implementation.

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 last year we have:

- 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 a training session/workshop on contract management;
- 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 2018/2019 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.

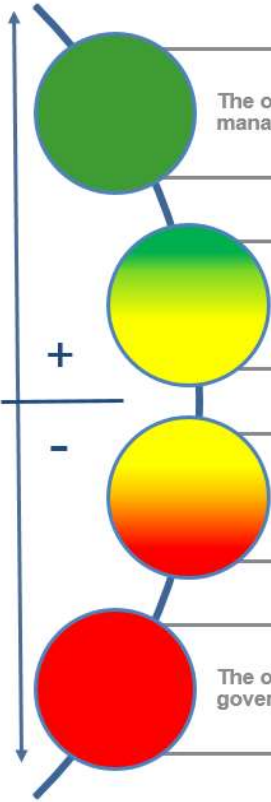
3.4 Quality assurance and continual improvement

To ensure that RSM remains compliant with the PSIAS framework we have a dedicated internal Quality Assurance Team who undertake a programme of reviews to ensure the quality of our audit assignments. This is applicable to all Heads of Internal Audit, where a sample of their clients will be reviewed. Any findings from these reviews are used to inform the training needs of our audit teams.

This is in addition to any feedback we receive from our post assignment surveys, client feedback, appraisal processes and training needs assessments.

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	Factors influencing our opinion
 <div data-bbox="354 869 1032 918">The organisation has an adequate and effective framework for risk management, governance and internal control.</div> <div data-bbox="427 1025 1110 1146">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.</div> <div data-bbox="427 1243 1123 1310">There are weaknesses in the framework of governance, risk management and control such that it could become, inadequate and ineffective.</div> <div data-bbox="354 1444 1136 1491">The organisation does not have an adequate framework of risk management, governance or internal control.</div>	<p>The factors which are considered when influencing our opinion are:</p> <ul style="list-style-type: none"> • inherent risk in the area being audited; • limitations in the individual audit assignments; • the adequacy and effectiveness of the risk management and / or governance control framework; • the impact of weakness identified; • the level of risk exposure; and • the response to management actions raised and timeliness of actions taken.

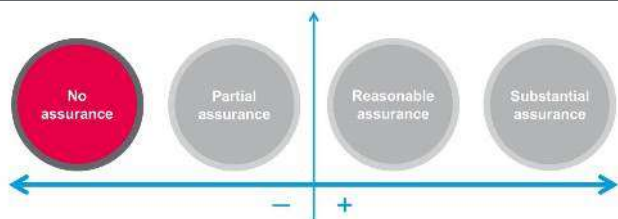
APPENDIX B: SUMMARY OF INTERNAL AUDIT WORK COMPLETED 2018/2019

Assignment	Executive lead	Assurance level	Actions agreed		
			H	M	L
Community Safety	Rod Brown - Head of Housing and Community Oliver Nelson - Environmental Health Officer	Advisory	0	1	2
Continuous Assurance - Quarter One	Gillian McTaggart - Head of Corporate Governance	Advisory	0	1	0
Continuous Assurance - Quarter Two	Gillian McTaggart - Head of Corporate Governance	Advisory	0	1	0
EEPIC Company Governance	Gillian McTaggart - Head of Corporate Governance Mark Shephard - Head of Property and Regeneration	Reasonable	0	4	2
Health and Safety	Gillian McTaggart - Head of Corporate Governance	Partial	2	2	3
Homelessness	Rod Brown - Head of Housing and Community Annette Snell - Housing Operations Manager	Reasonable	0	3	1
Income from S106 Agreement And Implementation of the Community Infrastructure Levy	Gillian McTaggart - Head of Corporate Governance	Reasonable	0	1	3
Midland HR iTrent System IT Governance Review	Shona Mason - Head of HR & Organisational Development	Advisory	0	3	1
Project Management	Gillian McTaggart – Head of Corporate Governance	Simply Weekly- Substantial Cemetry Extension- Substantial Ebbisham Exit- Partial	1	3	1
Treasury Management	Brendan Bradley - Chief Accountant	Substantial	0	1	0
Venues Management	Lee Duffy - Chief Financial Officer	Advisory	2	3	0

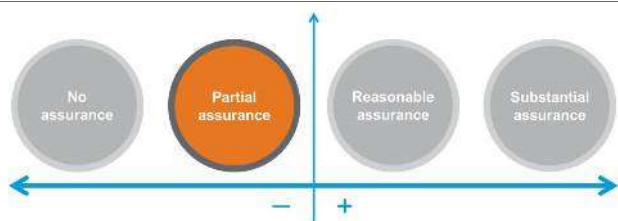
Assignment	Executive lead	Assurance level	Actions agreed		
			H	M	L
	Gillian McTaggart – Head of Corporate Governance				
Payroll	Shona Mason - Head of HR & Organisational Development	Reasonable	0	3	3
Residential Property – Health and Safety Checks	Gillian McTaggart – Head of Corporate Governance	Reasonable	1	0	0
Corporate Governance (Members)	Amardip Healy - Chief Legal Officer Gillian McTaggart Head of Corporate Governance	Substantial	0	0	2
Risk Management	Gillian McTaggart – Head of Corporate Governance	Substantial	0	1	0

All of the assurance levels and outcomes provided above should be considered in the context of the scope, and the limitation of scope, set out in the individual Assignment Report.

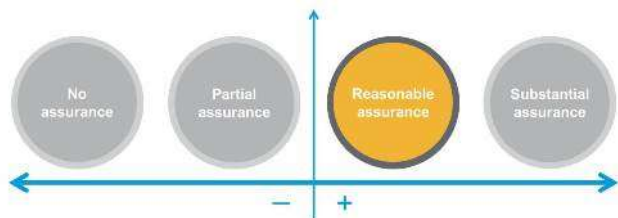
We use the following levels of opinion classification within our internal audit reports. Reflecting the level of assurance the board can take:



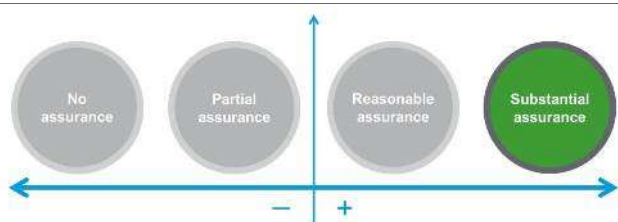
Taking account of the issues identified, the board cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective. Urgent action is needed to strengthen the control framework to manage the identified risk(s).



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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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. Actions for improvements should be assessed by you for their full impact. 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.

Our report is prepared solely for the confidential use of Epsom and Ewell Borough Council and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to you on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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