

Epsom and Ewell Borough Council

Annual Internal Audit Report - Year ended 31 March 2015

Presented at the Audit, Crime & Disorder and Scrutiny Committee
meeting of: 23 June 2015

Baker Tilly Risk Advisory Services LLP

Contents

1 Introduction.....	2
2 The Head of Internal Audit Opinion.....	3
Appendix A: Internal Audit Opinion and Recommendations 2014/2015.....	8
For further information contact	11

As a practising member firm of the Institute of Chartered Accountants in England and Wales (ICAEW), we are subject to its ethical and other professional requirements which are detailed at <http://www.icaew.com/en/members/regulations-standards-and-guidance>.

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. Recommendations 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.

This report is supplied on the understanding that it is solely for the use of the persons to whom it is addressed and for the purposes set out herein. Our work has been undertaken solely to prepare this report and state those matters that we have agreed to state to them. 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 Baker Tilly Risk Advisory Services LLP for any purpose or in any context. Any party other than the Board which obtains access to this report or a copy and chooses to rely on this report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, Baker Tilly Risk Advisory 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.

Baker Tilly Risk Advisory Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.

© 2015 Baker Tilly Risk Advisory Services LLP

1 Introduction

In accordance with Public Sector Internal Audit Standards, the Head of Internal Audit (HoIA) 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.

This is achieved through a risk-based plan of work, agreed with management and approved by the 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, an assurance framework is one component that the board takes into account in making its annual governance statement (AGS).

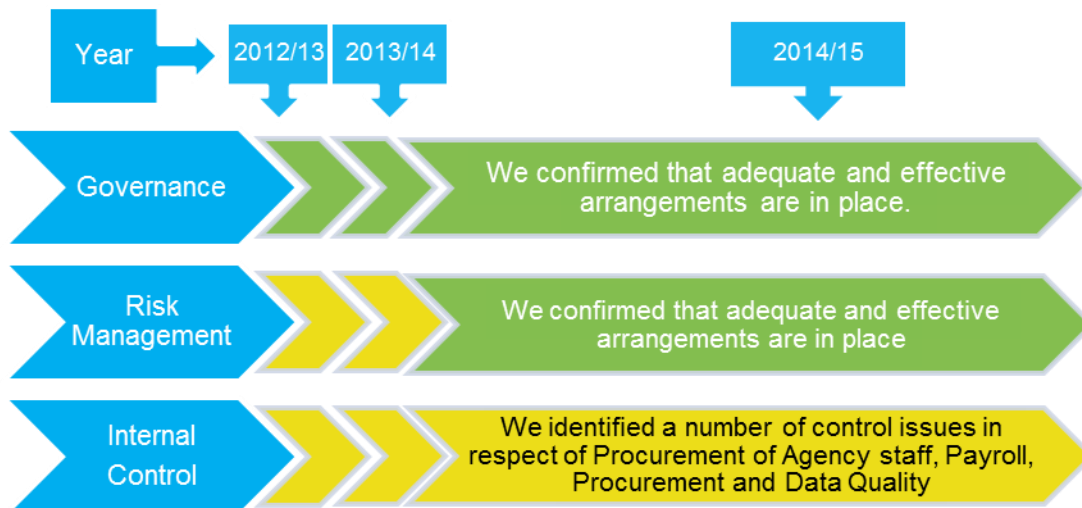
The AGS is an annual statement by the Section 151 Officer, on behalf of the board, setting out:

- How the individual responsibilities of the Section 151 Officer are discharged with regard to maintaining a sound system of internal control that supports the achievement of policies, aims and objectives;
- The purpose of the system of internal control as evidenced by a description of the risk management and review processes, including the assurance framework process; and
- The conduct and results of the review of the effectiveness of the system of internal control including any disclosures of significant control failures together with assurances that actions are or will be taken where appropriate to address issues arising.

2 The Head of Internal Audit Opinion

The purpose of our annual the Head of Internal Audit Opinion is to contribute to the assurances available to the Section 151 Officer and the Council through the Audit, Crime & Disorder and Scrutiny Committee. This opinion will in turn assist the Board in the preparation of its annual governance statement.

For the 12 months ended 31 March 2015, based on the work we have undertaken, our opinion below details the adequacy and effectiveness of your organisation's risk management, internal control and governance arrangements. We also show below the direction of travel of our opinions.



Further detail supporting our opinion can be found over the page.

2.1 The basis of our opinion

Whilst not significant issues in themselves, we would expect the Council to consider in the formulation of the AGS, the internal control weaknesses identified along with the improvements undertaken in the year in relation to the following audits:

- Procurement of agency staff
- Data quality
- Procurement
- Payroll



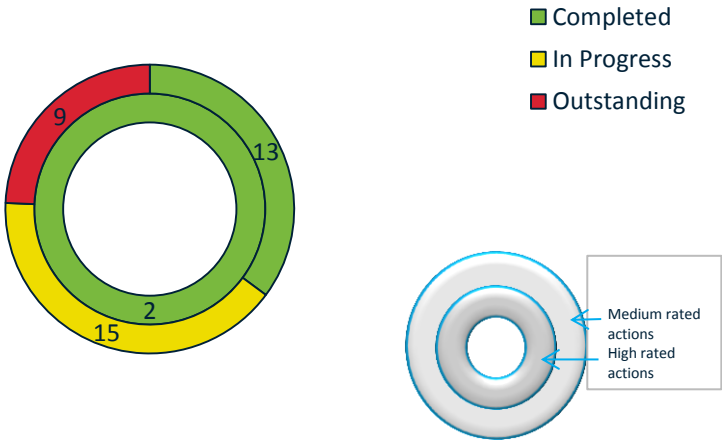
A summary of internal audit work undertaken, and the resulting opinions, is provided at appendix A.

2.2 Acceptance of 2014/2015 Internal Audit recommendations

All of the recommendations made during the year were accepted by management.

2.3 Implementation of internal audit recommendations

Our follow up of the recommendations from previous years assignments, showed that the organisation had made limited progress in implementing the agreed actions.



Implementation Status	Number of recs agreed	Implemented Or superseded	Implementation Ongoing	Not Implemented
High	2	2	-	-
Medium	37	13	15	9
Totals	39	15	15	9

Both high rated recommendations have been implemented and there is progress to implement over 50% of the medium rated recommendations.

Those not yet implemented are from the following audits:

Implementation Status by Review	Implementation Ongoing	Not Implemented
Partnerships	-	3
Performance Management	1	-
Income Collection – Waste	-	3
Facilities Management	2	-
Follow Up 2013/14	12	3
Total	15	9

2.4 Reliance placed upon work of other assurance providers

In forming our opinion we have not placed any direct reliance on other assurance providers.

2.5 Wider value-adding delivery

As part of our client service commitment, during 2014/15 we:

- issued 11 news bulletins to our local authority clients;
- provided a seminar for the East Surrey Internal Audit consortium in October 2014 which focused on risks around:
 - Procurement
 - Contract management
 - Social Value
- provided benchmarking within our reports on the number and category of recommendations and assurance opinions across other organisations where appropriate;
- made suggestions throughout our audit reports based on our knowledge and experience in the local government sector to provide areas for consideration;
- used specialists to undertake a review of your policies and procedures from a fraud perspective;
- provided regular contact and ad-hoc telephone calls and responded to queries from senior staff throughout the year.

2.6 Conflicts of interest

We Baker Tilly have not undertaken any work or activity during 2014/15 that would lead us to declare any conflict of interests.

2.7 Conformance with internal auditing standards

Baker Tilly 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 Advisory service line commissioned an external independent review of our internal audit services in 2011 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.

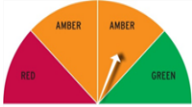
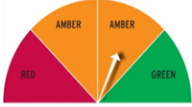
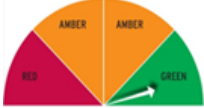
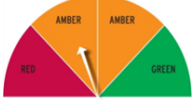





The external review concluded that “the design and implementation of systems for the delivery of internal audit provides substantial assurance that the standards established by the IIA in the IPPF will be delivered in an adequate and effective manner”.

2.8 Performance indicators

Our performance during 2014/2015 is summarised below across a range of performance indicators.

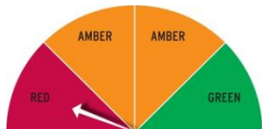
Delivery			Quality		
	Target	Actual	Notes (ref)		
Audits commenced in line with original timescales	100%	100%		Conformance with PSIAS and IIA Standards	Yes Yes
Draft reports issued within 28 days of debrief meeting	100%	87%	1	Liaison with, the external auditor to place reliance on the work of internal audit.	Yes Yes
Final report issued within 7 days of management response	100%	100%		Response time for all general enquiries for assistance	2 working days 100%
% of recommendations accepted					
High	100%	100%		Response for emergencies and potential fraud	1 working day N/A
Medium	95%	95%			
% of High & Medium recommendations followed up	100%	100%			
Notes					
1 – Two reports were delayed due to timing issues on our side.					

Appendix A: Internal Audit Opinion and Recommendations 2014/2015

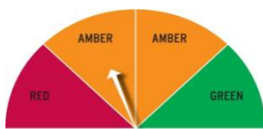
Assignment	Status	Opinion	Actions agreed		
			H	M	L
Income Streams	Final		-	4	4
Planning Income	Final		-	3	4
Creditors	Final		-	-	2
Data Quality	Final		-	5	1
Procurement Arrangements – Agency Staff	Final		5	3	1
Electoral Registration	Final		-	-	1
Housing Benefit & Council Tax Support	Final		-	-	1
Playhouse – Security of Income	Final		-	2	1
Revenues	Final		-	-	-

Assignment	Status	Opinion	Actions agreed		
			H	M	L
Cash Receipting and Reconciliations	Final		-	-	2
Procurement	Final		5	4	1
Governance and Risk Management	Final		-	-	3
Freedom of Information	Final		-	1	1
Payroll	Final		1	5	1
Emergency Planning	Final		-	1	3
Review of Anti Fraud and Anti Bribery Arrangements	Draft	Advisory			
Follow up	Draft	Limited Progress			
CRM Post Implementation Review	Draft	Advisory			
Property Maintenance	In Progress				

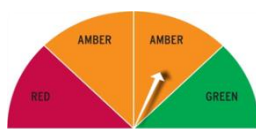
We use the following levels of opinion classification within our internal audit reports



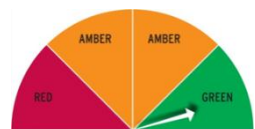
Taking account of the issues identified, the Board cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective. Action needs to be taken to ensure this risk is managed.



Taking account of the issues identified, whilst the Board can take some assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective, action needs to be taken to ensure this risk is managed.



Taking account of the issues identified, the Board can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective. However we have identified issues that, if not addressed, increase the likelihood of the risk materialising.



Taking account of the issues identified, the Board can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

For further information contact

Mark Jones

Mark.Jones@bakertilly.co.uk

Tel: 07768 895387

Karen Williams

Karen.Williams@bakertilly.co.uk

Tel: 07818 002463