



EPSOM AND EWELL BOROUGH COUNCIL

Annual Internal Audit Report 2017/2018

June 2018

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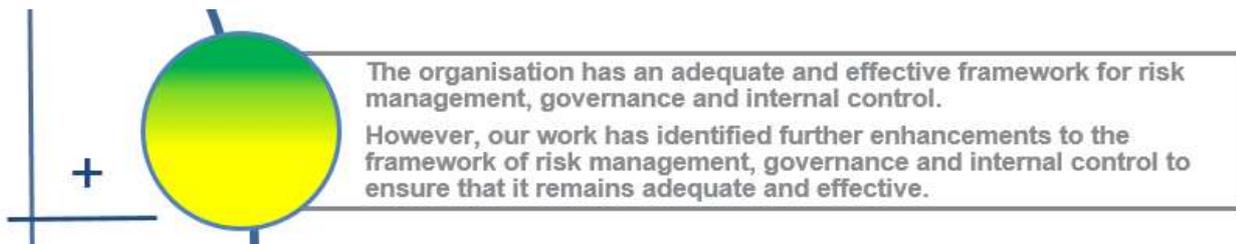
1 THE HEAD OF INTERNAL AUDIT OPINION

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 2018, the head of internal audit opinion for Epsom and Ewell Borough Council is as follows:

Head of internal audit opinion 2017/18



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 Council 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 2018 we have provided either substantial or reasonable level of assurance in the majority of areas we reviewed.

As noted above, we have given either reasonable or substantial assurance to the following reports in the period:

- Booking Systems and Income Collection;
- Emergency Planning;
- Property Management;
- Local Plan;
- Commercial Property Acquisitions;
- Transport Contract Management;
- Revenues;
- Benefits;
- Business Process Review (Project) Homelessness;
- Payroll;
- Planning Income;
- Corporate Governance;
- Private Sector Leasing; and
- Commercial Property Acquisitions Part 2.

Whilst we have given positive opinions in each of these audits, we have nevertheless identified a number of opportunities to further strengthen the control framework and have agreed a number of management actions to this end. We will report back on progress on implementation to the Audit Committee.

We have also completed an advisory review of GDPR which resulted in 11 actions being raised.

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.

1.5 Remaining internal audit work for 2017/18

The following assignments have yet to be completed and reported in final, and will also be taken in to consideration when drafting our full end of year head of internal audit opinion. Our opinion may therefore change between now and the year-end dependent on the findings of these reviews:

- Cyber Security

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.

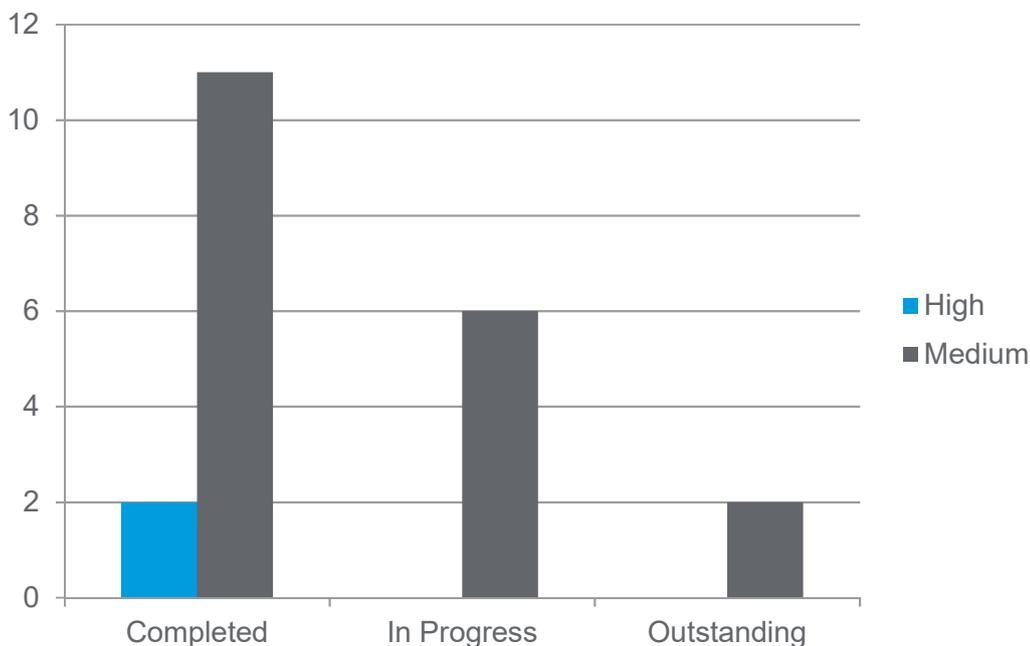
2.1 Acceptance of internal audit management actions

Management have agreed actions to address all of the findings reported by the internal audit service during 2017/2018.

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. During the year progress has been reported to the audit committee, with the validation of the action status confirmed by internal audit on a rolling basis.

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.



The two actions recorded as outstanding both relate to the area of IT where we have yet to receive an update on progress with 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:

- 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 2017/2018 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 December 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.

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	No	1	Conformance with PSIAS	Yes	Yes	
Draft reports issued within 10 working days of debrief meeting	100%	73%	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	
Management responses received within 5 working days of draft report	100%	9%	3	% of staff with CCAB/CMIIA qualifications	>50%	>50%	
Final report issued within 3 working days of management response	100%	100%		Turnover rate of staff	<10%	<10%	
% audit reports presented to agreed Audit, Crime & Disorder and Scrutiny Committee meetings	100%	100%		Respond to general enquiries for assistance within two working days	100%	100%	
% of High & Medium actions followed up	100%	100%	4	Respond to emergencies or notifications of potential fraud within one working day	100%	100%	

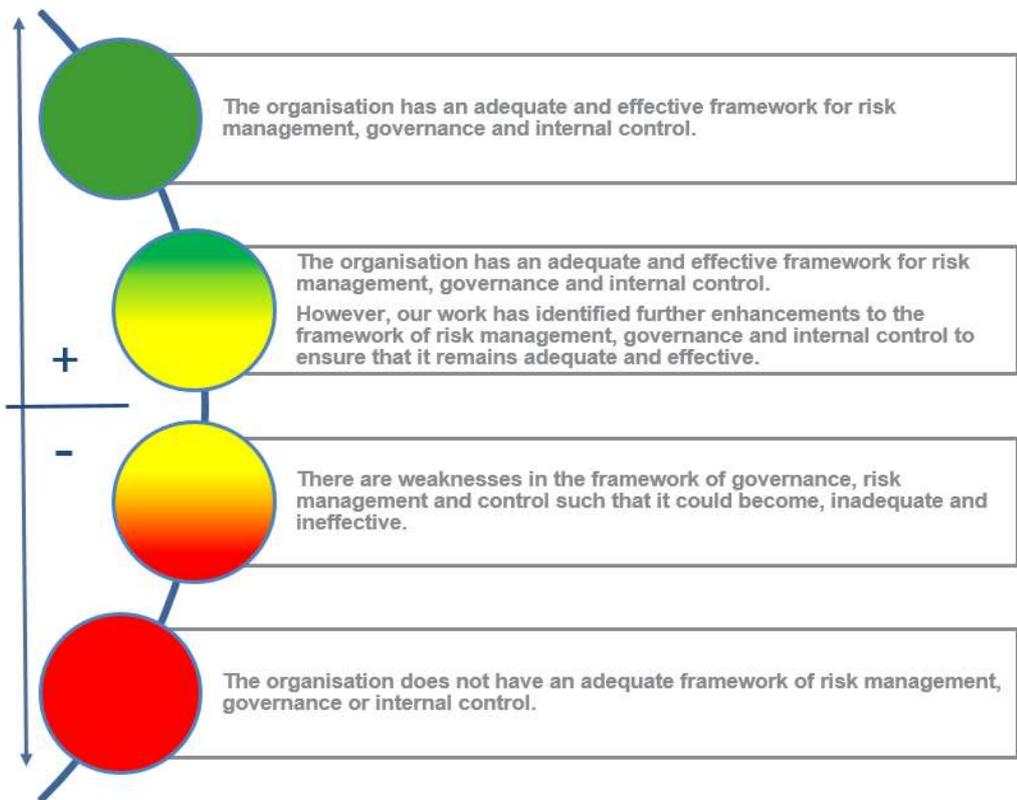
Notes

- 1 – Any changes were at the request of Council management
- 2 – 10 working days is the RSM target per our client care standards, the contractual target is 20 working days.
- 3 – Whilst responses generally have not been received within 5 working days we have worked with management to ensure that these are received to allow the report to be presented to the planned Audit Committee meeting.
- 4 – 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.

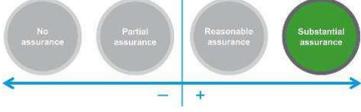
Annual opinions	Factors influencing our opinion
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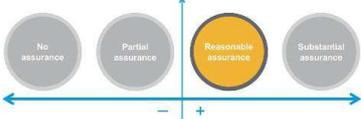
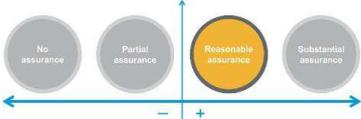
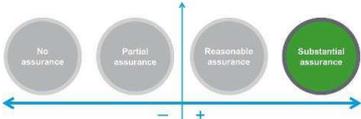
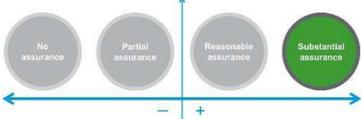
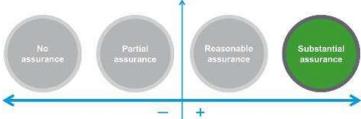


The factors which are considered when influencing our opinion are:

- 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 2017/2018

Assignment	Executive lead	Assurance level	Actions agreed		
			H	M	L
Booking System and Income Collection	Andrew Lunt, Head of Venues and Facilities	Reasonable 	0	0	3
Emergency Planning	Gillian McTaggart, Head of Corporate Governance	Reasonable 	0	3	4
Property Management	Mark Shephard, Head of Property	Reasonable 	0	0	5
Local Plan	Gillian McTaggart, Head of Corporate Governance	Reasonable 	0	1	1
Commercial Property Acquisition	Mark Shephard, Head of Property	Substantial 	0	0	0
Transport – Contract Management	Jon Sharpe, Transport & Waste Services Manager	Substantial 	0	0	3
Revenues	Judith Doney, Head of Revenues and Benefits Siobhan Gavigan, Revenues Manager	Reasonable 	0	1	2

Assignment	Executive lead	Assurance level	Actions agreed		
			H	M	L
Benefits	Judith Doney, Head of Revenues and Benefits Pete Wells, Benefits Manager	Reasonable 	0	1	0
Business Process Review (Project) Homelessness	Annette Snell, Housing Operations Manager	Reasonable 	0	3	0
Payroll	Shona Mason, Head of HR and Organisational Development	Reasonable 	0	2	4
Planning Income	Mark Berry, Head of Place Development	Substantial 	0	0	3
Corporate Governance	Gillian McTaggart, Head of Corporate Governance	Reasonable 	0	3	1
General Data Protection Regulation (GDPR)	Gillian McTaggart, Head of Corporate Governance	N/a - Advisory	11 Ungraded		
Private Sector Leasing	Rod Brown - Head of Housing and Community	Substantial 	0	0	1
Commercial Property Acquisition	Mark Shephard, Head of Property	Substantial 	0	0	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:

	<p>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).</p>
	<p>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).</p>
	<p>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).</p>
	<p>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.</p>

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.

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

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