



RUSHCLIFFE BOROUGH COUNCIL

Annual internal audit report 2018/19

9 May 2019

This report is solely for the use of the persons to whom it is addressed.
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.





CONTENTS

1 The annual internal audit opinion	2
2 The basis of our internal audit opinion	4
3 Our performance	6
Appendix A: Annual opinions	7
Appendix B: Summary of internal audit work completed 2018/2019	8
For further information contact	11

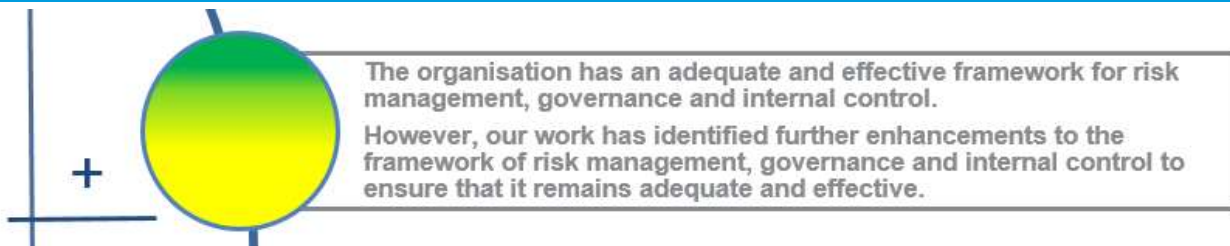
1 THE ANNUAL INTERNAL AUDIT OPINION

This report provides an annual internal audit opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the Council's risk management, control and governance processes. The opinion should contribute to the Council's annual governance reporting.

1.1 The opinion

For the 12 months ended 31 March 2019, the Head of Internal Audit opinion for Rushcliffe Borough Council is as follows:

Head of internal audit opinion 2018/2019



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 Corporate Governance Group. 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 Council;
- The opinion is substantially derived from the conduct of risk-based plans generated from a robust and Council-led assurance framework. As such, the assurance framework is one component that the board takes into account in completing its annual governance reporting;
- The opinion is based on the findings and conclusions from the work undertaken, the scope of which has been agreed with management/lead individual;
- 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

Governance

We have taken into consideration the governance and oversight related elements of each of the reviews undertaken as part of the 2018/19 internal audit plan. There is a sound governance framework in place and we have observed that the Corporate Governance Group is effective in monitoring and challenging management and holding them to account.

Risk Management

Risk Management systems and processes were reviewed throughout the course of all audits within the Audit Plan. The Corporate Risk Register contains those risks which may impact achievement of the Council's strategic objectives, whereas the Service Risk Register documents risks identified at an operational level for each service area.

A review of Risk Management was undertaken at the Council as part of the approved internal audit periodic plan for 2018/19. The review reported positively on the risk management framework in place and concluded that the Council could take substantial assurance.

Internal Control

We undertook 14 internal audit reviews in 2018/19 which resulted in an assurance opinion. There were 13 reviews (93%) from which the Council can take substantial assurance and one review (7%) from which the Council can take reasonable assurance.

We also confirmed 'good' progress' was made in implementing previously agreed management actions from a 'Follow Up' review undertaken.

During the year we raised a total of 33 management actions across assurance and follow up reviews. Of the 33 actions raised: Four (12%) were 'medium' priority and 29 (88%) were 'low' priority actions.

To further enhance the framework for risk management, governance and internal controls, management have agreed to put actions in place.

A separate agreed upon procedures review of General Data Protection Regulations (GDPR) Governance – Post Implementation was undertaken resulting in seven management actions.

A further two advisory audits were undertaken for Asset Investment and Streetwise resulting in three 'medium' and two 'low' priority actions being raised across both audits.

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 your annual governance reporting

There are no significant matters resulting from our internal audit work which we consider should be particularly reflected the Council's annual governance report.

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.

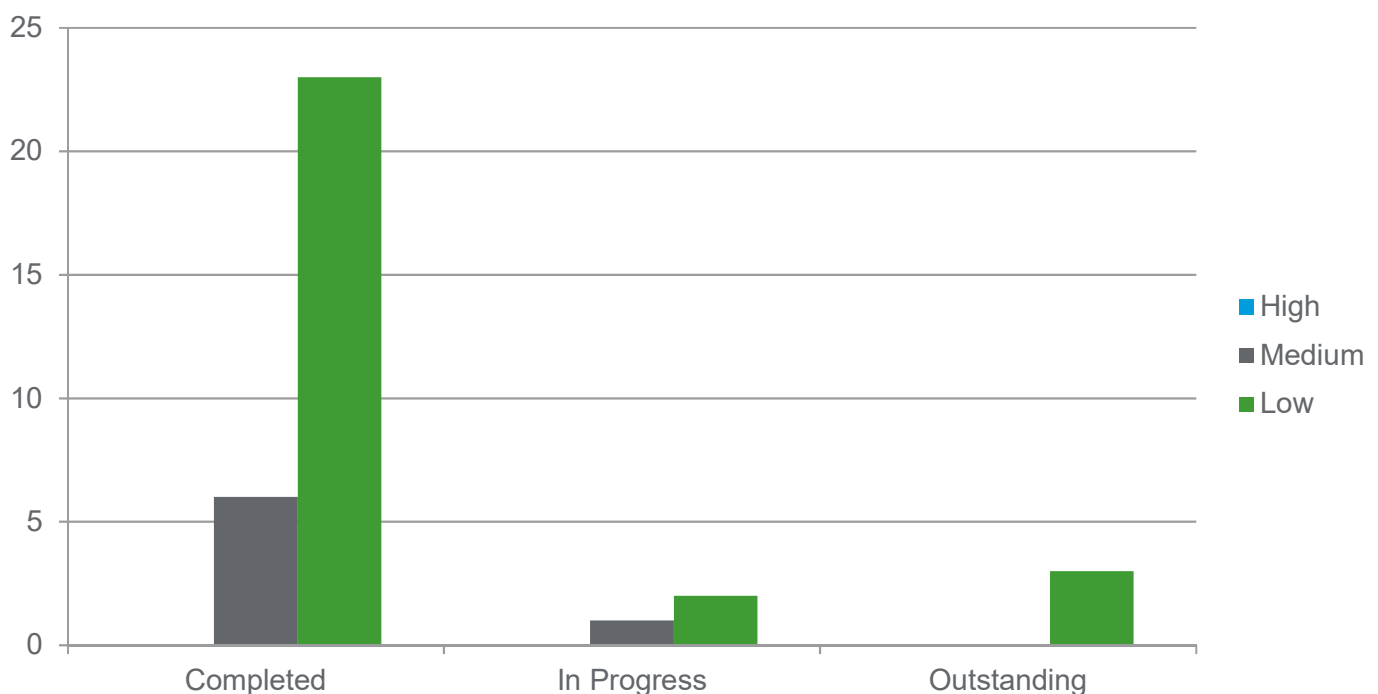
2.1 Acceptance of internal audit management actions

Management have agreed actions to address all of the findings reported by the internal audit service during 2018/2019.

2.2 Implementation of internal 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 Corporate Governance Group, with the validation of the action status confirmed by internal audit through the follow up audit.

Our follow up of the actions agreed to address previous years' internal audit findings shows that the Council had made **good** progress in implementing the agreed actions.



Our review considered 35 management actions (seven 'Medium' and 28 'Low' priority). We confirmed that 28 of these had either been implemented in full or had been superseded.

The ongoing management actions were in relation to:

- Personal data had been included in screen prints in the garden waste procedure notes (medium);

- Income reconciliations had not been completed between the finance and planning systems; however management are investigation the ways in which data can be extracted to allow for these reconciliations to be performed (low); and
- Finance operation procedure notes had not been fully completed (low).

The outstanding management actions were in relation to:

- The Members Learning and Development Policy had not been updated since 2010 (low);
- The Corporate Procurement Strategy had not been updated (low); and
- The Business Unit had not taken over the role of direct notification of Land Charges (low).

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 Conflicts of interest

RSM has not undertaken any work or activity during 2018/2019 that would lead us to declare any conflict of interest.

3.2 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 Corporate Governance Group and the supporting working papers.” RSM was found to have an excellent level of conformance with the IIA’s professional standards.

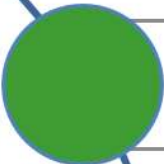
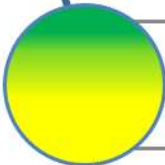
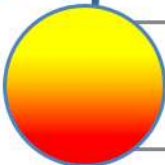
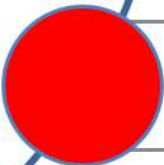
3.3 Quality assurance and continual improvement

To ensure that RSM remains compliant with the International Standards for the Professional Practice of Internal Auditing and the International Professional Practices Framework (IPPF) 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
 <p>The organisation has an adequate and effective framework for risk management, governance and internal control.</p>	<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.
<p>+</p>  <p>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.</p>	
<p>-</p>  <p>There are weaknesses in the framework of governance, risk management and control such that it could become, inadequate and ineffective.</p>	
 <p>The organisation does not have an adequate framework of risk management, governance or internal control.</p>	

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

Assignment	Executive lead	Assurance level	Actions agreed		
			H	M	L
Risk Management (01.18/19)	Peter Linfield, Executive Manager Finance and Corporate Services		0	0	0
Business Continuity (02.18/19)	Peter Linfield, Executive Manager Finance and Corporate Services		0	0	1
General Data Protection Regulation (GDPR) Governance – Post Implementation (03.18/19)	Katherine Marriott, Executive Manager Operations and Transformation	Agreed upon procedures audit and therefore no assurance given or priorities provided for the seven actions raised.			
Council Tax (04.18/19)	Peter Linfield, Executive Manager Finance and Corporate Services		0	0	3
Asset Investment (05.18/19)	Peter Linfield, Executive Manager Finance and Corporate Services	Advisory	0	0	1
NNDR (06.18/19)	Peter Linfield, Executive Manager Finance and Corporate Services		0	0	2
IT Strategy Review (07.18/19)	Greg Dwyer, ICT Manager		0	1	4
Payroll and Expenses (08.18/19)	Peter Linfield, Executive Manager Finance and Corporate Services		0	0	1
Income and Debtors (09.18/19)	Peter Linfield, Executive Manager Finance and Corporate Services		0	0	4

Assignment	Executive lead	Assurance level	Actions agreed		
			H	M	L
Markets (10.18/19)	Peter Linfield, Executive Manager Finance and Corporate Services		0	1	1
Streetwise (11.18/19)	Dave Mitchell, Executive Manager Communities (RBC) and Chair Streetwise	Advisory	0	3	1
Contract Management – Garages and Fleet (12.18/19)	David Banks, Executive Manager Neighbourhoods		0	0	0
Community Facilities (13.18/19)	Dave Mitchell, Executive Manager Communities		0	0	3
Contract Management – Car Parking (14.18/19)	Peter Linfield, Executive Manager Finance and Corporate Services		0	0	0
Budgetary Control and Setting (15.18/19)	Peter Linfield, Executive Manager Finance and Corporate Services		0	0	0
Follow Up (16.18/19)	Peter Linfield, Executive Manager Finance and Corporate Services	Good Progress	0	1	5
Safeguarding (17.18/19)	Dave Mitchell, Executive Manager Communities David Banks, Executive Manager Neighbourhoods		0	0	2
Health and Safety (18.18/19)	Katherine Marriott, Executive Manager Operations and Transformation		0	1	3

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 Council cannot take assurance that the controls upon which the Council 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 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 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).</p>
	<p>Taking account of the issues identified, the Council can take substantial assurance that the controls upon which the Council relies to manage the identified risk(s) are suitably designed, consistently applied and operating effectively.</p>

FOR FURTHER INFORMATION CONTACT

Chris Williams, Head of Internal Audit

RSM Risk Assurance Services LLP
Suite A, 7th Floor, City Gate East
Tollhouse Hill
Nottingham, NG1 5FS
T 0115 964 4450
M 07753 584993
chris.williams@rsmuk.com

rsmuk.com

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 Rushcliffe 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.

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