



RUSHCLIFFE BOROUGH COUNCIL

Annual internal audit report 2017/2018

10 May 2018

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 head of internal audit opinion 2
- 2 The basis of our internal audit opinion 4
- 3 Our performance 5
- Appendix A: Annual opinions 6
- Appendix B: Summary of internal audit work completed 2017/2018 7
- For further information contact 10

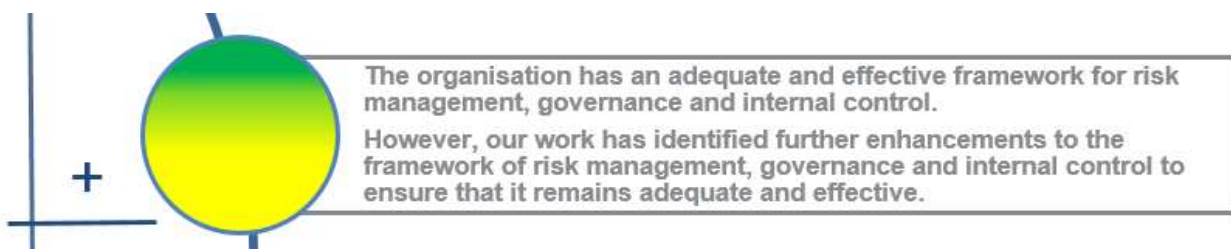
1 THE HEAD OF INTERNAL AUDIT OPINION

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 Council's annual governance statement.

1.1 The opinion

For the 12 months ended 31 March 2018, the Head of Internal Audit opinion for Rushcliffe 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 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 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 / 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

A review of Corporate Governance was undertaken at the Council as part of the approved internal audit periodic plan for 2017/18. The review reported positively on the governance framework in place

We undertook a further 11 internal audit reviews in 2017/18, which resulted in an assurance opinion. There were seven reviews from which the Council can take substantial assurance. Four reviews were carried out from which the Council can take reasonable assurance .

During the year we raised a total of 31 management actions across assurance and advisory reviews. Of the 31 management actions raised: six were 'medium' priority and 25 were 'low' priority actions.

A separate advisory review of General Data Protection Regulation (GDPR) was undertaken resulting in 12 management actions.

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

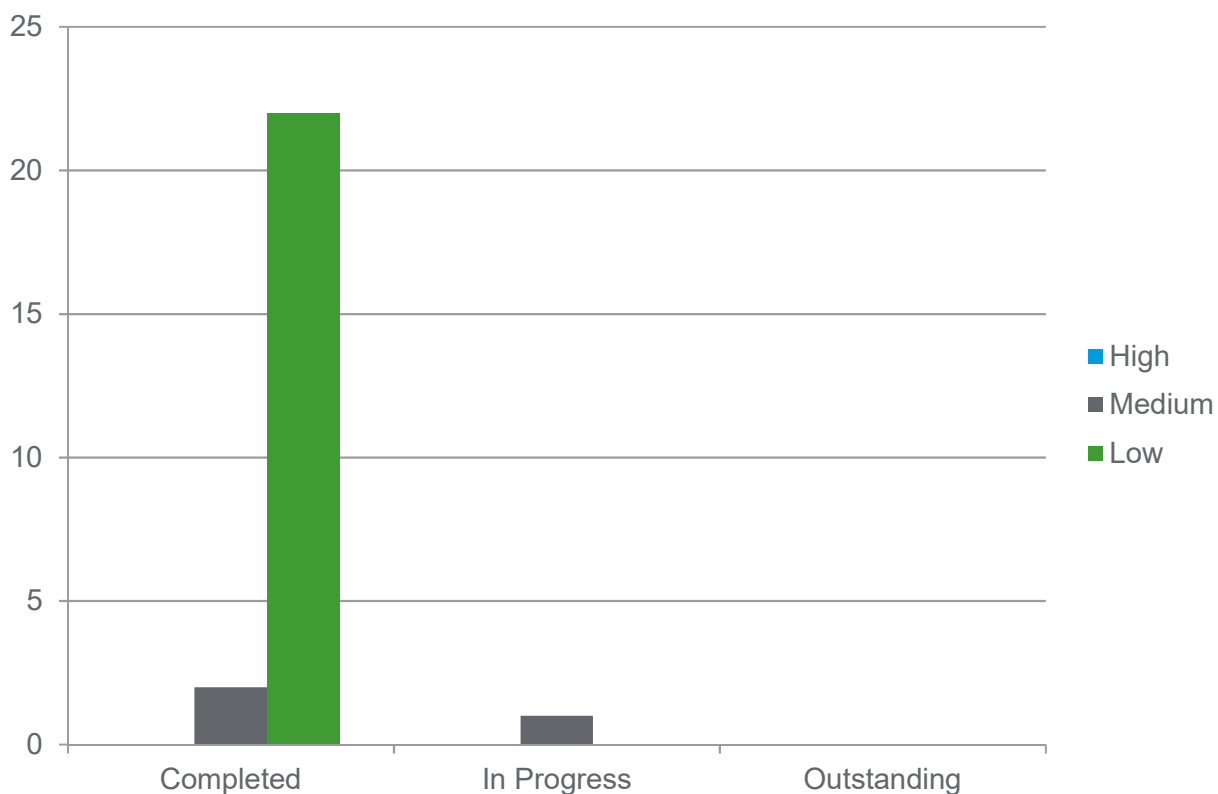
As well as those headlines discussed at paragraph 1.3, the following areas have helped to inform our opinion. A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

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 2017/2018.

2.2 Implementation of internal audit management actions

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.



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 2017/2018 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.

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.

3.3 Quality assurance and continual improvement

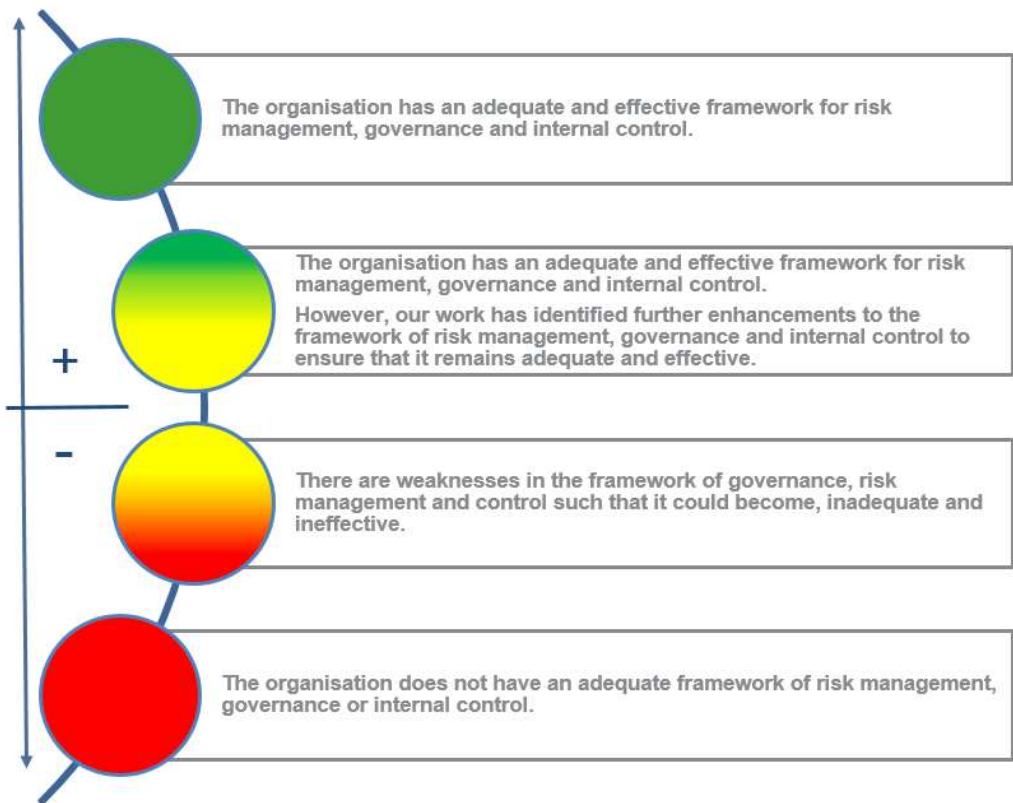
To ensure that RSM remains compliant with the PSIAS framework we have a dedicated internal Quality Assurance Team who undertake a programme of reviews to ensure the quality of our audit assignments. This is applicable to all Heads of Internal Audit, where a sample of their clients will be reviewed. Any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

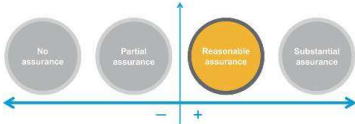
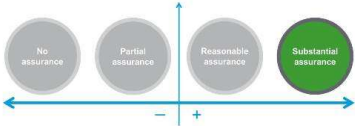
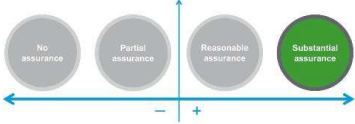
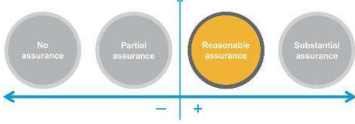


The factors which are considered when influencing our opinion are:

- 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
Garden Waste (1.17/18)	David Banks, Executive Manager Neighbourhoods		0	1	5
Review of the Arena Project - Advisory Review (2.17/18)	Katherine Marriott, Executive Manager Operations and Transformation	Advisory Review	0	0	1
Procurement of IT Equipment (3.17/18)	Katherine Marriott, Executive Manager Operations and Transformation		0	0	1
Country Parks (4.17/18)	David Mitchell, Executive Manager Communities		0	0	1
A Review of the Actions taken following NNDR Refund Fraud – August 2017 to October 2017 (5.17/18)	Peter Linfield, Executive Manager – Finance and Commercial	Advisory Review	0	2	0
Payroll (6.17/18)	Pete Linfield, Executive Manager – Finance and Corporate Service		0	0	0
Housing Benefits (7.17/18)	Pete Linfield, Executive Manager – Finance and Corporate Service		0	0	0
Corporate Governance (8.17/18)	Pete Linfield, Executive Manager – Finance and Corporate Services		0	1	0
Main Accounting (9.17/18)	Peter Linfield, Executive Manager Finance and Corporate Services		0	0	6

Assignment	Executive lead	Assurance level	Actions agreed		
			H	M	L
General Data Protection Regulation (GDPR) Readiness (10.17/18)	Katherine Marriott, Executive Manager Operations and Transformation	Advisory			
Contract Management (11.17/18)	Peter Linfield, Executive Manager – Finance and Corporate Services		0	2	2
Creditors and e-Procurement (12.17/18)	Peter Linfield, Executive Manager -Finance and Commercial		0	0	1
Follow Up (13.17/18)	Peter Linfield, Executive Manager -Finance and Commercial	Good Progress	0	1	0
Allowances (14.17/18)	Pete Linfield, Executive Manager - Finance and Corporate Service		0	0	1
Cyber Security and ISO 27001 (15.17/18)	Greg Dwyer, ICT Manager		0	0	6

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 Reports.

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

<p>The diagram shows four circles representing assurance levels: 'No assurance' (red), 'Partial assurance' (grey), 'Reasonable assurance' (grey), and 'Substantial assurance' (grey). A horizontal blue double-headed arrow is below the circles, with a '-' sign on the left and a '+' sign on the right, indicating a scale from negative to positive assurance.</p>	<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>The diagram shows four circles representing assurance levels: 'No assurance' (grey), 'Partial assurance' (orange), 'Reasonable assurance' (grey), and 'Substantial assurance' (grey). A horizontal blue double-headed arrow is below the circles, with a '-' sign on the left and a '+' sign on the right.</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>The diagram shows four circles representing assurance levels: 'No assurance' (grey), 'Partial assurance' (grey), 'Reasonable assurance' (yellow), and 'Substantial assurance' (grey). A horizontal blue double-headed arrow is below the circles, with a '-' sign on the left and a '+' sign on the right.</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>The diagram shows four circles representing assurance levels: 'No assurance' (grey), 'Partial assurance' (grey), 'Reasonable assurance' (grey), and 'Substantial assurance' (green). A horizontal blue double-headed arrow is below the circles, with a '-' sign on the left and a '+' sign on the right.</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

Chris Williams, Head of Internal Audit

RSM Risk Assurance Services LLP
Suit A, 7th Floor, Cuty Gate East
Tollhouse Hill
Nottingham, NG1 5FS
T 0115 964 4450
M 07753 584993
Chris.Williams@rsmuk.com

rsmuk.com

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. 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.