



EPSOM AND EWELL BOROUGH COUNCIL

Internal Audit Strategy 2018-2021

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

19 April 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
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1 INTRODUCTION

Our approach to developing your internal audit plan is based on analysing your corporate objectives, risk profile and assurance framework as well as other, factors affecting Epsom and Ewell Borough Council in the year ahead, including changes within the sector.

1.1 Background

Over the past year, the Council has seen some changes to posts within its senior management team. It has also ended the shared service arrangement it had with another local council in the area of IT and is therefore working to increase in-house capacity and infrastructure for IT. The Council's key priorities as set out in the Corporate Plan 2016-20, continue to be:

- Keeping the Borough Clean and Green
- Supporting our Community
- Managing our Resources
- Supporting Businesses and our Local Economy

2 DEVELOPING THE INTERNAL AUDIT STRATEGY

We use your objectives as the starting point in the development of your internal audit plan.

2.1 Risk management processes

We have evaluated your risk management processes and consider that we can place reliance on your risk registers / assurance framework to inform the internal audit strategy. We have used various sources of information (see Figure A below) and discussed priorities for internal audit coverage with the following people:

- Senior management
- Audit, Crime & Disorder and Scrutiny Committee

Based on our understanding of the organisation, the information provided to us by the stakeholders above, and the regulatory requirements, we have developed an annual internal plan for the coming year and a high level strategic plan (see appendix A and B for full details).

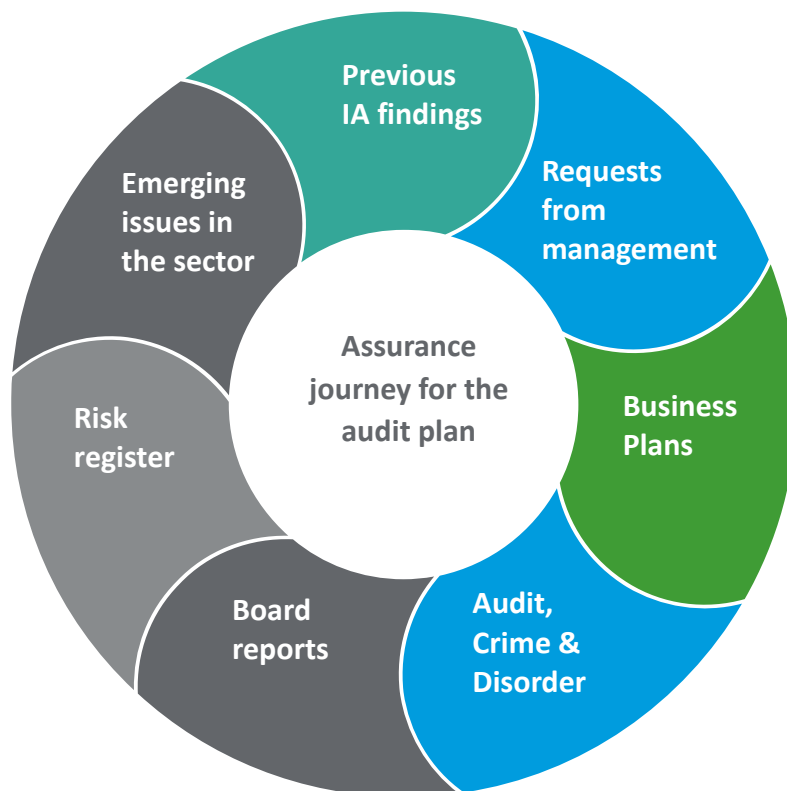


Figure A: Sources considered when developing the internal audit strategy

2.2 How the plan links to your key priorities

Each of the reviews that we propose to undertake is detailed in the internal audit plan and strategy within appendices A and B. In the table below we bring to your attention particular key audit areas and discuss the rationale for their inclusion or exclusion within the strategy.

Area	Reason for inclusion or exclusion in the audit plan/strategy	Link to strategic objective
Project Management	<p>A number of projects are underway, and we will review the Council's project management methodology and complete a deep dive into two projects in order to assess the extent to which the methodology is applied. Initial indications are that one project for review may be the CRM system.</p> <p>This has been highlighted by management as an area worthy of review to ensure the methodology continues to be complied with and that projects are not allowed to stagnate.</p>	<ul style="list-style-type: none"> • Keeping the Borough Clean and Green • Supporting our Community • Managing our Resources • Supporting Businesses and our Local Economy
Health and safety management	<p>Review of health and safety processes and procedures. This audit will consider the Council's compliance with policies and procedures, including who is responsible for completing key activities. We will also review the Council's processes for fire risk assessments, including how assurance is gained that actions identified during assessments are implemented.</p> <p>Fire risk assessment is considered a key area for review following the Grenfell Tower fire in 2017.</p>	<ul style="list-style-type: none"> • Supporting our Community • Managing our Resources
Continuous assurance	<p>Quarterly testing of an agreed set of controls to give assurance regarding ongoing compliance. Possible areas of review are set out in Appendix C.</p> <p>We have discussed this with management and will use this series of reviews to give ongoing assurance over some of the key financial processes, including revenues, benefits, capital accounting and debtors rather than completing detailed reviews in these areas.</p>	<ul style="list-style-type: none"> • Managing our Resources
IT Audit	<p>Rolling programme of IT audits. The scope of this will be determined in year, once the Council has completed bringing its IT services back in house.</p>	<ul style="list-style-type: none"> • Managing our Resources
Income from s106 agreement and implementation of the Community Infrastructure Levy	<p>To provide assurance that the control framework reflects changes as a result of the introduction of the Community Infrastructure Levy. At Officers' discretion, it will also consider how the existing s106 income is managed and monitored to ensure spent appropriately.</p>	<ul style="list-style-type: none"> • Managing our Resources

Area	Reason for inclusion or exclusion in the audit plan/strategy	Link to strategic objective
Governance arrangements for property investment company	A review of the processes the Council has in place for oversight of the new property investment company. This will include consideration of how responsibilities are assigned and how decisions are recorded to ensure in line with agreed policies.	<ul style="list-style-type: none"> Managing our Resources
Contract management	Our contract management specialists will provide a workshop on contract management, building on the training previously delivered and using current Council related examples.	<ul style="list-style-type: none"> Managing our Resources

As well as assignments designed to provide assurance or advisory input around specific risks, the strategy also includes: a contingency allocation, time for tracking the implementation of actions and an audit management allocation. Full details of these can be found in appendices A and B.

2.3 Working with other assurance providers

The Audit, Crime & Disorder and Scrutiny Committee is reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not, seek to cover all risks and processes within the organisation.

We will however continue to work closely with other assurance providers, such as external audit to ensure that duplication is minimised and a suitable breadth of assurance obtained.

3 YOUR INTERNAL AUDIT SERVICE

Your internal audit service is provided by RSM Risk Assurance Services LLP. The team will be led by Mike Cheetham, supported by Lorna Raynes and Chris Benn as your client managers.

3.1 Fees

Our fee to deliver the plan will be in accordance with the contractual Deed of Variation signed on 2 May 2017.

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 Audit, Crime & Disorder and Scrutiny 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.

3.3 Conflicts of interest

We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under internal auditing standards.

4 AUDIT, CRIME & DISORDER AND SCRUTINY COMMITTEE REQUIREMENTS

In approving the internal audit strategy, the committee is asked to consider the following:

- Is the Audit, Crime & Disorder and Scrutiny Committee satisfied that sufficient assurances are being received within our annual plan (as set out at appendix A) to monitor the organisation's risk profile effectively?
- Does the strategy for internal audit (as set out at appendix B) cover the organisation's key risks as they are recognised by the Audit, Crime & Disorder and Scrutiny Committee?
- Are the areas selected for coverage this coming year appropriate?
- Is the Audit, Crime & Disorder and Scrutiny Committee content that the standards within the charter in appendix C are appropriate to monitor the performance of internal audit?

It may be necessary to update our plan in year, should your risk profile change and different risks emerge that could benefit from internal audit input. We will ensure that management and the Audit, Crime & Disorder and Scrutiny Committee approve such any amendments to this plan.

APPENDIX A: INTERNAL AUDIT PLAN 2018/19

Audit	Objective of the review	Audit approach	Proposed timing	Proposed Audit, Crime & Disorder and Scrutiny Committee
Risk Based Assurance				
Project Management	A number of projects are underway, and we will review the Council's project management methodology and complete a deep dive into two projects in order to assess the extent to which the methodology is applied. Initial indications are that one project for review may be the CRM system.	Assurance	July 2018	October 2018
Homelessness – housing needs and temporary accommodation	The Council has undertaken a number of initiatives for the provision of temporary accommodation. Assurance is sought that an appropriate process is followed from a governance perspective in that the allocation of funds results in satisfactory provision through the identification of a feasible property, the development of that property, and the use of that property to meet the housing needs to essentially obtain a return on the investment. This audit is in place of two (housing needs and temporary accommodation) carried forward from 2017/18.	Assurance	August 2018	October 2018
Health and safety management	Review of health and safety processes and procedures. This audit will consider the Council's compliance with policies and procedures, including who is responsible for completing key activities. We will also review the Council's processes for fire risk assessments, including how assurance is gained that actions identified during assessments are implemented.	Assurance	May 2018	October 2018
IT Audit	Rolling programme of IT audits. The scope of this will be determined in year, once the Council has completed bringing its IT services back in house.	TBC	January 2019	April 2019

Audit	Objective of the review	Audit approach	Proposed timing	Proposed Audit, Crime & Disorder and Scrutiny Committee
HR Management	Review of key areas of HR to ensure processes are operating as planned. Area of focus to be determined with management.	Assurance	April 2018	June 2018
Income from s106 agreement and implementation of the Community Infrastructure Levy	To provide assurance that the control framework reflects changes as a result of the introduction of the Community Infrastructure Levy. At Officers' discretion, it will also consider how the existing s106 income is managed and monitored to ensure spent appropriately.	Assurance	May 2018	October 2018
Corporate governance	An annual review of the governance arrangements in place. This will focus on decision making processes within the Council.	Assurance	January 2019	April 2019
Governance arrangements for property investment company	A review of the processes the Council has in place for oversight of the new property investment company. This will include consideration of how responsibilities are assigned and how decisions are recorded to ensure in line with agreed policies, and will consider this for both the Council and the Directors of the Company.	Assurance	May 2018	October 2018
Contract management	Our contract management specialists will provide a workshop on contract management, building on the training previously delivered and using real life examples.	Advisory	TBC	TBC
Core Assurance				
Risk management	Annual review of process ensuring that compliance with the control framework continues to operate as planned.	Assurance	February 2019	April 2019
Grant reviews	Allocation of time to allow for the routine internal audit review of grant claims. This is likely to comprise review of the 'bus grant'.	Compliance	October 2018	January 2018

Audit	Objective of the review	Audit approach	Proposed timing	Proposed Audit, Crime & Disorder and Scrutiny Committee
Community safety	To consider the Council's arrangements for Community Safety, including its membership of the East Surrey Community Safety partnership. We will also consider the extent to which it meets its seven statutory duties.	Assurance	June 2018	October 2018
Controls Compliance				
Treasury management	Review of compliance with controls in this area.	Compliance	November 2018	February 2019
Payroll	To ensure that payments are made to staff in line with contracts of employment and that the control framework continues to operate in a period of staff changes.	Compliance	December 2019	February 2019
Continuous assurance	Quarterly testing of an agreed set of controls to give assurance regarding ongoing compliance. Indicative controls for testing are set out in Appendix C.	Key controls	Quarterly	As completed
Other internal audit activity				
Contingency	To allow additional reviews to be undertaken in agreement with the Audit, Crime & Disorder and Scrutiny Committee or management based in changes in risk profile or assurance needs as they arise during the year.	N/a	tbc	tbc
Follow up	To meet internal auditing standards, and to provide assurance on action taken to address recommendations previously agreed by management.	Follow up	Ongoing	As completed

Audit	Objective of the review	Audit approach	Proposed timing	Proposed Audit, Crime & Disorder and Scrutiny Committee
Management	This will include: <ul style="list-style-type: none"> • Annual planning • Preparation for, and attendance at, Audit, Crime & Disorder and Scrutiny Committee • Regular liaison and progress updates • Liaison with external audit and other assurance providers • Preparation of the annual opinion 	N/a	Throughout the year	N/A

NB: Resources allocated to individual audits have taken into consideration the level of risk assigned to the area by the client, our knowledge of any existing client controls, including how effective these are, and the specialist nature of the area being reviewed. The resource level applied for the delivery of the area of work is reviewed as the detailed scope of the work is agreed with the executive lead.

APPENDIX B: INTERNAL AUDIT STRATEGY 2018 – 2021

Assurance Map key (prior assurance)				
No assurance	Partial assurance	Reasonable assurance	Substantial assurance	Advisory

Proposed area for coverage	Internal audit coverage	Previous internal audit coverage	2018/19	2019/20	2020/21
Risk based assurance					
Project Management	A number of projects are underway, and we will challenge the Council's project management methodology to determine the adequacy and effectiveness of the approach taken across a sample of projects identified.	2015/16	✓		
Contract Management - transport	This audit will be an in depth review of contract management of the new transport contract to ensure that it provide best value to the Council and are operated in such a manner as to maximise benefit at minimal cost. This is through the review of the use of variations orders, management of costs incurred in and out of the contract, the repairs process and the management of any challenges through the operational use of the vehicles.	2017/18			✓
Private sector leasing	Compliance with requirements for the provision of this scheme. Notably the entitlement to support, and the landlord responsibilities of maintenance and servicing.	2017/18			✓

Proposed area for coverage	Internal audit coverage	Previous internal audit coverage	2018/19	2019/20	2020/21
Homelessness – housing needs and temporary accommodation	The Council has undertaken a number of initiatives for the provision of temporary accommodation. Assurance is sought that an appropriate process is followed from a governance perspective in that the allocation of funds results in satisfactory provision through the identification of a feasible property, the development of that property, and the use of that property to meet the housing needs to essentially obtain a return on the investment.	N/a	✓		
Health and safety management	Review of health and safety processes and procedures.	N/a	✓		
IT Audit	Rolling programme of IT audits	2015/16 (PCI compliance) (Software licensing) 2016/17 (PCI compliance) 2017/18 (Cyber security)	✓	✓	✓
Information Governance/Data Protection	This audit will test the implementation of management actions concerning data security, extending to retention of data.	2015/16 2017/18			✓
HR Management	Review of key areas of HR to ensure processes are operating as planned. Area of focus to be determined with management.	2015/16 (Attendance) (Recruitment)	✓		
Income from s106 agreement and implementation of the Community Infrastructure Levy.	To provide assurance that the control framework reflects changes as a result of the introduction of the Community Infrastructure Levy, as well as the general management of s106 income.	N/a	✓		

Proposed area for coverage	Internal audit coverage	Previous internal audit coverage	2018/19	2019/20	2020/21
Performance Management and the implementation of the Corporate Plan	This audit will focus on the processes which are used to ensure that implementation of the corporate plan and associated performance targets set.	2015/16			
Delivery of the local plan	Development and delivery of the local plan in line with the Government direction that Councils must produce local plans for new homes in their area by 2017 – or the government will ensure, in consultation with local people, those plans are produced for them. Assurance is sought that the Council has progressed with the local plan and that it is on track to meet this target to avoid penalties through the DCLG's powers of intervention.	2017/18			✓
Implementation of Business Performance Review	<p>Management have implemented business process reviews across activities of the Council.</p> <p>We will review the implementation of the actions identified to ensure full completion for the achievement of the planned change.</p>	<p>2016/17 (Democratic services) 2017/18 (Homelessness)</p>		✓	
Planning and development	Review of the operational practices followed or the receipt and consideration of planning applications so ensure that the service is operated appropriately with all income due recovered. Income received has declined.	2016/17 2017/18		✓	
Property maintenance and asset management	This review will consider whether the decision to purchase was made according to Council policies.	2015/16 2017/18		✓	
Workforce planning	Review of the processes used by management to determined staffing resources required, to include the Depot and use of agency staff.	2016/17		✓	

Proposed area for coverage	Internal audit coverage	Previous internal audit coverage	2018/19	2019/20	2020/21
Property acquisition	The Council has moved forward with the plan and has purchased two properties. Our review will challenge the purchase process to ensure that decision making, governance and due diligence arrangements are appropriate and the operation of the facilities procured is then appropriate.	2017/18			✓
Procurement	To challenge the processes followed by the Council to ensure that the Transparency code is met, as well as legislative requirements such as OJEU compliance, are properly considered.	2016/17		✓	
Lintons Lane	This review sought to confirm the facts surrounding the S106 agreement reached with the developer of Lintons Lane and to identify control failing in respect of financial contributions due and remedial action taken going forward.	2016/17		✓	
Corporate governance	An annual review of the governance arrangements in place. Scope to be agreed as part of annual planning cycle.	2016/17 2017/18	✓	✓	✓
Governance arrangements for property company	A review of the processes the Council has in place for oversight of the new property company. This will include consideration of how responsibilities are assigned and how decisions are recorded to ensure in line with agreed policies.	N/a	✓		
Contract management	Our contract management specialists will provide a workshop on contract management, building on the training previously delivered and using real life examples.	N/a	✓		

Core Assurance					
Income activities:	Rolling programme of compliance	2015/16 (Venues) (Green Waste) (Car parking) 2017/18 (Booking system)	✓		
Emergency planning and civil contingency arrangements	Compliance with requirements in this area for local authorities.	2017/18		✓	
Review of Anti-Fraud and Anti-Bribery arrangement	Specialist desk based review of policies relating to fraud and bribery to ensure these are in line with good practice seen elsewhere in the sector.	2015/16			
Data quality	Review of a selection of reporting indicators to ensure that the reported performance agrees to source data.	2016/17		✓	
Fleet Management	The Council leases a high number of vehicles and assurance is sought that the contract is managed effectively.	2015/16		✓	
Barrier Controlled Parking Project	To review the projects to provide barrier system parking (also known as pay on foot), in four of the Council's car parks and at the same time review the project management templates.	2016/17			
Risk management	Annual review of process ensuring that compliance with the control framework continues to operate as planned.	2016/17	✓	✓	✓
Allocations, Lettings and Voids	Compliance with procedures in this area	2016/17		✓	
Commercial Rental Income	Management of the identification of income due and collection of that income.	2016/17		✓	
Grant reviews	Allocation of time to allow for the routine internal audit review of grant claims.	Advisory	✓	✓	✓

Agency staff	To review the process followed by management to enter into and manage an agency contract for the supply of temporary staff. The timing has been agreed to allow for the running of the contract for 6 months.	2016/17	✓	
Community safety	To consider the Council's arrangements for Community Safety, including its membership of the East Surrey Community Safety partnership. We will also consider the extent to which it meets its seven statutory duties.	N/a	✓	
Controls Compliance				
Revenues	Review of the core controls to ensure that the correct charges are set, income is recovered and arrears are pursued.	2016/17 2017/18	✓	✓
Benefits	Review of the core controls to ensure that the correct payments are made in line with claims requirements	2016/17 2017/18	✓	✓
Housing Rent Accounting and Reconciliation	Compliance with procedures in this area to ensure that the accounts are reconciled and agreed daily for confidence in financial reporting.	2016/17	✓	
Treasury management	Review of compliance with controls in this area.	N/a	✓	
Financial management and main accounting	This review will challenge the achievement of the four year cost reduction plan approved following consultation with Heads of Service and committee approval. We will also undertake a review of core control functions including budget setting, financial saving identification and monitoring, financial reporting through sound management of the ledger and journal entries.	2016/17	✓	
Cash handling	A review of the management of cash across the all services/departments to determine how income received is banked and recorded in the accounts of the Council.	2015/16 2016/17	✓	

Payroll	To ensure that payments are made to staff in line with contracts of employment and that the control framework continues to operate in a period of staff changes.	2015/16 2016/17 2017/18	✓	✓	✓
Creditors	Orders and payments are made in line with financial regulations.	2016/17			✓
Capital accounting	Review of compliance with controls in this area.	2015/16			
Debtors and income collection	Review of compliance with controls in this area.	N/a			
Continuous assurance	Quarterly testing of an agreed set of controls to give assurance regarding ongoing compliance. Possible areas of review are set out in Appendix C.				
Other Internal Audit Activity					
Contingency	To allow additional reviews to be undertaken in agreement with the Audit, Crime & Disorder and Scrutiny Committee or management based in changes in risk profile or assurance needs as they arise during the year.	N/a	✓	✓	✓
Follow up	To meet internal auditing standards, and to provide assurance on action taken to address recommendations previously agreed by management.	Ongoing	✓	✓	✓
Management	This will include: Annual planning Preparation for, and attendance at, Audit, Crime & Disorder and Scrutiny Committee Administration of our actions tracking database – 4Action Regular liaison and progress updates Liaison with external audit and other assurance providers Preparation of the annual opinion	N/a	✓	✓	✓

APPENDIX C: CONTINUOUS ASSURANCE

As part of the internal audit plan we are proposing to visit a number of areas over the financial year in order to provide a high level assurance that key controls are in place and operating effectively in these areas.

These reviews will focus on a suite of controls to be agreed with management. These controls are considered as key risk areas that management require assurance throughout the year of their functionality and effectiveness. We have suggested the controls management may wish to consider for review below:

Area	Control
Finance	For each purchase made there is a corresponding purchase order which has been raised and approved in line with documented delegated authority levels.
Finance	Purchase invoices received are matched to the purchase order and goods received note prior to payment.
Finance	Key control account reconciliations, including bank, debtors, creditors, rents, council tax, NNDR and benefits, are completed on a monthly basis and subject to appropriate review and approval.
Finance	New benefit (housing and council tax support) claims are supported by a completed claim form and that clear correspondence is detailed on the Academy system between the claimant and the benefits team to detail the outcome/nature of the claim.
Finance	Changes made to the supplier standing data within the system are supported by documentation from the supplier. A senior member of the finance team reviews all changes that are made for accuracy.
Finance	Income received is allocated to debtors accounts in a timely manner, and that the correct fee has been received for the service paid for. Reconciliations are undertaken to ensure that the income expected as per the source system corresponds to that received in the correct cost centre.
Finance	Council tax discounts and exemptions and NNDR reliefs are applied in line with policy and supported by the required evidence.
Finance	Tenders and quotations have been obtained in accordance with Contract Procedure Rules.
Environmental Services	Trees are inspected on a risk basis by the Council's Tree Officer. Progress is monitored against an inspection plan.

Area	Control
Fleet Management	All Council vehicles are taxed and have a valid MOT certificate, with the expiry dates monitored.
Licensing	Licenses are issued following receipt of the correct fees and charges.
Safeguarding	All appointments to a regulated role are subject to a DBS check prior to being offered a role / a license being granted.
Fleet Management	All drivers of Council-owned vehicles have their driving license checked on an annual basis to ensure they are still fit and legal to drive. Copies of insurance certificates are obtained to evidence the Officer is insured for business usage.

APPENDIX D: INTERNAL AUDIT CHARTER

Need for the charter

This charter establishes the purpose, authority and responsibilities for the internal audit service for Epsom and Ewell Borough Council. The establishment of a charter is a requirement of the Public Sector Internal Audit Standards (PSIAS) and approval of the charter is the responsibility of the Audit, Crime & Disorder and Scrutiny Committee.

The internal audit service is provided by RSM Risk Assurance Services LLP (“RSM”).

We plan and perform our internal audit work with a view to reviewing and evaluating the risk management, control and governance arrangements that the organisation has in place, focusing in particular on how these arrangements help you to achieve its objectives. An overview of our client care standards are included at Appendix E of the internal audit strategy plan for 2018 – 2021.

The PSIAS encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) as follows:

- Core Principles for the Professional Practice of Internal Auditing
- Definition of internal auditing
- Code of Ethics; and
- The Standards

Mission of internal audit

As set out in the PSIAS, the mission articulates what internal audit aspires to accomplish within an organisation. Its place in the IPPF is deliberate, demonstrating how practitioners should leverage the entire framework to facilitate their ability to achieve the mission.

“To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight”.

Independence and ethics

To provide for the independence of internal audit, its personnel report directly to the Partner Mike Cheetham (acting as your head of internal audit). The independence of RSM is assured by the internal audit service reporting to the chief executive, with further reporting lines to the Director of Finance and the Governance and Risk Manager.

The head of internal audit has unrestricted access to the chair of Audit, Crime & Disorder and Scrutiny Committee to whom all significant concerns relating to the adequacy and effectiveness of risk management activities, internal control and governance are reported.

Conflicts of interest may arise where RSM provides services other than internal audit to Epsom and Ewell Borough Council. Steps will be taken to avoid or manage transparently and openly such conflicts of interest so that there is no real or perceived threat or impairment to independence in providing the internal audit service. If a potential conflict arises through the provision of other services, disclosure will be reported to the Audit, Crime & Disorder and Scrutiny Committee. The nature of the disclosure will depend upon the potential impairment and it is important that our role does not appear to be compromised in reporting the matter to the Audit, Crime & Disorder and Scrutiny Committee.

Equally we do not want the organisation to be deprived of wider RSM expertise and will therefore raise awareness without compromising our independence.

Responsibilities

In providing your outsourced internal audit service, RSM has a responsibility to:

- Develop a flexible and risk based internal audit strategy with more detailed annual audit plans. The plan will be submitted to the Audit, Crime & Disorder and Scrutiny Committee for review and approval each year before work commences on delivery of that plan.
- Implement the internal audit plan as approved, including any additional tasks requested by management and the Audit, Crime & Disorder and Scrutiny Committee.
- Ensure the internal audit team consists of professional audit staff with sufficient knowledge, skills, and experience.
- Establish a quality assurance and improvement program to ensure the quality and effective operation of internal audit activities.
- Perform advisory activities where appropriate, beyond internal audit's assurance services, to assist management in meeting its objectives.
- Bring a systematic disciplined approach to evaluate and report on the effectiveness of risk management, internal control and governance processes.
- Highlight control weaknesses and required associated improvements together with corrective action recommended to management based on an acceptable and practicable timeframe.
- Undertake follow up reviews to ensure management has implemented agreed internal control improvements within specified and agreed timeframes.
- Report regularly to the Audit, Crime & Disorder and Scrutiny Committee to demonstrate the performance of the internal audit service.

For clarity, we have included the definition of 'internal audit', 'senior management' and 'board'.

- Internal audit – a department, division, team of consultant, or other practitioner (s) that provides independent, objective assurance and consulting services designed to add value and improve an organisation's operations. The internal audit activity helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.
- Senior management - who are the team of individuals at the highest level of organisational management who have the day-to-day responsibilities for managing the organisation.
- Board of governors - The highest level governing body charged with the responsibility to direct and/or oversee the organisation's activities and hold organisational management accountable. Furthermore, "board" may refer to a committee or another body to which the governing body has delegated certain functions (eg an Audit, Crime & Disorder and Scrutiny Committee).

Authority

The internal audit team is authorised to:

- Have unrestricted access to all functions, records, property and personnel which it considers necessary to fulfil its function.
- Have full and free access to the Audit, Crime & Disorder and Scrutiny Committee.

- Allocate resources, set timeframes, define review areas, develop scopes of work and apply techniques to accomplish the overall internal audit objectives.
- Obtain the required assistance from personnel within the organisation where audits will be performed, including other specialised services from within or outside the organisation.

The head of internal audit and internal audit staff are not authorised to:

- Perform any operational duties associated with the organisation.
- Initiate or approve accounting transactions on behalf of the organisation.
- Direct the activities of any employee not employed by RSM unless specifically seconded to internal audit.

Reporting

An assignment report will be issued following each internal audit assignment. The report will be issued in draft for comment by management, and then issued as a final report to management, with the executive summary being provided to the Audit, Crime & Disorder and Scrutiny Committee. The final report will contain an action plan agreed with management to address any weaknesses identified by internal audit.

The internal audit service will issue progress reports to the Audit, Crime & Disorder and Scrutiny Committee and management summarising outcomes of audit activities, including follow up reviews.

As your internal audit provider, the assignment opinions that RSM provides the organisation during the year are part of the framework of assurances that assist the board in taking decisions and managing its risks.

As the provider of the internal audit service we are required to provide an annual opinion on the adequacy and effectiveness of the organisation's governance, risk management and control arrangements. In giving our opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the board is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The annual opinion will be provided to the organisation by RSM Risk Assurance Services LLP at the financial year end. The results of internal audit reviews, and the annual opinion, should be used by management and the Board to inform the organisation's annual governance statement.

Data protection

Internal audit files need to include sufficient, reliable, relevant and useful evidence in order to support our findings and conclusions. Personal data is not shared with unauthorised persons unless there is a valid and lawful requirement to do so. We are authorised as providers of internal audit services to our clients (through the firm's terms of business and our engagement letter) to have access to all necessary documentation from our clients needed to carry out our duties.

Quality Assurance and Improvement

As your external service provider of internal audit services, we have the responsibility for maintaining an effective internal audit activity. Under PSIAS, internal audit services are required to have an external quality assessment every five years. In addition to this, we also have in place an internal quality assurance and improvement programme, led by a dedicated team who undertake these reviews. This ensures continuous improvement of our internal audit services.

Any areas which we believe warrant bringing to your attention, which may have the potential to have an impact on the quality of the service we provide to you, will be raised in our progress reports to the Audit, Crime & Disorder and Scrutiny Committee.

Fraud

The Audit, Crime & Disorder and Scrutiny Committee recognises that management is responsible for controls to reasonably prevent and detect fraud. Furthermore, the Audit, Crime & Disorder and Scrutiny Committee recognises that internal audit is not responsible for identifying fraud; however internal audit will be aware of the risk of fraud when planning and undertaking any assignments.

Approval of the internal audit charter

By approving this document, the internal audit strategy, the Audit, Crime & Disorder and Scrutiny Committee is also approving the internal audit charter.

APPENDIX E: OUR CLIENT CARE STANDARDS

- Discussions with senior staff at the client take place to confirm the scope four weeks before the agreed audit start date
- Key information such as: the draft assignment planning sheet are issued by RSM to the key auditee four weeks before the agreed start date
- The lead auditor to contact the client to confirm logistical arrangements at least 10 working days before the commencement of the audit fieldwork to confirm practical arrangements, appointments, debrief date etc.
- Fieldwork takes place on agreed dates with key issues flagged up immediately.
- A debrief meeting will be held with audit sponsor at the end of fieldwork or within a reasonable time frame.
- Draft reports will be issued within 10 working days of the debrief meeting, and will be issued by RSM to the agreed distribution list.
- Management responses to the draft report should be submitted to RSM.
- Within three working days of receipt of client responses the final report will be issued by RSM to the assignment sponsor and any other agreed recipients of the report.

FOR FURTHER INFORMATION CONTACT

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