



EPSOM AND EWELL BOROUGH COUNCIL

Internal Audit Plan 2017/18

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

11 April 2017

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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

The Council continues to face financial pressures with the reduction in central government grant funding which will impact on reductions in spending and service delivery in 2017/18 and beyond.

1.2 Key Priorities

Your key priorities have been considered when formulating the coming year's internal audit plan, which are:

- Keeping our borough green and clean
- Supporting our community
- Management our resources
- Supporting business 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 register 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 Head of Finance, Head of Legal Services and Corporate Governance Manager.

Based on our understanding of the organisation and the information provided to us we have developed an annual internal plan for the coming year and revised the high level strategic plan (**see Appendix A and B for full details**).

2.2 Key messages

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 in the audit plan/strategy
Commercial property acquisition	Properties have and are being procured, with risks identified.
Delivery of the local plan	Management concern and identified risk of not achieving government deadline.
Transport contract	New contract being implemented in year.
Cyber security	Considerable risk to all public bodies and considerable awareness of risks through regular press reports.
Data protection	Change in regulations in year requiring assurance of compliance.
Booking system	New system implemented to book all council provided facilities and management seek assurance that all income due is being recovered and recorded in full.

As well as assignments designed to provide assurance or advisory input around specific risks, the strategy also includes 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 Karen Williams supported by Chris Benn as your manager.

3.1 Fees

Our fee to deliver the plan is £63,680 (excluding VAT).

3.2 Conformance with internal auditing standards

RSM affirms that our internal audit services are designed to conform to the International Standards for the Professional Practice of Internal Auditing and the International Professional Practices Framework (IPPF) as published by the Global Institute of Internal Auditors (IIA). Further details of our responsibilities are set out in our internal audit charter within appendix C.

Under the standards, 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 IPPF.

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.

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 D 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 2017/18

Audit	Scope for Year	Approach	Days	Proposed timing
Risk Based Assurance				
Property management and asset management	<p><i>L8 – Reviewing the Council's asset portfolio to ensure obsolete assets are identified and asset management plan can deliver income and services and needs of services and the lack of investment in Council's assets.</i></p> <p>A review of the management of Council owned properties to ensure that landlord responsibilities have been effectively managed with all servicing and maintenance planned and up to date.</p> <p>This will cover the decision making for the purchase, maintenance costs, adherence to lease terms and the allocation of expenditure to capital or revenue, as well as the consideration of the implications for future revenue implications for new residential properties purchased.</p> <p>We will review this as part of the wider asset management strategy for the Council giving consideration to property disposal strategy.</p>	Assurance	12	June 2017
Contract management - transport	<p><i>Leadership risk register L2 – gaps in resources and skills, specifically procurement, project management and contract management skills.</i></p> <p><i>Leadership risk register L7 – introduction of new waste management strategy and new transport fleet by March 2017.</i></p> <p>We undertook a high level review of the Council's approach to contract management in 2015/16, and this was followed by a detailed review of the facilities management contract with Kier, which resulted in an advisory report with a series of management actions.</p> <p>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.</p>	Assurance	10	March 2018

Audit	Scope for Year	Approach	Days	Proposed timing
Housing needs	<p><i>Leadership risk register L10 – delivering more affordable housing and managing the costs of homelessness.</i></p> <p>The Council has introduced a new on-line system for housing need applications, and has changed its allocations policy. All applications on the current housing needs register are required to re-apply using the new system. The audit will focus on the process in use to ensure that the Council is discharging its obligations appropriately.</p>	Assurance	8	September 2017
Temporary accommodation initiatives	<p><i>Leadership risk register L10 – delivering more affordable housing and managing the costs of homelessness.</i></p> <p>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.</p>	Assurance	10	October 2017
Private Sector Leasing	<p><i>Leadership risk register L10 – Delivering more affordable housing and managing cost of homelessness</i></p> <p>Brought forward from 2016/17 – Compliance with requirements for the provision of this scheme. Notably the entitlement to support, and the landlord responsibilities of maintenance and servicing.</p>	Assurance	8	October 2017
Cyber security	<p><i>Leadership Risk Register L4 – failure to take opportunities for transformational change and IT related projects</i></p> <p>We will undertake a gap analysis of the 10 areas of IT security as detailed in CESG's (the Information Security arm of GCHQ) 10 steps to cyber security framework. These will be provided to the Council and a request will be made for a self-assessment to be undertaken. With the support of our specialist IT Audit team, we will review the self-assessment and the evidence in place to support the self-assessment evaluation. We will through discussion with the Trust identify those areas of IT controls which require further detailed assessment (e.g. through vulnerability testing) and undertake tailored testing as required.</p>	Assurance	10	June 2017

Audit	Scope for Year	Approach	Days	Proposed timing
IT General Controls	<p><i>Leadership Risk Register L5 - The resilience and efficient running of all IT systems, networks and applications.</i></p> <p>This audit will review existing practices for adequacy of the general IT controls such as back ups, change management, access protocols etc.</p>	Assurance	15	December 2017
Data protection	<p><i>Leadership Risk Register L6 – Compliance with Data Protection and Information Governance legislation</i></p> <p>Changes in the requirements for data protection will require assurance that the Council is meeting the General Data Protection Regulations which become applicable in 2018.</p>	Assurance	10	November 2017
Commercial property acquisition	<p><i>Operational Service Risks SR3 - property funds and investments and ensuring that these are set up and managed leally and appropriately.</i></p> <p>The Council has moved forward with 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.</p>	Assurance	12	July 2017
Governance	<p><i>Operational Service Risks SR10 – corporate governance-weaknesses in arrangements for monitoring corporate governance and ensuring that proper action is taken.</i></p> <p>Our previous coverage of the Council's governance activities has resulted in substantial assurance.</p> <p>With the plans to set up a company for the acquisition of property our audit of this area with focus on the governance aspects associated with the operation of the company and the property purchases.</p>	Assurance	10	February 2018
Planning	<p><i>Operational Service Risks SR24 – Planning Team and Customer Support Group still overstretched which can be to the cost of an efficient planning service. Mistakes get made and there are complaints and reputational damage.</i></p> <p>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.</p>	Assurance	8	October 2017

Audit	Scope for Year	Approach	Days	Proposed timing
Delivery of the Local Plan.	<p><i>Operational Service Risks SR25 – resources for the Local Plan, staff numbers in Planning Policy are depleted due to maternity leave and turnover.</i></p> <p>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.</p> <p>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.</p>	Assurance	8	June 2017
Core Assurance				
Emergency planning and civil contingencies	Compliance with requirements in this area for local authorities.	Assurance	8	May 2017
Revenues	To ensure that key controls continue to operate as planned.	Assurance	7	December 2017
Benefits	To ensure that key controls continue to operate as planned.	Assurance	7	December 2017
Payroll	<p>Given the change in arrangements to an outsourced provider this review will ensure that the new control framework for the move to an outsourced provision of the payroll operates as required.</p> <p>This will depend on the assurance to be provided by Midland Trent on control framework under contract terms.</p> <p>Our work will include the accuracy of payroll information within the Council's financial reporting.</p>	Assurance	8	January 2018
Booking system and income collection	<p>The Council has implemented a new booking system for all facilities available to hire. Assurance is sought that payment is received in full, in line with the booking agreement.</p> <p>Our testing will review the process of the payment of deposits or full payment at the time of booking and the collection of the remainder prior to use or on a rolling basis per hire agreement. We will agree income received to banking and income collection records.</p>	Assurance	10	April 2017

Audit	Scope for Year	Approach	Days	Proposed timing
Grant reviews	Allocation of time to allow for the routine internal audit review of grant claims.	N/A	10	As required
Other internal audit activity				
Follow up	To meet internal auditing standards, and to provide assurance on action taken to address recommendations previously agreed by management.		12	Throughout the year
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 		16	N/A

APPENDIX B: UPDATED INTERNAL AUDIT STRATEGY 2015/16 – 2017/18

Proposed area for coverage	2015/16	2016/17	2017/18
Risk based assurance			
Financial Management	✓	✓	
Project Management	✓		
Contract Management - transport			✓
Welfare Reform – Implementation of Universal Credit	✓		
Homelessness – housing needs and temporary accommodation	✓		✓
Partnership and collaborative working	✓		
Health and safety management	✓		
IT Audit (2017/18 – cyber security)	✓	✓	✓
Information Governance/Data Protection	✓		✓
Business Continuity		✓	
HR Management		✓	
Income from s106 agreement and implementation of the Community Infrastructure Levy.	✓		
Delivery of the local plan			✓
Housing adaptations and disabled facilities grants	✓		
Planning and development			✓
Property maintenance and asset management			✓
Property acquisition			✓
Procurement		✓	
Corporate governance	✓	✓	✓
Core Assurance			
Income activities:			
- Telecare		✓	
- Car Parking		✓	
- Licensing		✓	
Emergency planning and civil contingency arrangements			✓
Town centre project/management		✓	

Proposed area for coverage	2015/16	2016/17	2017/18
Individual electoral registration	✓		
Data quality	✓	✓	
Value for money review – business process reviews	✓		✓
Risk management	✓	✓	✓
Revenues	✓	✓	✓
Benefits	✓	✓	✓
Treasury management		✓	
Main accounting	✓	✓	
Payroll	✓	✓	✓
Creditors		✓	
Capital accounting	✓		
Debtors and income collection		✓	✓
Other Internal Audit Activity			
Contingency	✓	✓	
Follow up	✓	✓	✓
Management	✓	✓	✓

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 plan for 2017/18.

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
- International Standards for the Professional Practice of Internal Auditing.

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 Karen Williams (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.

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.

The PSIAS use the terms Board and Senior management. For the purposes of our internal audit services to Epsom and Ewell Borough Council, the term "Board" refers to the Audit, Crime & Disorder and Scrutiny Committee which assumes responsibility for overseeing the work of internal audit.

Senior management is defined as those responsible for the leadership and direction of the organisation.

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.

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 six 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 two weeks before the agreed start date.
- 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.
- Two weeks after a debrief meeting a draft report will be issued by RSM to the agreed distribution list.
- Management responses to the draft report should be submitted to RSM.
- Within three 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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