



# MOLE VALLEY DISTRICT COUNCIL

## Internal Audit Plan 2017-2018

Presented at the Audit Committee meeting of:

9 March 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 Mole Valley District Council in the year ahead, including changes within the sector.



## Guiding Principles:

- Sustainability
- Cost effectiveness
- Openness and accessibility

## Vision

A place where people want to live, work, do business and spend their leisure time

## Council priorities relevant to the 2016/17 internal audit plan

Environment - A highly attractive area with housing that meets local need  
Prosperity - A vibrant local economy with thriving towns and villages  
Community wellbeing - active communities and support for those who need it

## 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 not yet evaluated your risk management processes for 2016/17, and have used your risk register as at November 2016 to inform the internal audit strategy.

We have used other sources of information (see Figure A below) to prepare an initial draft plan for consideration by the Senior Management Team. **(see appendix A and B for full details).**

Figure A below sets out the usual sources of information to inform an internal audit plan.

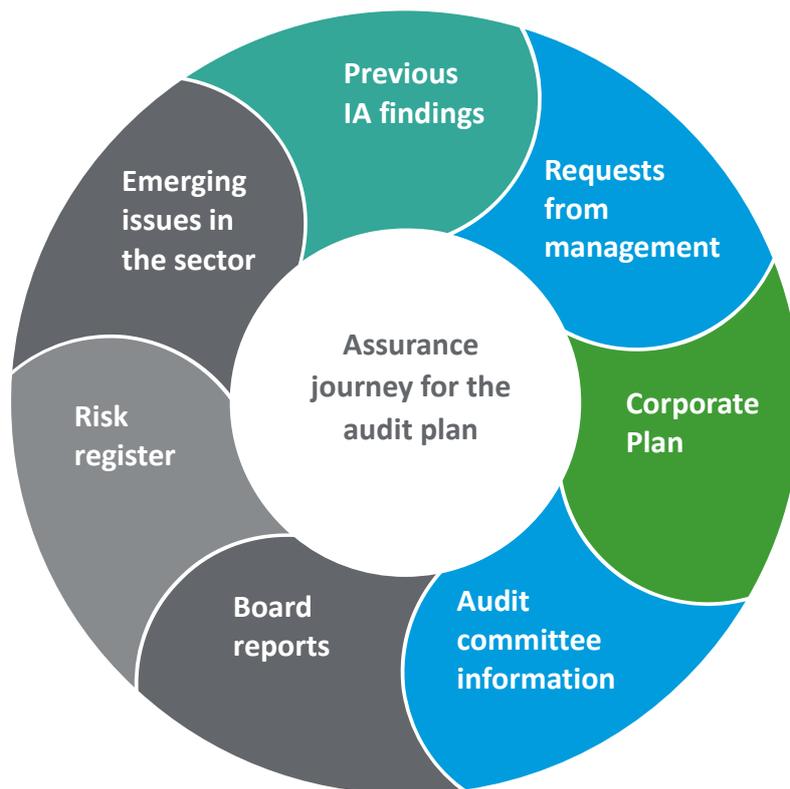


Figure A: Sources considered when developing the internal audit strategy

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.

## **2.2 Working with other assurance providers**

The Audit 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 Days

In line with our contract extension agreement, the total days to delivery this plan are 194.

### 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 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 COMMITTEE REQUIREMENTS

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

- Is the Audit 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 Committee?
- Are the areas selected for coverage this coming year appropriate?
- Is the Audit 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 Committee approve such any amendments to this plan.

## APPENDIX A: INTERNAL AUDIT PLAN 2017/18

Audit	Objective of the review	Proposed timing
Financial Management	<p><b>Medium Term Financial Strategy</b>            If we fail to deliver the Medium Term Financial Strategy (MTFS), this could lead to a lack of financial resilience and a failure to deliver statutory and essential services.            Our internal work will review the adequacy of the financial monitoring of income generation projects and the borrowing incurred to finance the projects, as well as undertaking assurance based reviews where these have been implemented in practice.            This review will incorporate a review of the management of borrowings.</p>	June 2017
Capital and Project Management	<p>This audit will build on work completed in 2016/17 and will provide a wider review of the management of a number of projects across the Council.</p>	July 2017
Asset Investment Strategy	<p><b>Property Project</b>            “If we fail to deliver our property projects, this could have a significant impact on delivery of the MTFS and therefore affect our ability to deliver statutory and essential services.”            This review will focus on the management of the implementation of the Asset Investment Strategy.</p>	September 2017
IT Audit	<p><b>IT systems</b>            The Council needs to make sure that its IT systems are robust and enable the Council to deliver the services for which it is responsible. If we fail to do this, there could be a major breakdown and disruption of systems that leads to an inability to deliver key services.             Our work will challenge the adequacy of the control environment.</p>	November 2017
Data Protection	<p><b>Data Protection/Information Governance</b>            If we fail to effectively act on and embed standards and procedures that enable us to do this, this could lead to a loss of public trust and financial penalties to the Council.             With the implementation of new General Data Protection Regulations in year it is important for the Council to ensure compliance with all relevant elements.</p>	September 2017
<b>Core Assurance</b>		
Planning and development	<p>Compliance with legislation and policy.</p>	May 2017
HR Management	<p>Review of compliance with legislation and policies and procedures.</p>	May 2017

Audit	Objective of the review	Proposed timing
Property maintenance	To ensure that the buildings owned by the Council are maintained to ensure sound repair and compliance with health and safety.	July 2017
Value for money review	To review a key area of Council services for value for money in service delivery.	September 2017
Risk management	Core review	February 2018
Corporate governance	Core review	February 2018
Local Plan	Compliance with Government targets and requirements of the completion of the local plan.	July 2017
Management of Joint Ventures	<p>To provide assurance over the management of the joint venture activities entered onto to ensure that risks to the Council are being managed appropriately, giving consideration to governance, finance and reputational risk.</p> <p>Such joint ventures are:</p> <ul style="list-style-type: none"> <li>• Building control</li> <li>• Environmental health</li> <li>• Waste</li> </ul>	October 2017
<b>Data Assurance</b>		
Data quality	To review the supporting records to ensure that data used for management reporting can be relied upon.	July 2017
<b>Controls compliance</b>		
Revenues	Core financial review	December 2017
Benefits	Core financial review	December 2017
Main accounting	Core financial review	December 2017
Payroll	Core financial review	December 2017

Audit	Objective of the review	Proposed timing
Follow up	To meet internal auditing standards, and to provide assurance on action taken to address recommendations previously agreed by management.	Throughout the year
Management	This will include: <ul style="list-style-type: none"> <li>• Annual planning</li> <li>• Preparation for, and attendance at, Audit Committee</li> <li>• Regular liaison and progress updates</li> <li>• Liaison with external audit and other assurance providers</li> <li>• Preparation of the annual opinion</li> </ul>	Throughout the year

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

Proposed area for coverage	Internal audit coverage	2015/16	2016/17	2017/18
<b>Risk based assurance</b>				
Financial Management	<b>Medium Term Financial Strategy</b> If we fail to deliver the Medium Term Financial Strategy (MTFS), this could lead to a lack of financial resilience and a failure to deliver statutory and essential services.	✓		✓
Project Management	<b>Property Project</b> If we fail to deliver our property projects, this could have a significant impact on delivery of the MTFS and therefore affect our ability to deliver statutory and essential services.			✓
Contract Management		✓		
Welfare Reform – Implementation of Universal Credit Homelessness Partnership and collaborative working	<b>Welfare Reform</b> There is a risk that multiple central government welfare reform changes could impact adversely on Mole Valley residents and put additional pressure on all public services.	✓	✓	
Health and safety management	<b>Corporate Health and Safety</b> If we fail to have good Health and Safety arrangements in place, this could lead to loss of service and / or preventable accidents to staff or members of public.	✓		
IT Audit	<b>IT systems</b> The Council needs to make sure that its IT systems are robust and enable the organisation to deliver the services for which it is responsible. If we fail to do this, there could be a major breakdown and disruption of systems that leads to an inability to deliver key services.	✓	✓	✓
Information Governance/Data Retention	<b>Data Protection/Information Governance</b> If we fail to effectively act on and embed standards and procedures that enable us to do this, this could lead to a loss of public trust and financial penalties to the organisation.	✓		✓
Business Continuity	<b>Business Continuity</b> The council needs to make sure that there are plans to prepare and effectively respond to a known event or major incident results to ensure key services can be delivered.		✓	

Proposed area for coverage	Internal audit coverage	2015/16	2016/17	2017/18
<b>Core Assurance</b>				
HR Management	Review of compliance with legislation and policies and procedures.			✓
Income from s106 agreement and implementation of the Community Infrastructure Levy.	To review compliance with fund requirements and to ensure that record keeping is accurate	✓		
Housing adaptations and disabled facilities grants	The ensure compliance with scheme requirements and tendering of services.	✓		
Planning and development	Compliance with legislation and policy.			✓
Income activities: - Telecare - Car Parking - Licensing	To ensure completeness of income due to the Council.		✓ ✓ ✓	
Property maintenance	To ensure that the buildings owned by the Council are maintained to ensure sound repair and compliance with health and safety.			✓
Emergency planning and civil contingency arrangements	Compliance with requirements in this area.	✓		
Individual electoral registration	Compliance with processes in this area.			
Data quality	To review the supporting records to ensure that data used for management reporting can be relied upon.	✓		✓
Procurement	Review of practices to ensure compliance with the Transparency code.		✓	
Value for money review	To review a key area of Council services for value for money in service delivery.	✓		✓
Risk management	Core review	✓	✓	✓
Corporate governance	Core review	✓	✓	✓
PCI Follow up	Follow up of 2015/16 findings.		✓	
<b>Controls Compliance</b>				
Revenues	Core financial review	✓	✓	✓
Benefits	Core financial review	✓	✓	✓
Treasury management	Core financial review		✓	
Main accounting	Core financial review	✓		✓
Payroll	Core financial review	✓	✓	✓
Creditors	Core financial review		✓	

Proposed area for coverage	Internal audit coverage	2015/16	2016/17	2017/18
Capital accounting	Core financial review	✓		
Debtors	Core financial review		✓	
<b>Other Internal Audit Activity</b>				
Follow up	To meet internal auditing standards, and to provide assurance on action taken to address recommendations previously agreed by management.	✓	✓	✓
Management	This will include: Annual planning Preparation for, and attendance at, Audit 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	✓	✓	✓

# APPENDIX C: INTERNAL AUDIT CHARTER

## Need for the charter

This charter establishes the purpose, authority and responsibilities for the internal audit service for Mole Valley District 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 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.

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 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 Financial Services Manager.

The head of internal audit has unrestricted access to the chair of Audit 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 Mole Valley District 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 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 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 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 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 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 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 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 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.

## Fraud

The Audit Committee recognises that management is responsible for controls to reasonably prevent and detect fraud. Furthermore, the Audit 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 Committee is also approving the internal audit charter.

## APPENDIX D: 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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