

## Agenda Item 6

<b>Executive Member</b>	Councillor Simon Ling
<b>Strategic Management Team Lead Officer</b>	Nick Gray, Strategic Director
<b>Author</b>	Phil Mitchell, Financial Services Manager
<b>Telephone</b>	01306 879149
<b>Email</b>	Phil.Mitchell@molevalley.gov.uk
<b>Date</b>	12 <sup>th</sup> March 2015

<b>Subject</b>	Internal Audit Strategy 2015/2016 to 2017/18
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### **RECOMMENDATIONS**

- 1.1 That the Committee notes the proposed work plan and recommends amendments as appropriate.

### **2. SUMMARY**

- 2.1 To seek Members' views and alternative areas for consideration on the proposed Internal Audit Strategy

### **3. BACKGROUND**

- 3.1 Internal Audit is a statutory requirement in local government as defined in the Local Government Act 1972. The Accounts and Audit Regulations 2011 (Regulation 6) state that 'A relevant body must maintain an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.'
- 3.2 The Council has delegated this responsibility to the Strategic Director /Section 151 Officer and appointed Baker Tilly (formerly RSM Tenon) as their Internal Auditors through a joint contract with neighbouring Local Authorities.
- 3.3 To enable the Council and the S151 Officer to effectively discharge their responsibilities in relation to the Internal Audit service, the Audit performance is monitored and the Audit Committee assists in the promotion of effective internal control and corporate governance within the Council.
- 3.4 The previous Internal Audit Strategy 2012/13 – 2014/15 was approved by the Audit Committee on the 13 March 2012. This new Strategy (Appendix 1) sets out the proposed Audit Work Plan for 2015/16 and the broad areas of assurance over the next three years.

#### **4. CORPORATE IMPLICATIONS**

4.1 **Legal Implications** – None contained within the report.

4.2 **Financial Implications** - There are no direct financial implications arising from this report.

4.3 **Risk Implications** – Delivery of the Internal Audit Strategy is based upon an analysis of:

- Risk based coverage such as Risk Management, Corporate Governance Reviews and Information Technology (IT) Systems in the Council.
- Addressing specific key risk areas in the Plan
- Follow-up review and management of the Audit Plan

4.4 **Equalities Implications** – None contained within the report.

4.5 **Employment Issues** – None contained within the report.

4.6 **Sustainability Issues** – None contained within the report.

4.7 **Consultation** – None contained within the report.

**BACKGROUND PAPERS** - None

# Mole Valley District Council

Internal audit strategy 2015/2016 - 2017/2018

Presented at the Audit Committee meeting of:

12 March 2015

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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 in the year ahead including changes within the sector.

## 1.1 Background

In response to the pressures of rising demand and declining resources, Mole Valley continues to seek opportunities to work in collaboration with other local authorities, partners and key stakeholders, including the health service, to commission and/or share services. Through this, the core focus remains the delivery of services that deliver value for money to residents, businesses and visitors, despite continuing financial challenges. It also seeks to undertake a number of key projects to support these ambitions. One such key project in place relates to the development of the North Leatherhead Bypass Site which could potentially generate a capital receipt of £20m as well as additional Council tax revenues and income from the New Homes bonus. Planning permission for this green belt site has yet to be granted and the risks associated with the project are being closely monitored and factored into medium term financial planning.

It is within this backdrop that it has set its vision and wider objectives.

## 1.2 Vision and Objectives

The 2014/15 Corporate Plan is based around three themes. We list out below these themes and some of the associated objectives which have the greatest impact on our work.

Access to Services - Helping Residents to access the services they need

- improve the way we listen to, and engage with, our customers and communities
- work with our partners to provide the right services to our local residents
- ensure that our residents are supported through welfare reform and the emerging health and wellbeing agenda

Environment - Maintaining the character and environment of Mole Valley

- work with our partners and residents to respond to the impact of flooding on communities

Value for Money - Delivering quality, value for money services

- ensure we have an ongoing sound financial basis to enable us to continue to deliver services that represent value for money
- create additional income through prudent investment and making best use of our property assets
- invest in our staff and councillors to ensure that they are able to work effectively, make good decisions and develop the culture and capacity for innovation

## 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 have determined priorities for internal audit coverage for Corporate Board consideration.

Based on our understanding of the organisation, and the information provided to us by the stakeholders above, we have developed an annual and strategic internal audit 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 strategic objectives

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.

Key audit areas for discussion in the 2015/2016 Internal Audit Plan:

Area	Reason for inclusion or exclusion in the audit plan/strategy	Link to corporate priority
Income from s106 agreements	This audit was brought forward from 2014/05 having been deferred pending the introduction of the Community Infrastructure Levy. The Council has received considerable press coverage of S106 funds and payments over the last few weeks and therefore it is timely for this audit to be undertaken early in 2015/16.	Improve the quality of the built environment whilst preserving the character and integrity of our towns and villages, and protecting the rural landscape.
Partnership and Collaborative Working	Again brought forward from discussions in 2014/15. The Council has undertaken an internal review of such arrangements and an audit of the current arrangements is therefore timely for 2015/16.	Work with our partners to provide the right services to our local residents.
Contract Management	An area for management attention, and a recognised risk.	Review the way in which we provide our services to ensure that they are focused on what matters, deliver against our priorities and thereby develop a culture of innovation across MVDC.

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. Appendix C provides previous internal audit coverage and associated opinions.

## 2.1 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 Internal audit resources

Your internal audit service is provided by Baker Tilly Risk Advisory Services LLP. The team will be led by David Taylor. Your day to day contact will be Karen Williams, Director and your Client Manager is Chris Benn.

### 3.1 Fees

Our fee for 2015/16 has been communicated separately.

### 3.2 Conformance with internal auditing standards

Baker Tilly affirms that our internal audit services are designed to conform to the Public Sector Internal Audit Standards (PSIAS). Further details of our responsibilities are displayed in our internal audit charter within Appendix D.

Under PSIAS, internal audit services are required to have an external quality assessment every five years. Our Risk Advisory service line commissioned an external independent review of our internal audit services in 2011 to provide assurance whether our approach meets the requirements set out in 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 “the design and implementation of systems for the delivery of internal audit provides substantial assurance that the standards established by the IIA in the IPPF will be delivered in an adequate and effective manner”.

### 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 topic areas selected for this coming year appropriate?
- Is the Audit 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 committee approve such any amendments to this plan.

## Appendix A: Internal audit plan 2015/2016

Audit area	Scope for 2015/16	Assurance/ Advisory	Audit days or fee	Proposed timing
<b>Risk based assurance</b>				
Financial Management	To review the adequacy of the controls identified to ensure that the Council meets its financial plans.	Assurance	10	Quarter 2
Project Management	This audit will focus on the project management methodology used by the Council to delivery projects, ensuring that they are delivered in line with objectives and plans established.	Assurance	12	Quarter 3
Contract Management	We will challenge the Council's management of contracts with external providers to ensure that contract terms are adhered to and contractors suitably managed, minimising additional costs over and above contracted values.	Assurance	14	Quarter 1
Welfare Reform – Implementation of Universal Credit	This audit will consider the action planning of the Council to manage further fallout from the implementation of Universal Credit, in line with risks and actions identified.	Assurance	10	Quarter 3
Partnership and collaborative working	Held over from 2015/16, we will review the implementation of actions from the internal review undertaken in 2014/15.	Assurance	10	Quarter 4
Health and safety management	This audit will challenge the adequacy of the management control framework used to ensure compliance with health and safety legislation by the council in its obligation as landlord and employer.	Assurance	10	Quarter 3
IT Audit	Scope to be determined.	Assurance	14	Quarter 3

Audit area	Scope for 2015/16	Assurance/ Advisory	Audit days or fee	Proposed timing
Information Governance/Data Retention	A thematic review which will focus on the Council's adherence to requirements in this area, particularly in a time of office upheaval and the need to secure information appropriately	Assurance	10	Quarter 2
<b>Core assurance</b>				
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	Assurance	10	Quarter 3
Housing adaptations and disabled facilities grants	The ensure compliance with scheme requirements and tendering of services.	Assurance	10	Quarter 2
Value for money review	Following consideration of procurement in 2014/15, we will undertake a specific review of a Council activity to determine whether it provides value for money.	Advisory	16	Quarter 4
Risk management	Annual review of practice and to inform our annual Head of Internal Audit opinion	Assurance	7	Quarter 4
Corporate governance	Annual review of practice and to inform our annual Head of Internal Audit opinion	Assurance	8	Quarter 4
Revenues	Review of key controls	Assurance	7	Quarter 4
Benefits	Review of key controls	Assurance	7	Quarter 4
Main accounting	Review of key controls	Assurance	7	Quarter 3
Payroll	Review of key controls	Assurance	8	Quarter 3
Capital accounting	Review of key controls	Assurance	6	Quarter 3

**Other internal audit input**

Audit area	Scope for 2015/16	Assurance/ Advisory	Audit days or fee	Proposed timing
Action tracking	To meet internal auditing standards and to provide management with on-going assurance regarding implementation of recommendations.	Follow Up	10	TBC
Contingency	To allow for additional audits to be undertaken at the request of the audit committee or management based on changes in assurance needs as they may arise during the year.		30	TBC
Audit management	This will include: <ul style="list-style-type: none"> <li>• Regular meetings with management</li> <li>• Attendance at Audit Committee meetings</li> <li>• Annual report</li> <li>• Audit Needs Assessment</li> </ul>		14	
<b>TOTAL</b>			<b>230</b>	

## Appendix B: Internal audit strategy

Proposed area for coverage	Scope and Associated risk Area	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	Scope and Associated risk Area	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	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.			✓
Town centre project/management	Compliance with key objectives for the development of Dorking and Leatherhead.			
Individual electoral registration	Compliance with new 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	✓	✓	✓

Proposed area for coverage	Scope and Associated risk Area	2015/16	2016/17	2017/18
Corporate governance	Core review	✓	✓	✓
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		✓	
Capital accounting	Core financial review	✓		
Debtors	Core financial review		✓	
<b>Other Internal Audit input</b>				
Action Tracking		✓	✓	✓
Contingency		✓	✓	✓
Audit Management		✓	✓	✓

## Appendix C: Previous internal audit coverage

Audit Area	2012/13	2013/14	2014/15
<b>Risk based assurance</b>			
HR Management		✓	✓
Housing assistance and adaptations	✓		
Final accounts project plans for 2011/12	✓		
Olympics 2012 Project	✓		
Planning and Development			✓
Housing Rents & Temporary Accommodation		✓	
Governance - Partnership and Collaborative Working		✓	✓
Waste Collection and Recycling		✓	
Corporate Counter Fraud Arrangements		✓	
Medium Term Financial Strategy			✓
IT Reviews	✓	✓	
Income Activities - Telecare	✓		✓
Income Activities – Car Parking			
Property Maintenance			✓



Emergency Planning/Civil Contingency Act Compliance

✓

**Risk based assurance**

0

Income Collection - Town Centre Management

✓

Governance arrangements for proposed sale of Leatherhead By-Pass land

✓

Individual Electoral Registration

✓

Management of s106 Agreements

✓

Payment Card Industry Compliance

✓

Data Quality

✓

Procurement

✓

Value for Money Review

✓

Risk Management

✓

✓

✓

Corporate Governance

✓

✓

IT Reviews

✓

✓

✓

Revenues

✓

✓

✓

Benefits

✓

✓

✓

Treasury Management

✓

Main Accounting, General Ledger and Reconciliations

✓

✓

Payroll

✓

✓

Creditor payments

✓

✓

Capital Accounting and Fixed Assets

✓

✓

Debtors

✓

✓

**Other Internal Audit Input**

Action tracking

To meet internal auditing standards, and to provide assurance on action taken to address recommendations previously agreed by management. <sup>70</sup>

✓

✓

✓

## Appendix D: Internal audit charter

### 1.0 Need for the charter

1.1 This charter establishes the purpose, authority and responsibilities for the internal audit service for [Client Name]. 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.

1.2 The internal audit service is provided by Baker Tilly Risk Advisory Services LLP ("Baker Tilly"). Your key internal audit contacts are as follows:

	Partner	Director
Name	David Taylor	Karen Williams
Telephone	07899877692	07818002463
Email address	David.Taylor@bakertilly.co.uk	Karen.Williams@bakertilly.co.uk

1.3 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.

1.4 An overview of the individual internal audit assignment approach and our client care standards are included at Appendix D and E of the audit plan issued for 2015/16.

### 2.0 Role and definition of internal auditing

*"Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by introducing a systematic, disciplined approach in order to evaluate and improve the effectiveness of risk management, control, and governance processes".*

***Definition of Internal Auditing, Institute of Internal Auditors and the Public Sector Internal Audit Standards***

2.1 Internal audit is a key part of the assurance cycle for your organisation and, if used appropriately, can assist in informing and updating the risk profile of the organisation.

### **3.0 Independence and ethics**

3.1 To provide for the independence of Internal Audit, its personnel report directly to the David Taylor (acting as your head of internal audit). The independence of Baker Tilly is assured by the internal audit service reporting to the Chief Executive, with further reporting lines to the Strategic Director and Financial Services Manager

3.2 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.

3.3 Conflicts of interest may arise where Baker Tilly provides services other than internal audit to [Client Name]. 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 Baker Tilly expertise and will therefore raise awareness without compromising our independence.

### **4.0 Responsibilities**

4.1 In providing your outsourced internal audit service, Baker Tilly has a responsibility to:

- Develop a flexible and risk based internal audit strategy with more detailed annual audit plans which align to the corporate objectives. 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 audit plan as approved, including any additional reviews requested by management and the audit committee.
- Ensure the internal audit team consists of professional internal 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 and agree corrective action with management based on an acceptable and practicable timeframe.
- Undertake action tracking reviews to ensure management has implemented agreed internal control improvements within specified and agreed timeframes.
- Provide a list of significant performance indicators and results to the audit committee to demonstrate the performance of the internal audit service.
- Liaise with the external auditor and other relevant assurance providers for the purpose of providing optimal assurance to the organisation.

## **5.0 Authority**

5.1 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.

5.2 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 Baker Tilly unless specifically seconded to internal audit.

## 6.0 Key Performance Indicators (KPIs)

In delivering our services we require full cooperation from key stakeholders and relevant business areas to ensure a smooth delivery of the plan. We proposed the following KPIs for monitoring the delivery of the internal audit service:

Delivery	Quality
Audits commenced in line with original timescales agreed in the internal audit plan.	Conformance with the Public Sector Internal Audit Standards.
Draft reports issued within 20 working days of debrief meeting.	Liaison with external audit to allow, where appropriate and required, the external auditor to place reliance on the work of internal audit.
Management responses received from client management within 10 working days of draft report.	Response time for all general enquiries for assistance is completed within 2 working days.
Final report issued within 3 days from receipt of management responses.	Response to emergencies and potential fraud with 1 working day.
% of recommendations accepted <ul style="list-style-type: none"> <li>- High 100%</li> <li>- Medium 95%</li> </ul>	
% of recommendations followed up <ul style="list-style-type: none"> <li>- High 100%</li> <li>- Medium 95%</li> </ul>	
Completion of internal audit plan by the end of the financial year.	

## 7.0 Reporting

- 7.1 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.
- 7.2 The Head of Internal Audit will issue progress reports to the Audit Committee and management summarising outcomes of audit activities, including follow up reviews.
- 7.3 As your internal audit provider, the assignment opinions that Baker Tilly provides the organisation during the year are part of the framework of assurances that assist the board in taking decisions and managing its risks.

7.4 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 Baker Tilly Risk Advisory 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.

## **8.0 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.
- Personal data is not shared outside of Baker Tilly. The only exception would be where there is information on an internal audit file that external auditors have access to as part of their review of internal audit work or where the firm has a legal or ethical obligation to do so (such as providing information to support a fraud investigation based on internal audit findings).
- Baker Tilly has a Data Protection Policy in place that requires compliance by all of our employees. Non-compliance will be treated as gross misconduct.

## **9.0 Fraud**

9.1 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 assess the risk of fraud and be aware of the risk of fraud when planning and undertaking any internal audit work.

## **10.0 Approval of the internal audit charter**

10.1 By approving this document, the annual plan, the audit committee is also approving the internal audit charter.

## Appendix E: Our approach to an internal audit assignment



Each audit will be planned individually to ensure that the scope addresses the risks facing your organisation, and is therefore a useful source of assurance, providing assurance on the controls that you rely on to manage your risks and deliver your objectives.

We will meet with appropriate staff to understand the area under review and will then send you an Assignment Planning Sheet for your comment and sign off, so that we can discuss and agree the scope of each review; this provides the Audit Sponsor with an opportunity to comment on the scope of each audit. We will agree the audit date at the start of the year and you will receive a planning sheet at least four weeks before the audit commences.

Once the scope has been agreed, our audit fieldwork is carefully planned to ensure that we thoroughly test the right controls. Should we identify any major issues during the review, we will bring these to the attention of management straight away. We will keep you informed through the audit, and our team will be happy to answer any questions you may have. We will provide a list of information we will need when we issue the planning sheet so that you can prepare for the audit.

Before the internal audit team leaves site, we will hold a debrief meeting to discuss our findings with you and agree actions to address any control weaknesses.

Therefore, there will be no surprises when you receive the draft internal audit report, and you have an opportunity to comment on the report before it is issued for wider circulation.

Each formal assurance report will contain a clear opinion, so you know instantly if your risk management of this area is effective

Every internal audit report contains an action plan which is completed by management. Once the action plan is completed the report is issued as a final report. This provides the Audit Committee with a clear view of management's response to each finding, and also enables action tracking. As part of the annual plan we will undertake follow up work to provide the Audit Committee with an overview of progress in implementing actions that management have agreed.

**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 Baker Tilly 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 Baker Tilly to the agreed distribution list.

Management responses to the draft report should be submitted to Baker Tilly.

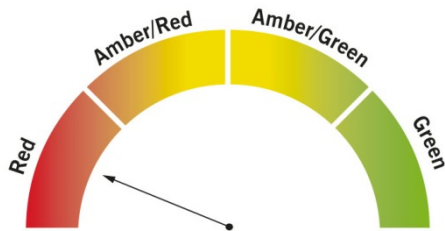
Within three days of receipt of client responses the final report will be issued by Baker Tilly to the assignment sponsor and any other agreed recipients of the report.



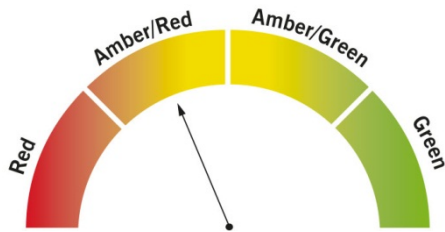
## Appendix F: Overview of internal audit assignment opinions

For internal audits classed as “risk based assurance” reviews (compared with advisory input), we use four opinion levels as shown below. Each assignment report will explain the scope of the review, and therefore the context and scope of the opinion.

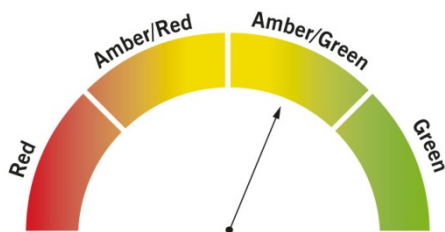
← Increasing level of assurance



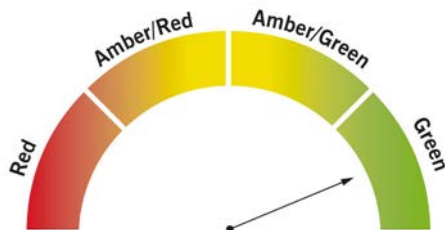
Taking account of the issues identified, the Board cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective. Urgent action is needed to strengthen the control framework to manage the identified risk(s).



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).



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).



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.

## For further information contact

David Taylor

Email address: [david.taylor@bakertilly.co.uk](mailto:david.taylor@bakertilly.co.uk)

Contact Telephone number: 07899877692

Chapel House  
Westmead Drive  
Westlea  
Swindon  
SN5 7UN

The internal audit service to the Mole Valley District Council

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