



REPORT OF:	Head of Corporate Policy and Performance
AUTHOR:	Gavin Handford
TELEPHONE:	01737 276000
E-MAIL:	gavin.handford@reigate-banstead.gov.uk
TO:	OVERVIEW AND SCRUTINY COMMITTEE
DATE:	19 April 2018

WARD (S) AFFECTED:	ALL
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SUBJECT:	INTERNAL AUDIT STRATEGY 2018 - 2021 AND INTERNAL AUDIT PLAN 2018/19
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RECOMMENDATION: (i) to endorse the Internal Audit Strategy and Internal Audit Plan as set out in Annex 1.

SUMMARY: Under the Council's Constitution the Overview and Scrutiny Committee fulfils the role of the Audit Committee. As part of that accountability the Committee are responsible for setting and monitoring the Internal Audit Strategy and the annual Internal Audit Plan. In reviewing the Strategy and the Plan the Committee is asked to consider a number of key questions (highlighted in paragraph 6) in relation to the nature and scope of the proposed audits.
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STATUTORY POWERS

1. Under the *Local Government Act 1972* and the *Accounts and Audit Regulations 2011*, the Council is required to maintain an independent internal audit function which ensures that the Council operates within the law and has effective control procedures in place to make certain that public money is spent effectively and efficiently.

ISSUES

2. The Internal Audit function is a key element in the management and delivery of effective corporate governance.
3. Under the code of practice that governs how Local Authorities should undertake their Internal Audit function, it is recommended best practice that an Internal Audit Strategy and an Internal Audit Plan are established, which set out a programme of audits that will ensure that all areas of key risks are reviewed on a regular basis.
4. The Council's Constitution delegates consideration of this Strategy and Plan to the Overview and Scrutiny Committee.

5. The purpose of this report is therefore to seek the Committee's endorsement of an updated Internal Audit Strategy, and more specifically, the detailed Audit Plan for the 2018/19 contained within it.
6. As stated in the Strategy (section 4), the Committee is asked to consider the following questions:
 - Is the work within the Audit Plan (as set out in Appendix A) sufficient to monitor the organisation's risk profile effectively?
 - Does the strategy for internal audit (as set out in Appendix B) cover the organisation's key risks as they are recognised by the Committee?
 - Are the areas selected for coverage this coming year appropriate?
 - Is the Committee content that the standards within the charter in Appendix C are appropriate to monitor the performance of internal audit?

OPTIONS

7. The Committee has two options open to it:
 - Option 1: endorse the Internal Audit Strategy and Internal Audit Plan as set out.
 - Option 2: defer the approval and ask for further work to be carried out. This will cause delay and could impact on the ability of RSM to deliver the 2018/19 programme.

LEGAL IMPLICATIONS

8. There are no direct legal implications arising from this report.

FINANCIAL IMPLICATIONS

9. The cost of funding the Audit Plan is allowed for within the Council's base budget.
10. The cost of any additional work, beyond that provided for within the Audit Plan, has to be funded from any service area that requires extra support from the auditors.

EQUALITIES IMPLICATIONS

11. There are no equality issues arising from this report.

COMMUNICATION IMPLICATIONS

12. There are no communications issues arising from this report.

RISK MANAGEMENT CONSIDERATIONS

13. Effective Internal Audit is an important part of risk management.

CONSULTATION

14. As part of the consultation process the draft Strategy has been discussed with – and endorsed by - the Corporate Governance Group, Business Managers Group and the Management Team.

POLICY FRAMEWORK

15. There are no policy issues to raise as part of this report.

Background Papers: none



REIGATE AND BANSTEAD BOROUGH COUNCIL

Internal Audit Strategy 2018-2021

**Presented at the Overview 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
will accept no responsibility or liability in respect of this report to any other party.



CONTENTS

1 Introduction.....	2
2 Developing the internal audit strategy.....	3
3 Your Internal Audit service	9
4 overview and scrutiny committee requirements.....	10
Appendix A: Internal audit plan 2018/19	11
Appendix B: Internal audit strategy 2018 – 2021	14
Appendix C: Internal audit charter.....	20
Appendix D: Our client care standards	23
For further information contact	24

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 Reigate and Banstead Borough Council in the year ahead, including changes within the sector.



Reigate and Banstead Borough Council is the largest borough in Surrey, with c139,000 people living there



Our vision is brought to life through our five year plan (our Corporate Plan 2015-2020) which outlines the priority areas for our work, grouped around these three themes:

- People - supporting residents to enjoy healthy and happy lifestyles
- Place - a great place to live and work
- Organisation - a great Council.



Going forward our vision is for a leading Council recognised by our residents, peers and partners.

We will:

- Deliver quality services and support*
- Provide value for money*
- Make the borough a great place to live*
- Be flexible and sustainable, responding to the needs and demands of our borough, residents and businesses*
- Be an increasingly commercial organisation*

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:

- Project and Performance Officer
- Project and Business Assurance Manager

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).

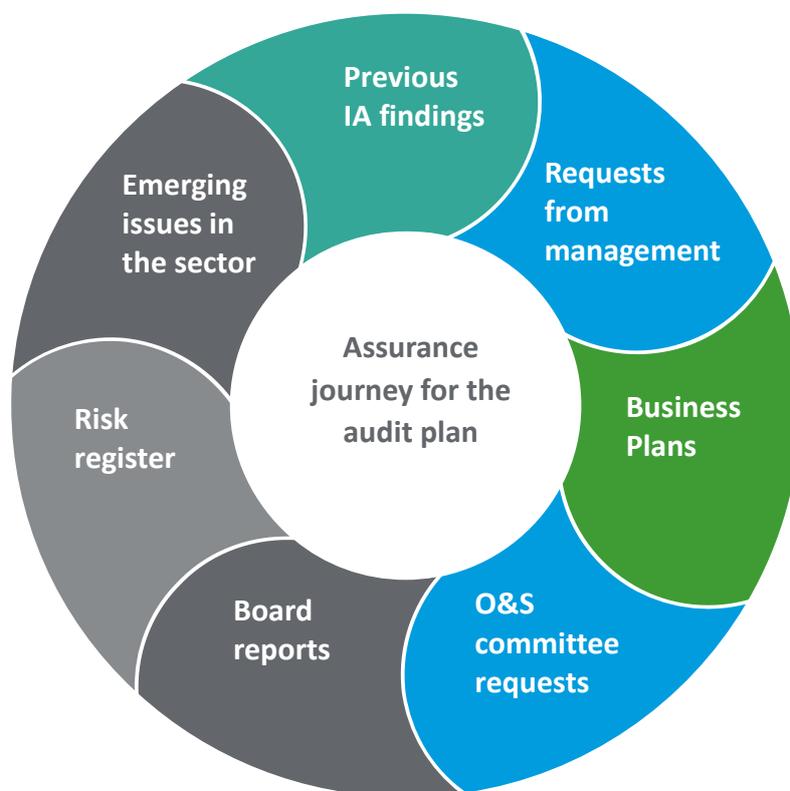


Figure A: Sources considered when developing the internal audit strategy

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. Whilst the table below has been produced with reference to the 2017/18 risk register, we note that this will be updated for 2018/19 and we will therefore keep our internal audit plan under review and amend the reviews if needed to reflect any changes to the risk profile of the Council.

Strategic risk No	Strategic risk	Reason for inclusion or exclusion in the audit plan/strategy
SR1	<p>Financial sustainability and commercial service development</p> <p>The Council no longer receives any Revenue Support Grant, and the reforms to business rates will likely result in a significant reduction, or complete removal, of this funding to Reigate & Banstead by 2020.</p> <p>The Council, therefore, needs to fund services from other income streams. This will increasingly require the Council to identify and take advantage of commercial opportunities, where services can deliver new income streams.</p> <p>This will involve new areas of work which will require new skills and expertise, as well as a reasonable level of risk taking. There will also be new legal requirements wherever company structures are established.</p> <p>If we do not generate new income streams in this way, it could lead to reductions in services and standards or service delivery failure.</p>	Planned for review in 2017/18.
SR2	<p>Housing & Welfare</p> <p>An increasing number of residents are being affected by a combination of welfare reforms and increasing housing costs. This increases the risk of residents becoming homeless, leading to their health and wellbeing being affected, which would subsequently increase the cost pressures on the Council.</p> <p>A lack of affordable accommodation increases the Councils reliance on expensive bed and breakfast, although following the purchase of temporary emergency accommodation we are expecting this to stabilise</p> <p>The increasing reliance on local charities and voluntary sector support may also impact on their sustainability.</p>	Homelessness support and Management of the Housing register last reviewed in 2017/18, resulting in substantial and reasonable assurance opinions respectively. Proposed next reviews 2020/21.

SR3	Homelessness Reduction Bill	Homelessness support last reviewed in 2017/18, resulting in substantial assurance opinion. Proposed next review 2020/21.
	<p>The Homelessness Reduction Bill, expected to go-live on 1 April 2018, will place an obligation on local authorities to provide a written personal housing plan to anyone that approaches the authority within 56 days of potential homelessness. Local authorities have a duty to keep the plan updated, and if homelessness is not avoided, have a further 56 day duty to continue working on the plan with the applicant; in many cases this will involve providing housing during the period.</p> <p>As a result, we expect a marked increase in casework, which has resource implications. As well as this, we also expect an increase in the number of households that we have a statutory obligation to accommodate.</p>	
SR4	Gatwick airport	Exclude No assurance needed. Decision now made to extend Heathrow.
	<p>The Government has announced that its preferred option for additional runway capacity in the south east is that it should be provided at London Heathrow. Consultation on a National Policy Statement (NPS) for the new runway is taking place in early 2017/18, following which a final decision will be made by Government and the airport operator will be able to submit a planning application.</p> <p>Given the controversy associated with a proposal of this scale, until national policy is formalised and planning permission granted, there will continue to be uncertainty about future plans for, and impacts on, Gatwick Airport. It is also noted that the current legal agreement not to build a second runway at Gatwick expires in 2019.</p> <p>In the meantime, Gatwick Airport is developing its own proposals for expansion under a one-runway scenario. As a major local business and employer, and given its proximity to the borough and the scale of passenger movements, it will be important to influence these proposals.</p>	

SR5	Development Management Plan	Exclude
	<p>Following the Regulation 18 consultation in 2016/17, in 2017/18 the draft Development Management Plan will be prepared, and further consultation (Regulation 19) undertaken prior to submission to the Secretary of State for Examination.</p> <p>The process for the allocation of specific sites for development will be politically sensitive and could result in negative publicity, impacting on the Council's reputation.</p> <p>Formal allocation of development sites through an adopted Local Plan will help the Council manage where and how development goes ahead, and will minimise the risk of speculative (particularly greenfield) planning applications.</p> <p>It is important that the draft DMP complies with the national planning policies: at the Examination a planning inspector will need to be satisfied that the plan is sound (evidence based, deliverable and consistent with national policy). If the draft DMP is found to be not sound, the adoption of the plan will be delayed until issues are rectified.</p>	<p>We have discussed with management completing a review in this area to provide assurance prior to submission. However, management believe adequate assurance arrangements are already in place and so no internal audit review is currently planned.</p>
SR6	Property Development	Planned for review in 2018/19.
	<p>In order to support the Council's financial sustainability, we will need to invest further in property to generate revenue income. The Council will need a well-defined and resourced Asset Management Plan to support this activity, with a programme of investments, developments and acquisitions. This may be carried out by the Council, the property company, or as part of joint working arrangements within and outside the Borough.</p> <p>Expanding our activities in this area increases our exposure to the property market fluctuations and the normal development risks. These risks may be exacerbated by Brexit, as markets react to the negotiations that are ongoing following the triggering of Article 50.</p> <p>Failure to invest in property will result in the Council not delivering the required savings and</p>	

income to deliver services and to fulfil our corporate objectives.

SR7	Cyber security Computer Viruses including new Trojans such as Ransomware are being released onto the Internet at an ever increasing rate. More sophisticated approaches and new variants suggest that on occasions it is possible that viruses will get through corporate defences and could be activated by unsuspecting ICT consumers. The effects of activating a virus are varied but at their worst the results can be destructive, service affecting or can leave the organisation with data protection issues	IT subject to annual review. Cyber security specifically reviewed in 2016/17 resulting in reasonable assurance opinion.
SR8	The UK's exit from the European Union The 'leave' result of the referendum on the United Kingdom's continued membership of the European Union has created a significant degree of uncertainty for the economy and the governance of the country. The results of this uncertainty are multifaceted and interlinked, but may include a generally weakened economy, a weakened currency, reduced consumer confidence and delays in investment decisions. The Government and the Bank of England are likely to adjust fiscal and monetary policies in response which could, in turn, have further impacts on markets and the economy. This could result in changes in the rate of inflation, interest rates, property prices and devolution deals.	Exclude No coverage given uncertainty of impact.
SR9	Partner decisions Funding pressures are impacting the whole public sector, not just RBBC. Decisions by other public service providers in our area may impact on our residents, businesses, and directly on RBBC itself. For example, we receive recycling credits from SCC worth circa £1m. SCC are the social care provider, and reductions in funding may impact on the service and support that is provided to our communities, and RBBC may need to increase services or support as a result.	Review of service and financial budget setting completed in 2017/18 resulting in substantial assurance opinion.

SR10	Recycling credits	Excluded from plan
<p>There is a risk that Surrey County Council and the Surrey Waste Partnership could withdraw recycling credits which would have a further negative impact on the council's budget.</p>		
SR11	Data Protection and General Data Protection Regulations (GDPR) Now the Data Protection Bill passing through Parliament	Review of GDPR planned for 2018/19
<p>We have always been aware of the potential risk of personal information being disclosed in breach of the Data Protection Act 1998 (DPA) and the associate</p>		
<p>penalty notice and other enforcement actions that would have a negative impact on the Council reputation. On 28 May 2018. The General Data Protection Regulations (GDPR) will replace the DPA and represents the biggest change to data protection law for 20 years. The implications of breaching the GDPR are potentially significant, with some breaches carrying fines of up to 4% of global annual turnover or 20 million Euros.</p>		

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.

2.2 Working with other assurance providers

The Overview 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 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 OVERVIEW AND SCRUTINY COMMITTEE REQUIREMENTS

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

- Is the overview 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 overview and scrutiny committee?
- Are the areas selected for coverage this coming year appropriate?
- Is the overview 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 overview and scrutiny committee approve such any amendments to this plan.

APPENDIX A: INTERNAL AUDIT PLAN 2018/19

Audit	Objective of the review	Proposed timing	Proposed Overview and Scrutiny Committee	Audit sponsor/ Audit lead
Risk Based Assurance				
New Data Protection Legislation (SR7)	<p>To provide information to client staff regarding the control and governance processes developed by the client in light the management of the forthcoming GDPR requirement changes and to highlight gaps in control processes where applicable.</p> <p>This review will focus on the robustness and delivery against the road map that is in place regarding GDPR.</p>	August 2018 (s/t to nature and timing of assurance required)	November 2018	
Procurement and Contracts (OR12)	<p>Compliance with Government requirements in respect of procurement contracts and transparency in decisions.</p> <p>This review will give assurance over a key area of operation that was last reviewed in 2015/16. It will also assist the Council in gaining assurance that it is obtaining value for money in its procurement activities.</p>	July 2018	October 2018	
Property management and maintenance (SR6)	To ensure the Council's processes and systems are suitable to ensure proper management of the Council's property assets, including acquisition and development work undertaken by the Council.	June 2018	September 2018	
Core Assurance				
Governance and risk management	<p>This review will consider the Council's compliance with the CIPFA framework released in 2016. The key principles of governance in the Code are:</p> <ul style="list-style-type: none"> Ethics and integrity Openness and stakeholder engagement Defining outcomes Determining interventions Developing leadership Managing risks and monitoring performance Demonstrating effective accountability 	January 2019	March 2019	

Audit	Objective of the review	Proposed timing	Proposed Overview and Scrutiny Committee	Audit sponsor/ Audit lead
	<p>Governance and risk management is explicitly referred to within our annual internal audit opinion and therefore we need to complete a review in this area to provide an annual opinion to the Council.</p> <p>In 2018/19 we will take our assurance regarding risk management from our risk based reviews above.</p>			
Fleet Management	<p>This area has not been subject to audit for some time and will challenge the Council's management of its fleet, covering purchasing, maintenance and health and safety practices.</p>	November 2018	January 2019	
Planning and S106/CIL compliance and income	<p>To review the controls, monitoring and expenditure procedures in place for s106 generally, and the affordable housing element specifically. To undertake sample testing to provide assurance that accurate allocation and spend is occurring in line with legislation.</p>	October 2018	January 2019	
Dog Warden	<p>This review will consider the 'Dog Warden back office' functions and will include operational deployment, invoicing and partnership working</p>	May 2018	September 2018	
Redaction procedures	<p>A review of the Council's planning redaction procedures in light of Basildon Council's recent fine for publishing sensitive data relating to a planning application.</p>	June 2018	September 2018	
Contract management of Community Centres	<p>This review will consider if the existing contract management arrangements are appropriate. Also to provide assurance that the monitoring and reporting of performance is robust and meaningful. The outcome of the audit will inform any retendering of the contract</p>	January 2019	March 2019	

Controls Compliance – The below are all key operational areas for the Council and therefore these reviews give assurance that these key processes continue to operate as planned

Treasury Management	Review of the existing control framework to provide assurance that it continues to operate as planned and is complied with in practice.	November 2018	February 2019
Main accounting and general ledger	Review of the existing control framework to provide assurance that it continues to operate as planned and is complied with in practice.	November 2018	February 2019
Payroll	Review of the existing control framework to provide assurance that it continues to operate as planned and is complied with in practice.	November 2018	February 2019
Debtors	Review of the existing control framework to provide assurance that it continues to operate as planned and is complied with in practice.	November 2018	February 2019
Creditors	Review of the existing control framework to provide assurance that it continues to operate as planned and is complied with in practice.	November 2018	February 2019

Other internal audit activity

Contingency	To allow additional reviews to be undertaken in agreement with the Overview and Scrutiny Committee or management based in changes in risk profile or assurance needs as they arise during the year.	tbc	tbc
Follow up	To meet internal auditing standards, and to provide assurance on action taken to address recommendations previously agreed by management.	Ongoing	Ongoing
Management	This will include: <ul style="list-style-type: none"> • Annual planning • Preparation for, and attendance at, Overview and Scrutiny Committee • Regular liaison and progress updates • Liaison with external audit and other assurance providers Preparation of the annual opinion	Throughout the year	N/A

APPENDIX B: INTERNAL AUDIT STRATEGY 2018 – 2021

Assurance Map key (prior assurance)

No assurance	Partial assurance	Reasonable assurance	Substantial assurance	Advisory
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Proposed area for coverage	Internal audit coverage	Previous IA coverage	2018/19	2019/20	2020/21
Risk based assurance					
Financial sustainability and commercial service development (SR2)	A number of projects have been established by the Council which include: <ul style="list-style-type: none"> Strategic property development Trade waste expansion Health and integrated care	2017/18			✓
Housing and welfare – homelessness support (SR3)	Budget in this area has been increased to support the cost of this service and provide support for residents. Working in partnership with housing associations and purchase of property to provide temporary accommodation	2017/18			✓
Development Management Plan (SR5)	Delivery of the new local plan to prescribed timescales and content. For coverage in 2018/19.	None			
Commercial services (SR6)	An Asset Management Plan for a programme of investment, development and acquisition over the next 10 years is in place. Will require funding of a property company to which assets will be transferred.	None		✓	
IT system reviews (SR7, SR11)	Maintaining IT Security. In 2018/19 we suggest this focusses on GDPR	2017/18 2016/17 (Agresso IT system change) 2016/17 (Cyber security)	✓	✓	✓

Proposed area for coverage	Internal audit coverage	Previous IA coverage	2018/19	2019/20	2020/21
Procurement and Contracts (OR12)	Compliance with Government requirements in respect of procurement contracts and transparency in decisions.	2015/16	✓		
Strategic planning (SR9)	This review will consider the Council's ability to respond to changes in the external environment.	2017/18 (budget setting)			
Digitalisation	With the advent of the digitalisation agenda we will consider how working methods have developed and how the council has and could further improve these services to identify savings.	2017/18			✓
Property management and maintenance (SR6)	To ensure the Council's processes and systems are suitable to ensure proper management of the Council's property assets, including acquisition and development work undertaken by the Council.	N/a	✓		
Core Assurance					
Service and financial budget setting.	Management request of a detailed review of the operation of the setting of budgets and the ongoing monitoring of income and expenditure. This audit will challenge the processes used for the budget setting, against required and best practice, and how well those are then monitored thereafter to ensure that the financial plan of the Council are achieved.	2017/18			✓
Governance: openness and transparency	Review of an aspect of the governance arrangements of the Council.	2017/18 2015/16	✓	✓	✓
Information governance	This audit will cover the processes adopted for the close management of data and information, particularly at a time when remote working is encouraged.				✓

Proposed area for coverage	Internal audit coverage	Previous IA coverage	2018/19	2019/20	2020/21
Corporate planning and performance management	Adequacy of process to develop and approve the corporate plan, and then how that plan is monitored and delivered through performance management review and checking the quality of the data used for the performance monitoring.	2016/17		✓	
Car Parking	<p>Completeness of income due for on street and off street parking, use of machines, mobile payments and enforcement of penalty charge notices.</p> <p>This will include the process for the enforcement of payments of penalty notices and the provision of benchmarking data concerning penalty charge notices.</p>	2016/17 2017/18			✓
Fleet Management	This area has not been subject to audit for some time and will challenge the Council's management of its fleet, covering purchasing, maintenance and health and safety practices.	2015/16	✓		
Management of housing register	<p>Compliance with current requirements for the management of the register.</p> <p>To determine whether improvements or changes could be made given the pressure on homeless services.</p>	2017/18			✓
HR management: recruitment	This review will consider the Council's processes for recruitment, including the consideration of the approval to recruit, as well as compliance with internal processes and pre employment checks.	2015/16		✓	
Health and Safety compliance	To review the processes followed by management to ensure that there is compliance with legislation for staff and service users across the operations of the Council. We will consider consistency of application across the Council to ensure that practice is embedded and areas of responsibility are clear.	2016/17		✓	

Proposed area for coverage	Internal audit coverage	Previous IA coverage	2018/19	2019/20	2020/21
Civil contingencies	Compliance with requirements place on the Council for meeting the Civil Contingencies Act.	2017/18			✓
Business continuity and disaster recovery	Assurance over back office arrangements for ensuring continuity of the councils functions in the event of a problem.	2016/17		✓	
Risk management	In 2018/19 we will take our assurance regarding risk management from our risk based audits.	2017/18 2016/17 2015/16		✓	✓
Management of grant applications and payments (including disabled facilities grants)	This audit will cover the control framework established for the management of grant applications received and payments awarded to ensure that such payments are in place with the applications as well as the requirements of the grant scheme. This will also cover contractual arrangements to ensure that value for money is being obtained where funds are awarded.	2015/16		✓	
Planning and S106/CIL compliance and income	This review will focus on compliance with standards/legislation. We will also undertake testing to provide assurance on the completeness of the collection of income as well as compliance with planning legislation through to enforcement actions taken by the Council.	2016/17 2017/18 (planning decision approval)	✓	✓	✓
Building Control	Review of the joint venture arrangement with Mole Valley District Council and Tandridge District Council to ensure that the service operates as planned and in line with governance intentions.	2017/18			✓
PCI compliance	This review will consider the extent to which a system is in place and designed to ensure debit and credit card data is being dealt with in line with the PCI standards and is processed in a robust and consistent manner and remains secure from fraud.	N/a	✓		

Proposed area for coverage	Internal audit coverage	Previous IA coverage	2018/19	2019/20	2020/21
Dog Warden	This review will consider the 'Dog Warden back office' functions and will include operational deployment, invoicing and partnership working	N/a	✓		
Redaction procedures	A review of the Council's planning redaction procedures in light of Basildon Council's recent fine for publishing sensitive data relating to a planning application.	N/a	✓		
Contract management of Community Centres	This review will consider if the existing contract management arrangements are appropriate. Also to provide assurance that the monitoring and reporting of performance is robust and meaningful. The outcome of the audit will inform any retendering of the contract	N/a	✓		
Controls Compliance					
Revenues	Review of the existing control framework to provide assurance that it continues to operate as planned and is complied with in practice.	2015/16 2017/18		✓	
Benefits	Review of the existing control framework to provide assurance that it continues to operate as planned and is complied with in practice.	2015/16 2017/18		✓	
Treasury Management	Review of the existing control framework to provide assurance that it continues to operate as planned and is complied with in practice.	2016/17	✓		✓
Capital accounting and fixed assets	Review of the existing control framework to provide assurance that it continues to operate as planned and is complied with in practice.	2017/18			✓
Main accounting and general ledger	Review of the existing control framework to provide assurance that it continues to operate as planned and is complied with in practice.	2016/17 2015/16	✓		✓

Proposed area for coverage	Internal audit coverage	Previous IA coverage	2018/19	2019/20	2020/21
Payroll	Review of the existing control framework to provide assurance that it continues to operate as planned and is complied with in practice.	2017/18 2016/17 2015/16	✓	✓	✓
Debtors	Review of the existing control framework to provide assurance that it continues to operate as planned and is complied with in practice.	2016/17 (Licensing) 2016/17 (Pest Control)	✓		✓
Creditors	Review of the existing control framework to provide assurance that it continues to operate as planned and is complied with in practice.	2017/18 2016/17 2015/16	✓	✓	✓
Other Internal Audit Activity					
Contingency	To allow additional reviews to be undertaken in agreement with the Overview and Scrutiny Committee or management based in changes in risk profile or assurance needs as they arise during the year.		✓	✓	✓
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, Overview 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		✓	✓	✓

APPENDIX C: INTERNAL AUDIT CHARTER

Need for the charter

This charter establishes the purpose, authority and responsibilities for the internal audit service for Reigate and Banstead 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 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 D 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 Project and Business Assurance Manager.

The head of internal audit has unrestricted access to the chair of Overview 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 Reigate and Banstead 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 Overview 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 Overview 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 Overview 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 Overview 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 Overview 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 Overview 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, and then issued as a final report to management. Management then provide the executive summary to the Overview and Scrutiny Committee within their quarterly performance report. Members are also given access to the full final report, as all final reports are uploaded to the Members portal. The final report will contain an action plan agreed with management to address any weaknesses identified by internal audit.

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 Overview and Scrutiny Committee recognises that management is responsible for controls to reasonably prevent and detect fraud. Furthermore, the Overview 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 Overview and Scrutiny 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

Mike Cheetham - Head of Internal Audit

Mike.Cheetham@rsmuk.com

Tel: 020 3201 8219