



RUSHCLIFFE BOROUGH COUNCIL

Internal Audit Strategy 2019 - 2022

Presented at the Corporate Governance Group meeting of: 7 February 2019

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.

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EXECUTIVE SUMMARY

Our Internal Audit Plan for 2019/20 is presented for consideration by the Corporate Governance Group.

The key points to note from our plan are:



2019 Internal Audit priorities: Internal audit activity for 2019/20 is based on analysing your corporate objectives, risk profile and assurance framework as well as other factors affecting you in the year ahead, including changes within the sector. Our detailed plan for 2019/20 is included at Section 1.



Level of Resource: The level of resource required to deliver the plan is consistent with 2018, with the daily rate inflated to with the agreement made upon our appointment. We will be introducing the use of technology when undertaking operational audits in 2019. This will strengthen our sampling, increasing the level of assurance provided. Refer to Appendix A.



Core Assurance: Key priorities and changes within the Council during the period have been reflected within the proposed audit coverage for 2019/20 and beyond. Local government continues to face significant financial pressure and a key theme of our work during 2019/20 will be focus on controls over income generation and maximisation, particularly in the areas of property leases, rents and garden waste. We will continue assess the implementation of previously agreed internal audit actions and report back to the Corporate Governance Group on the ongoing implementation status.

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1. YOUR INTERNAL AUDIT PLAN 2019/20

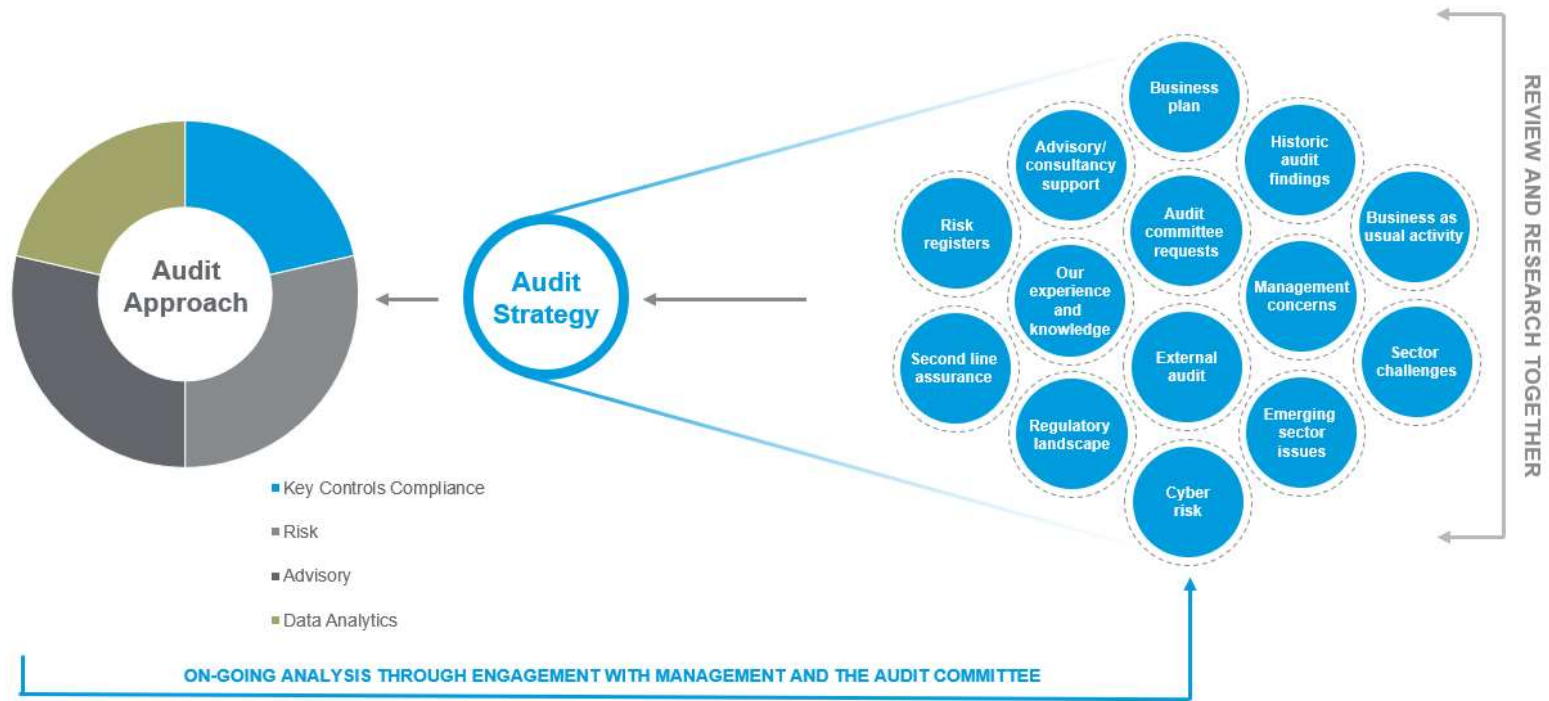
Our approach to developing your internal audit plan is based on analysing your corporate objectives, risk profile and assurance framework as well as other, factors affecting Rushcliffe Borough Council in the year ahead, including changes within the sector.

Risk management processes

We have evaluated your risk management processes and consider that we can place reliance on your risk registers 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:

- Allen Graham, Chief Executive;
- Katherine Marriott, Executive Manager - Operations and Transformation;
- Peter Linfield, Executive Manager - Finance and Corporate Services;
- David Banks, Executive Manager - Neighbourhoods; and
- David Mitchell, Executive Manager - Communities.

• Figure A: Audit considerations – sources considered when developing the Internal Audit Strategy.



Based on our understanding of the organisation, the information provided to us by stakeholders, and the regulatory requirements, we have developed an annual internal plan for the coming year and a high level strategic plan (see Section 2 and Appendix B for full details).

2. INTERNAL AUDIT PLAN 2019/20

The table below shows each of the reviews that we propose to undertake as part of the internal audit plan for 2019/20. The table details the strategic objectives which may warrant internal audit coverage. This review of your risks allows us to ensure that the proposed plan will meet the organisation's assurance needs for the forthcoming and future years. 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.

Objective of the review (Strategic area)	Audit approach	Fee (Days)	Proposed timing	Proposed Corporate Governance Group
Finance and Corporate Services				
Corporate Governance Continued annual assurance, focussing on the governance structures in place, which will also consider the key elements of governance and the effectiveness and ability to react to and provide informed decision. We will also consider data access by Members including training provided to Members on data access requirements and systems in use.	Key Controls Compliance	6	Qtr 1	To be confirmed
Insurance To ensure that all adequate insurance arrangements are in place to cover the Council's operations and assets and that claims are processed appropriately.	Risk Based	6	Qtr 2	To be confirmed
Treasury Management, Cash and Banking This review will consider whether all investments and withdrawals made, and loans taken, are subject to appropriate approval. We will also review the controls in place surrounding the levels of cash held both in Council bank accounts and in other institutions, and how the Council ensures sufficient cash is available to meet its ongoing liabilities. We will also provide assurance over the Councils cash receipting and banking processes, allocations to customer accounts, and receipt of income in the Councils bank accounts.	Key Controls Compliance	10	Qtr 2	To be confirmed
Main Accounting We will seek to provide assurance surrounding the operations of the general ledger, and include a review of the processes, segregations and approvals relating to journals and virements, amendments to the chart of accounts, key reconciliations and the rolling forward of closing to opening balances.	Key Controls Compliance	6	Qtr 4	To be confirmed
Creditors and e-Procurement This audit will include whether Financial Procedure Rules and policies and procedures are being adhered to, that invoices are only paid when matched to an appropriately authorised	Key Controls Compliance	8	Qtr 2	To be confirmed

Objective of the review (Strategic area)	Audit approach	Fee (Days)	Proposed timing	Proposed Corporate Governance Group
purchase order, and goods are received prior to payments being made. This review will also review the process in place to ensure that supplier details are accurate.				
<p>Payroll</p> <p>We will seek to provide assurance that the processes in place for new starters, leavers and contractual changes affecting the payroll are well designed and operatively effectively. We will also review the payment process and ensure all staff receive the statutory paperwork due to them. We will look to use data interrogation software to supplement our testing.</p>	Key Controls Compliance	8	Qtr 3	To be confirmed
<p>Housing Benefits</p> <p>We will undertake a review to ensure that applications received are done so in line with policy, procedure, and are subject to an independent check. We will also ensure that changes in circumstances are processed correctly and in a timely manner. We will also ensure that Officers are not able to work on their own accounts, and that an annual declaration is completed. We will also include a review of the interfaces between the Housing Benefits, Council Tax and Housing Ledger, and how these link to the general ledger.</p>	Key Controls Compliance	8	Qtr 2	To be confirmed
<p>Fraud – Annual Report</p> <p>To summarise the incidence of fraud and fraud prevention activities at the Council during the year.</p>	Advisory	3	Qtr 4	To be confirmed
Operations and Transformation				
<p>Business Support Unit</p> <p>To review the performance of the recently introduced central Business Support Unit to ensure there is internal and external customer satisfaction.</p>	Risk Based	6	Qtr 1	To be confirmed
<p>IT</p> <p>To review the processes employed by the Council for the management of risks in relation to the Council's IT network.</p> <p>It has been agreed with management that we will undertake one IT review during the year and exact scope to be agreed with management.</p>	Risk Based	10	Qtr 3	To be confirmed
Property Leases / Rent	Risk Based	8	Qtr 4	To be confirmed

Objective of the review (Strategic area)	Audit approach	Fee (Days)	Proposed timing	Proposed Corporate Governance Group
<p>To ensure the Council has in place adequate processes for managing its property portfolio. Our review will include: policies and procedures, determination and approval of rents/leases, application of approved rent/leases and the collection of income due.</p>				
Communities				
<p>Land Charges</p> <p>The focus of this review will be to ensure that there are adequate procedural documentation and records in place to ensure a smooth transition of responsibilities. To allow us to form our opinion we will ensure that appropriate arrangements are in place to maintain the Land Charges register up to date, and that all applications and searches are handled in line with procedure, the relevant fees are received and that joint working is undertaken with other key Council departments.</p>	Risk Based	7	Qtr 2	To be confirmed
<p>Building Control</p> <p>Rushcliffe Borough Council has a partnership arrangement in place with South Kesteven District Council to provide a Building Control service. This review will seek to provide assurance over this partnership working and contract management.</p>	Risk Based	8	Qtr 3	To be confirmed
Neighbourhoods				
<p>Enforcement – Statutory Nuisance</p> <p>To ensure that all decisions made by the Council enforcing courses of action in line with statutory and other legal requirements are monitored for compliance and that appropriate further action is taken where necessary.</p>	Risk Based	8	Qtr 3	To be confirmed
<p>Disabled Facilities Grants</p> <p>We will review applications for grants to ensure that they are processed in line with statutory responsibilities and internal policies and procedures. We will also review the use of, and payments to, contractors, and tenant / applicant contributions made to the total cost following the eligibility assessment. Finally, we will review the budget monitoring process in place, and the level of management information reported.</p>	Risk Based	8	Qtr 3	To be confirmed
<p>Garden Waste</p>	Risk Based	7	Qtr 3	To be confirmed

Objective of the review (Strategic area)	Audit approach	Fee (Days)	Proposed timing	Proposed Corporate Governance Group	
This review will ensure that operational procedures are fit for purpose and are complied with. We will also ensure that income is collected appropriately and accounted for.					
Other Internal Audit Activity					
Follow up	To meet internal auditing standards, and to provide assurance on action taken to address recommendations previously agreed by management.	-	8	Qtr 4	To be confirmed
Contingency	To allow additional reviews to be undertaken in agreement with the Corporate Governance Group or management based in changes in risk profile or assurance needs as they arise during the year.	-	5	As required	-
Management	<p>This will include:</p> <ul style="list-style-type: none"> • Annual planning; • Preparation for, and attendance at, Corporate Governance Group; • Regular liaison and progress updates; • Liaison with external audit and other assurance providers; and • Preparation of the annual opinion. 	-	20	Throughout the Year	-

A detailed planning process will be completed for each review, and the final scope will be documented in an Assignment Planning Sheet. This will be issued to the key stakeholders for each review.

2.1 Working with other assurance providers

The Corporate Governance Group 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.

APPENDIX A: YOUR INTERNAL AUDIT SERVICE

Your internal audit service is provided by RSM Risk Assurance Services LLP. The team will be led by Chris Williams as your Head of Internal Audit, supported by Amjad Ali as your Senior Manager.

Fees

Our fee to deliver the plan is £48,750 (excluding VAT).

Core team

The delivery of the 2019/20 audit plan will be based around a core team. However, we will complement the team with additional specialist skills where required.

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 Corporate Governance Group 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.

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.

APPENDIX B: INTERNAL AUDIT STRATEGY 2019/20 – 2021/22

The table below shows an overview of the audit coverage to be provided through RSM's delivery of the internal audit strategy. This has been derived from the process outlined in Section 1 above, as well as our own view of the risks facing the sector as a whole.

Assurance Provided	
	Red - Minimal Assurance / Poor Progress
	Amber/red - Partial Assurance / Little Progress
	Amber/green - Reasonable Assurance / Reasonable Progress
	Green - Substantial Assurance / Good Progress
	Advisory / AUP
	IDEA

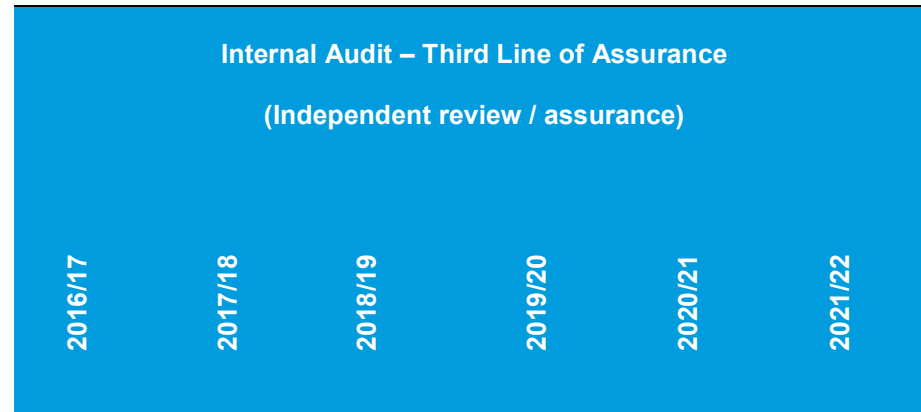
Internal Audit – Third Line of Assurance (Independent review / assurance)					
2016/17	2017/18	2018/19	2019/20	2020/21	2021/22

Audit Area

Finance and Corporate Services

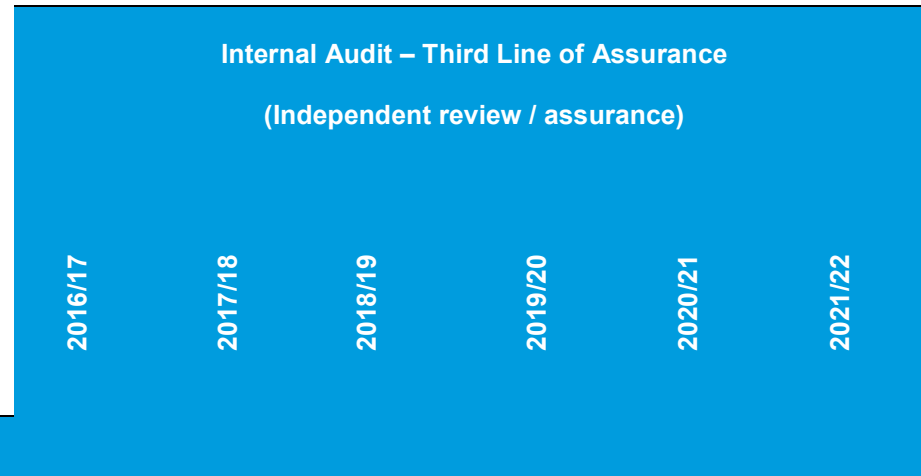
Corporate Governance				✓		✓
Insurance				✓		
Treasury Management, Cash and Banking				✓		✓
Main Accounting				✓	✓	✓
Creditors and e-Procurement				✓		✓
Payroll				✓	✓	✓
Housing Benefits				✓		✓
Fraud – Annual Report				✓	✓	✓
Council Tax					✓	
NNDR					✓	

Assurance Provided	
	Red - Minimal Assurance / Poor Progress
	Amber/red - Partial Assurance / Little Progress
	Amber/green - Reasonable Assurance / Reasonable Progress
	Green - Substantial Assurance / Good Progress
	Advisory / AUP
	IDEA



Audit Area	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Contract Management					✓	
Allowances						
Business Continuity						
Asset Investment						✓
Income and Debtors					✓	
Budget Control and Setting			TBC		✓	
Operations and Transformation						
Business Support Unit				✓		
IT				✓	✓	✓
Property Leases / Rent				✓		
Economic Development						
Human Resources					✓	

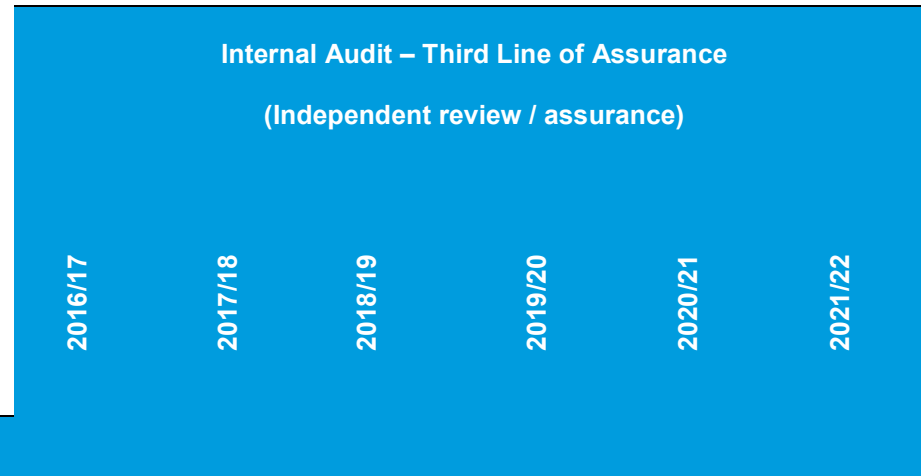
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	Advisory / AUP
	IDEA



Audit Area

Risk Management		Green		Green		✓
Review of the Arena Project			Grey			
Procurement of IT Equipment			Green			
General Data Protection Regulation (GDPR) Readiness			Grey	Grey		
Markets				Green		✓
Health and Safety				TBC		✓
Bingham Leisure Centre					✓	
Hybrid Mail / Printing						✓
Crematorium Project					✓	
Equality and Diversity					✓	
Public Sector Partnerships						✓

Assurance Provided	
	Red - Minimal Assurance / Poor Progress
	Amber/red - Partial Assurance / Little Progress
	Amber/green - Reasonable Assurance / Reasonable Progress
	Green - Substantial Assurance / Good Progress
	Advisory / AUP
	IDEA



Audit Area

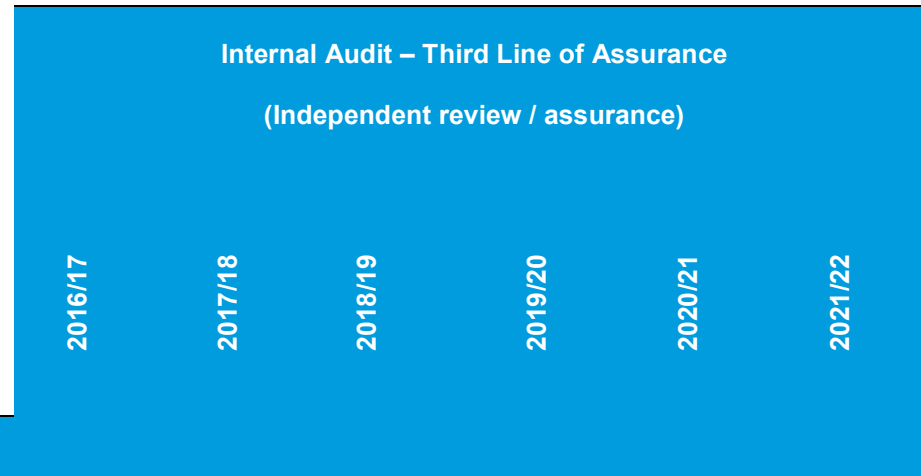
Communities

Land Charges					✓
Building Control					✓
Country Parks					✓
Community Facilities					✓
Safeguarding			TBC		✓
Planning					✓
S106 Agreements					✓
Homelessness					✓

Neighbourhoods

Enforcement – Statutory Nuisance					✓
Disabled Facilities Grants					✓

Assurance Provided	
	Red - Minimal Assurance / Poor Progress
	Amber/red - Partial Assurance / Little Progress
	Amber/green - Reasonable Assurance / Reasonable Progress
	Green - Substantial Assurance / Good Progress
	Advisory / AUP
	IDEA



Audit Area

Garden Waste				✓		
Licensing					✓	
Contract Management – Garages and Fleet						
Contract Management – Car Parking						
Pest and Dog Control					✓	

Other Internal Audit Activity

Follow Up				TBC	✓	✓	✓
A Review of the Actions taken following NNDR Refund Fraud – August 2017 to October 2017							

APPENDIX C: INTERNAL AUDIT CHARTER

Need for the charter

This charter establishes the purpose, authority and responsibilities for the internal audit service for Rushcliffe 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 Corporate Governance Group.

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 Chris Williams, Partner (acting as your Head of Internal Audit). The independence of RSM is assured by the internal audit service reporting to the Chief Executive and Executive Manager – Finance & Corporate Services.

The Head of Internal Audit has unrestricted access to the chair of Corporate Governance Group 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 Rushcliffe 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 Corporate Governance Group. 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 Corporate Governance Group. 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 Corporate Governance Group 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 Corporate Governance Group.
- 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 Corporate Governance Group to demonstrate the performance of the internal audit service.

For clarity, we have included the definition of 'Internal Audit', 'Executive Management Team' and 'Cabinet'.

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

Client care standards

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:

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

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 Corporate Governance Group.
- 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 Corporate Governance Group. 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 Corporate Governance Group 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 Cabinet 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 Cabinet 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 Cabinet to inform the organisation's annual governance statement.

Data protection

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

Quality Assurance and Improvement

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

Any areas which we believe warrant bringing to your attention, which may have the potential to have an impact on the quality of the service we provide to you, will be raised in our progress reports to the Corporate Governance Group.

Fraud

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

FOR FURTHER INFORMATION CONTACT

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The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

Our report is prepared solely for the confidential use of Rushcliffe Borough Council and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. 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 and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to you on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

RSM Risk Assurance Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.