



WAVERLEY BOROUGH COUNCIL

Internal Audit Plan 2016 -2017

Presented at the Audit Committee meeting of:

15 March 2016





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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 Waverley Borough Council in the year ahead, including changes within the sector.

1.1 Background

Waverley Borough Council provides over 110 local services to a population of around 121,000. These services include housing, planning, refuse collection, recycling, leisure and recreational facilities, countryside management and regulatory services such as Environmental Health and Licensing. The services are delivered either directly by the Council or in partnership with a range of organisations including the private sector, other public sector partners, charities and local and community groups.

Historically the internal audit plan has been prepared by WBC's own Internal Audit Client Manager and this is the first time that RSM has prepared the internal audit plan.

1.2 Vision and Priorities

The Council's vision is "to make Waverley a Better Place to Live and Work".

The new Corporate Plan 2016-2019 sets out priorities for the Council:

"Priority 1 - We aim to deliver excellent, accessible services which meet the needs of our residents

Priority 2 - We will support the wellbeing and vitality of our communities

Priority 3 - We will strive to protect and enhance the environment of Waverley

Priority 4 - We will continue to provide excellent value for money that reflects the needs of our residents."

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 used the information in your risk register as well as previous risk analysis undertaken to inform prior year internal audit plans and consider that we can place reliance on your risk registers / assurance framework to inform the internal audit strategy. We have discussed priorities for internal audit coverage with the Internal Client Manager and the members of HOST.

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**).

As well as assignments designed to provide assurance or advisory input around specific risks, the strategy also includes: a contingency allocation and an audit management allocation. Full details of these can be found in Appendix A

There is no coverage for tracking the implementation of actions as that activity is undertaken in house.

2.2 Working with other assurance providers

The Audit Committee is reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not, seek to cover all risks and processes within the organisation.

We will if required work with other assurance providers, such as external audit to ensure that duplication is minimised and a suitable breadth of assurance obtained.

3 YOUR INTERNAL AUDIT SERVICE

Your internal audit service is provided by RSM Risk Assurance Services LLP. The team will be led by Karen Williams, supported by Lorna Raynes as your client manager.

3.1 Conformance with internal auditing standards

RSM affirms that our internal audit services are designed to conform to the Public Sector Internal Audit Standards (PSIAS). Further details of our responsibilities are set out in our internal audit charter within Appendix B.

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 2011 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 “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”.

3.2 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 the annual plan (as set out at Appendix A) to monitor the organisation's risk profile effectively?
- Are the areas selected for coverage this coming year appropriate?
- Is the Audit Committee content that the standards within the charter in Appendix B 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 2016/17

Audit	Scope for Year	Assurance or Advisory	Audit days	Proposed timing
Risk Areas				
Health and safety policy	<p>R/SR/02 Health and Safety Management - There is a legal duty to manage Health and Safety. A number of systems are currently in place/being put in place</p> <p>Consistency of application across the Council to ensure that practice is embedded and areas of responsibility are clear. Source: risk register, sector issue</p>	Assurance	8	Q2
Health and safety compliance	<p>R/SR/02 Health and Safety Management - There is a legal duty to manage Health and Safety. A number of systems are currently in place/being put in place</p> <p>Continuing with review of operational aspects of health and safety compliance through the rolling programme. To focus on maintenance processes and compliance specifically electrical testing at all properties. Source: risk register, sector issue</p>	Assurance	10	Q3
Management of contractors	<p>R/SR/03 Management of Contractors The Council engages in (and is heavily reliant on) a number of contractors for service delivery including key front line activities</p> <p>Accuracy of invoices for works ordered Source: risk register, WBC Internal Audit Client Manager request</p>	Assurance	8	Q2
Rent collection	<p>R/SR/05 Impact of Welfare Reform The welfare system is currently being reformed impacting both on the community and tenants. Lack of funding / clarity of responsibility for cases passed by DWP</p> <p>Accuracy of rent setting, completeness of income and pursuit of arrears. Source: risk register, sector issue</p>	Assurance	10	Q2

Audit	Scope for Year	Assurance or Advisory	Audit days	Proposed timing
Recruitment of permanent and agency staff and performance management	<p>R/SR/07 Staff Skill and Capacity Management For a high performing and highly engaged team there is a need to recruit develop and retain high performing staff who fit the organisational culture and for Waverley to be an employer of choice.</p> <p>To ensure that staff are only employed where there is an identified need, are recruited appropriately and their employment is then monitored with routine appraisals undertaken and competency frameworks met. Source: risk register, scope determined by HOST</p>	Assurance	10	Q1
Corporate Governance	<p>R/SR/08 Governance Failure Across the Council there is the potential of a governance failure</p> <p>Review of the Council's governance processes against required practice. Source: risk register, sector issue</p>	Assurance	8	Q3
Emergency planning and business continuity	<p>R/SR/10 Emergency Planning The Council is designated as a category 1 responder under the Civil Contingences Act. The Council do not have a direct labour workforce and is reliant on contractors to support an emergency response.</p> <p>Operational controls ensure compliance with Civil Contingencies Act. We will also review the Council's business continuity processes to ensure these are appropriate and in line with our experiences elsewhere. Source: risk register, WBC Internal Audit Client Manager request</p>	Assurance	10	Q1
Planning applications and building control	<p>R/SR/14 Planning Performance</p> <p>Government can remove planning powers from Councils who perform poorly against measure relating to speed of decision making, appeals and (in future) progress on Local Development Orders Compliance with standards/legislation and collection of income. Source: risk register, scope determined by HOST</p>	Assurance	10	Q1
Core Systems				
Approving invoices on Agresso	<p>To ensure that there is clarity around levels of authorisation, roles, management of Agresso, training provided to users and the use of reports generated. Source: risk register, WBC Internal Audit Client Manager request</p>	Assurance	6	Q1

Audit	Scope for Year	Assurance or Advisory	Audit days	Proposed timing
Data Protection	Changes in European legislation are expected in year and thus review will consider the compliance with existing legislation as well as the preparedness for required changes. Source: sector issue	Assurance	10	Q4
Risk Management/ Assurance Stocktake	Review of a sample of assurances used to inform the management of risks to determine the adequacy of the assurance, coverage and whether it mitigates the risks as expected. Source: sector issue	Assurance	8	Q2
Car Parking	Setting of charges, use of machines, collection of Penalty charge Notices, Implementation of RingGo, season permits, residents permits. Certain aspects of this (permits) have not been covered for some time. Source: HOST	Assurance	10	Q1
Data quality	Review of a selection of reporting indicators to ensure that the reported performance agrees to source data. Source: sector issue	Assurance	10	Q2
Payroll	Compliance with agreed processes. Source: routine coverage due to risk to organisation of control failure	Assurance	8	Q3
Creditor payments	Compliance with agreed processes. Source: routine coverage due to risk to organisation of control failure	Assurance	6	Q3
Agresso Upgrade	Post implementation of new Agresso upgrade. Source: HOST request	Assurance	10	Q4

Audit	Scope for Year	Assurance or Advisory	Audit days	Proposed timing
Income collection activities:	To ensure that appropriate policies and procedures are in place to ensure that income due from goods and services is properly identified, charged appropriately and can be collected in full and recorded in the accounts of the Council.	Assurance		
Licensing – environmental services			6	Q1
Licensing – alcohol or Hackney carriages/private hire	<i>As alcohol and hackney carriage/private hire licensing are in the same area we will review one of these areas (tbc)</i>		6	Q1
	Source: routine coverage due to risk to organisation of control failure, identified by HOST			
Accuracy of tenant information	To ensure Orchard is updated promptly to reflect the outcome of Home Visits by the Tenancy and Estates officers. Source: WBC Internal Audit Client Manager request, endorsed by HOST	Assurance	7	Q1
Follow up of 2014/15 Voids Audit	Follow up of previous audit	Assurance	5	Q2
Advisory Reviews				
Project Management	R/SR/09 Major Capital Projects including Regeneration - The Council is engaged in a number of high level projects to support regeneration areas within the Borough. (Brightwells and Ockford Ridge). Specialist review of the Council's approach to the management of projects. This will focus on the Brightwells project, as well as others, and provide the Council with advice as to project management in the future. Source: risk register, sector issue, WBC Internal Audit Client Manager request	Advisory	20	Q2

Audit	Scope for Year	Assurance or Advisory	Audit days	Proposed timing
Lean approach workshop	<p>To provide guidance on this process and how the Council can undertake Lean reviews to maximise efficiency in service delivery.</p> <p>This could be the provision of training on the lean methodology, or to undertake a specific lean review on an area identified by management which will incorporate a workshop and will involve the sharing of the methodology followed.</p> <p>Source: sector issue, topic endorsed by HOST, for further discussion as to approach</p>	Advisory	8	Q3
Other internal audit activity				
Contingency	To allow additional IT and/ or other reviews to be undertaken in agreement with the Audit Committee or management based in changes in risk profile or assurance needs as they arise during the year.	N/A	29	As required
Management	<p>This will include:</p> <ul style="list-style-type: none"> • Annual planning • Attendance at Audit Committee, if required • Regular liaison and progress updates • Preparation of the annual opinion, if required 	N/A	7	-

APPENDIX B INTERNAL AUDIT CHARTER

Need for the charter

This charter establishes the purpose, authority and responsibilities for the internal audit service for Waverley 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”). Your key internal audit contacts are as follows:

	Director	Client manager
Name	Karen Williams	Lorna Raynes
Telephone	0781 8002463	07972004175
Email address	Karen.Williams@rsmuk.com	Lorna.Raynes@rsmuk.com

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.

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

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.

Independence and ethics

To provide for the independence of Internal Audit, its personnel report directly to Karen Williams. The independence of RSM is assured by the internal audit service reporting to the Director of Finance and Resources as Section 151 Officer, with further reporting lines to the Internal Audit Client Manager.

The Internal Audit Client Manager has unrestricted access to the Chair of Audit Committee to whom all significant concerns relating to the adequacy and effectiveness of risk management activities, internal control and governance are reported.

Conflicts of interest may arise where RSM provides services other than internal audit to Waverley Borough Council. Steps will be taken to avoid or manage transparently and openly such conflicts of interest so that there is no real or perceived threat or impairment to independence in providing the internal audit service. If a potential conflict arises through the provision of other services, disclosure will be reported to the Audit Committee. The nature of the disclosure will depend upon the potential impairment and it is important that our role does not appear to be

compromised in reporting the matter to the Audit Committee. Equally we do not want the organisation to be deprived of wider RSM expertise and will therefore raise awareness without compromising our independence.

Responsibilities

In providing your outsourced internal audit service, RSM has a responsibility to:

- Develop a flexible and risk based internal audit strategy with more detailed annual audit plans. The plan will be submitted to the Audit Committee for review and approval each year before work commences on delivery of that plan.
- Implement the audit plan as approved, including any additional tasks requested by management and the Audit Committee.
- Ensure the internal audit team consists of professional audit staff with sufficient knowledge, skills, and experience.
- Establish a Quality Assurance and Improvement Program to ensure the quality and effective operation of internal audit activities.
- Perform advisory activities where appropriate, beyond internal audit's assurance services, to assist management in meeting its objectives. Examples may include facilitation, process design and training.
- 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 on areas selected to ensure management has implemented agreed internal control improvements within specified and agreed timeframes.
- Provide a list of significant measurement goals and results to the Audit Committee to demonstrate the performance of the internal audit service.
- Liaise with the external auditor for the purpose of providing optimal audit coverage to the organisation.

Authority

The internal audit team is authorised to:

- Have unrestricted access to all functions, records, property and personnel which it considers necessary to fulfil its function.
- Have full and free access to the Audit Committee.
- Allocate resources, set timeframes, define review areas, develop scopes of work and apply techniques to accomplish the overall internal audit objectives.
- Obtain the required assistance from personnel within the organisation where audits will be performed, including other specialised services from within or outside the organisation.

The Internal Audit Client Manager 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.

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.

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. 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 Corporate Management Team in taking decisions and managing its risks.

Our terms of service do not require us to provide an annual opinion on the adequacy and effectiveness of the organisation's governance, risk management and control arrangements.

In giving our individual opinions it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the Corporate Management Team is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes.

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 RSM. 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).

RSM has a Data Protection Policy in place that requires compliance by all of our employees. Non-compliance will be treated as gross misconduct.

Fraud

The Audit Committee recognises that management is responsible for controls to reasonably prevent and detect fraud. Furthermore, the Audit Committee recognises that internal audit is not responsible for identifying fraud; however internal audit will assess the risk of fraud and be aware of the risk of fraud when planning and undertaking any internal audit work.

Approval of the internal audit charter

By approving this document, the internal audit strategy, the Audit Committee is also approving the internal audit charter.

FOR FURTHER INFORMATION CONTACT

Karen Williams

karen.williams@bakertilly.co.uk

Tel: 07818 002463

rsmuk.com

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