



GEDLING BOROUGH COUNCIL

Internal Audit Strategy 2017/18 - 2019/20

**Presented at the Audit Committee meeting of:
21 March 2017**

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1 INTRODUCTION

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

1.1 Background

Gedling Borough Council covers the mainly affluent northeastern suburbs of Greater Nottingham including Arnold, Carlton and part of Mapperley and then covers the area north of Nottingham into the rural villages of Calverton, Woodborough, Ravenshead and Newstead extending north to Mansfield, with a population of over 115,000. The Council manages a budget of £12.5 million. The Council like other public sector organisations continues to face challenges as part of the national deficit reduction programme, with total grant reduction of £5.4m being equivalent to a 62% cash reduction over a nine year period; as a result of this the Council is undergoing significant change in its approach to the way it supports local people and the services it provides. The Council has had to significantly increase its delivery of efficiency savings in order to maintain service levels.

1.2 Vision and Objectives

Gedling Borough Council has published its Vision and priorities 2016/19:

People:

- Reduce anti social behaviour, crime & fear of crime.
- Reduce hardship and provide support to the most vulnerable.
- Improve health and wellbeing.
- Promote and encourage pride, good citizenship and participation in the local area.

Place:

- Create more jobs and better access to them.
- Ensure local people are well prepared and able to compete for jobs.
- Provide more homes.
- Provide an attractive and sustainable local environment that people can enjoy and appreciate.

Performance:

- Improve the customer experience of dealing with the Council.
- Create a stronger commercial and entrepreneurial culture.
- Maintain a positive and productive working environment and strong staff morale.

The detailed Internal Audit Plan (see Appendix A) will support you in the forthcoming year to achieve your priorities listed above.

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 various sources of information (see Figure A below) and discussed priorities for internal audit coverage with the Senior Leadership Team and Service Managers. A meeting was held with the senior leadership team to discuss the transition from the in-house internal audit team to RSM Risk Assurance. A separate meeting was held with the Service Managers to discuss the development and content of the internal audit plan and strategy.

Based on our understanding of the Council and the information provided to us by the stakeholders above, 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

2.2 How the plan links to your strategic objectives

Each of the reviews that we propose to undertake is detailed in the internal audit plan and strategy within Appendices A and B. In the table below we bring to your attention particular key audit areas and discuss the rationale for their inclusion within the strategy.

Area	Reason for inclusion in the audit plan/strategy
Financial Systems	The local government sector like other sectors faces financial pressures and there is a risk of financial loss and cashflow issues; these issues could lead to breakdown in basic financial controls with increased risk of fraud. Within the 2017/18 plan we have included a number of reviews focusing on financial systems, as well as service specific reviews requested by the Deputy Chief Executive/ Director of Finance.
Cash and Banking	This area is included in the plan on an annual basis and will cover all major income sources including: Building Control, Car Parks, Planning Fees, Licensing, Leisure Centres, Trade & Garden Waste, Cemeteries and Land Charges.
IT	As technology and technology related threats and opportunities continue to evolve, it is imperative that organisations have a clear understanding of how these impact on their day to day operations. Specific IT areas for review will be discussed and agreed with management.
Data Protection	<p>Potential significant change in the requirements of Data Protection within our clients as result of the 2016 Major Overhaul of EU Data Protection Laws. This will impact on the requirements for both the Council and its key stakeholders.</p> <p>The potential fines for a data breach will be significantly higher and there is a greater requirement for more stringent control processes to manage, store, transmit and secure confidential information.</p> <p>Whilst the act does not come into play until 2018, the Council needs to start working now to ensure that they have the controls and processes in place to meet their future data protection obligations. The Council is aware of the changes taking place and is conducting an internal review and updates where required. Management have included a review of Data Protection and Freedom of Information for 2019/20.</p>

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, a contingency allocation and an audit management allocation. Full details of these can be found in Appendices A and B.

2.3 Internal Audit Fees

The fee for your internal audit service for 2017/18 is £62,000 excluding VAT.

2.4 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 Council.

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 Chris Williams (Partner), supported by Amjad Ali 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).

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.

3.2 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 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 Council's key risks as they are recognised by the Audit Committee?
- Are the areas selected for coverage this coming year appropriate?
- Is the Audit Committee content that the standards within the charter in Appendix C are appropriate to monitor the performance of internal audit?

It may be necessary to update our plan in year, should your risk profile change and different risks emerge that could benefit from internal audit input. We will ensure that management and the Audit Committee approve such any amendments to this plan.

APPENDIX A: INTERNAL AUDIT PLAN 2017/18

Audit	High Level Scope for 2017/18	Proposed timing
STRATEGIC		
Corporate Governance	Continued annual assurance focussing on compliance with the constitution. We will also consider the key elements of governance and the effectiveness and ability to react to and provide informed decisions.	Qtr 2
Organisational Development	An advisory review of the Council's structure and policies and how these meet the Council's corporate objectives/ aims. Exact scope will be agreed with management.	Qtr 2
Risk Management	Consideration of the current risk management framework and arrangements which will include the risk management strategy, business areas approach to risk, risk register, reporting of risk and mitigations, review and update of the risk registers. Information report to management and committees.	Qtr 3
FINANCIAL SYSTEMS		
Cash and Banking	This annual review will ensure that cash and bank processes across a sample of Council departments are operating effectively, and will cover the process for receiving and receipting cash income, allocation to customer accounts, banking, and receipt in the Councils bank account.	Qtr 2
Council Tax and NNDR	Our audit will provide assurance that policies and procedures in relation to Council Tax and NNDR are followed and correct charges are being applied and will include identification and recording of persons liable for Council Tax and NNDR, billing methods and payment collection, recovery and writes offs, segregation of duties, exemptions, discounts, refunds including rate relief, inspection of void properties and completion of returns including NNDR returns.	Qtr 3
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 purchase order, and goods are received prior to payments being made. This review will also review the processes around the e procurement system and ensure that supplier details are accurate.	Qtr 2
Debtors and Debt Recovery	This review will seek to ensure that policies and procedures in relation to debt recovery are followed and invoices are raised in a timely manner and debts are collected in line with policy.	Qtr 3

Audit	High Level Scope for 2017/18	Proposed timing
Housing Benefits/ Universal Credit/ Council Tax Reduction Scheme	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 Officers are not able to work on their own accounts, and that an annual declaration is completed. We will review the payment process, and also the procedure for identifying and recovering an overpayment. Our review will also include how the Council manages and monitors the introduction of Universal Credit and the Council Tax Reduction Scheme. 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.	Qtr 3
Main Accounting System	To provide assurance over the operation of the general ledger. This review will include the input of approved budgets to the MAS, the roll forward of closing year end balances to the new financial year, journals, and user access to the general ledger.	Qtr 3
Payroll	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.	Qtr 3
Reconciliations	The review will focus on the reconciliation process to ensure procedures are being followed and reconciliations are being performed in a timely manner and all discrepancies are being dealt with accordingly. This will be a wide ranging review of the reconciliation process throughout the Council.	Qtr 3
Treasury Management	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.	Qtr 4
SERVICE SPECIFIC – HEALTH & COMMUNITY WELLBEING		
Environmental Health and Enforcement (Food, H&S, Private Sector Housing)	We will seek to ensure that the Councils enforcement action is undertaken in accordance with procedure, and legal advice is obtained where appropriate to ensure compliance with Council decisions and legislation. At the request of management, we will review the enforcement action performed related to decisions made within the Environmental Health. We will review the records maintained for a sample of enforcement cases, and ensure a clear audit trail exists which shows the stages of the procedure.	Qtr 2
Events Management	We will also review a sample of Council-managed events, and ensure that these were risk assessed and managed appropriately.	Qtr 3

Audit	High Level Scope for 2017/18	Proposed timing
Partnerships and Voluntary Sector Grant Aid	Our audit will provide assurance that policies and procedures in relation to Partnership and Voluntary Sector Grants are followed and will include reviewing partnership agreements, grant application process, grant approvals, segregation of duties, monitoring of expenditure and management reporting.	Qtr 3
SERVICE SPECIFIC – ORGANISATIONAL DEVELOPMENT & DEMOCRATIC SERVICES		
IT Reviews	To review the processes employed by the Council for the management of risks in relation to the Council's IT network. It has been agreed with management that we will undertake two IT reviews during the year and exact scopes to be agreed with management.	Qtr 3
SERVICE SPECIFIC – CHIEF EXECUTIVE		
Geographic Information System, Land Charges, Street Naming & Numbering	This audit will consider whether the GIS systems are updated, and that customer enquiries are answered in line with procedure, and upon receipt of the correct fee. We will also review the arrangements in place with other Council departments and third parties. We will also assurance 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. We will also include a review of the street naming and numbering process; ensuring this is undertaken in line with legislation.	Qtr 2
S106 Agreements and Community Infrastructure Levy	To provide assurance that policies and procedures are complied with, and opportunities presented by planning applications are maximised, such as contributions from developers and other bodies. We will also review the procedures for the repayment of funds not spent, and the separation of funds for the administration and completion of works.	Qtr 3
SERVICE SPECIFIC – FINANCE		
Budgetary Control and Setting	This review will consider the budget setting process is robust and each budget is considered on a line by line basis each year, resulting in its approval.	Qtr 3
Capital Accounting and Asset Register	To ensure compliance with the Financial Procedure Rules, and include the process for recording and valuing fixed assets, depreciation, additions and disposals to the asset registers and the asset verification exercises undertaken.	Qtr 3

Audit	High Level Scope for 2017/18	Proposed timing
Car Parks	<p>To ensure the Council's car park provision is reviewed to determine whether the requirements of users are being met, and also that each facility has been risk assessed. We will include a review of the signage in place at each car park, ensuring this reflects the Council statutory responsibilities, the approved fees and charges for parking and complaints. We will also include a review of the contract in place for the provision of car park enforcement.</p> <p>Cash collection will be undertaken as part of a separate cash and banking audit.</p>	Qtr 4
Housing Needs	<p>We will focus our audit on whether the Council's policies and procedures are designed to limit homelessness and housing problems where possible, and that the borough's housing stock is subject to review to determine where potential issues may arise in the future. We will also include a review of the processes in place for the provision of temporary and emergency accommodation; how eligibility is assessed and the accommodation is paid for.</p>	Qtr 4
Contract Management	<p>We will focus on whether policies and procedures are being adhered to with regards obtaining tenders and quotations, and the level of due diligence performed on potential new suppliers. We will also review the level of contractor performance management undertaken across the Council, and how this results in payments being made to contractors.</p> <p>We will review pre, mid and post contract processes for each of the sampled contracts.</p>	Qtr 3
OTHER INTERNAL AUDIT ACTIVITY		
Follow up	<p>To meet internal auditing standards, and to provide assurance on action taken to address previously agreed management actions.</p>	Qtr 1 Qtr 3
Contingency	<p>To allow additional reviews to be undertaken in agreement with the Audit Committee or management based on changes in risk profile or assurance needs as they arise during the year.</p>	As Required
Management	<p>This will include:</p> <ul style="list-style-type: none"> • Annual planning • Preparation for, and attendance at, Audit Committee • Regular liaison and progress updates • Liaison with external audit and other assurance providers • Preparation of the annual opinion 	Throughout the year

APPENDIX B: INTERNAL AUDIT STRATEGY 2017/18 – 2019/20

Proposed area for coverage	Risk Register/ Potential risks to the area	2017/18	2018/19	2019/20
STRATEGIC				
Corporate Governance	Non-compliance with Corporate Governance requirements (Risk Ref: MH29)	✓	✓	✓
Organisational Development	Failure to meet the Council's corporate objectives.	✓		
Anti-Fraud Thematic Review	Inadequate money laundering policy (Risk Ref: MH26) Ineffective fraud policy and procedures (Risk Ref: MH73)		✓	
Risk Management	Inadequate / inappropriate Risk Management Strategy (Risk Ref: MH25)	✓	✓	✓
FINANCIAL SYSTEMS				
Cash and Banking	Loss or theft of cash/ income (Risk Ref: DW69 and HB35) Failure to provide receipt fees for income and undertake reconciliations - planning applications etc. (Risk Ref: HOPEG19)	✓	✓	✓
Council Tax and NNDR	Incorrect / inefficient council tax billing procedures (Risk Ref: MH74) Incorrect / inefficient business rate billing procedures (Risk Ref: MH75)	✓	✓	✓
Creditors and E Procurement	Ongoing failure of / errors within the creditors system (Risk Ref: MH57)	✓		✓
Debtors and Debt Recovery	Failure to report and recover sundry debtors (Risk Ref: MH76)	✓		✓
Housing Benefits/ Universal Credit/ Council Tax Reduction Scheme	Failure to process Housing Benefit claims in a timely or effective manner (Risk Ref: MH72) Failure to deliver Statutory Returns – Revenues CTB1, NNDR1 (Risk Ref: MH77) Lack of an effective Benefit Strategy (Risk Ref: MH79) CT Technical Reforms insufficient to fund CTRS scheme payments (Risk Ref: MH81)	✓	✓	✓
Main Accounting System	Failure to achieve closure of accounts to timescale (Risk Ref: MH53) Failure to comply with requirements relating to whole of government accounts (Risk Ref: MH54)	✓	✓	✓

Proposed area for coverage	Risk Register/ Potential risks to the area	2017/18	2018/19	2019/20
Payroll	Failure to deliver benefits of the Rushcliffe payroll partnership (Risk Ref: MH65) Ongoing failure of / errors within the payroll system (Risk Ref: MH56)	✓	✓	✓
Reconciliations	Loss / theft of cash (Risk Ref: HB35) The Council fails to ensure that all local and centralised financial systems are reconciled and verified at regular intervals.	✓		✓
Treasury Management	Failure to maintain liquidity (Risk Ref: MH61)	✓	✓	✓
SERVICE SPECIFIC – HEALTH & COMMUNITY WELLBEING				
CCTV, Licensing, Pollution Control, Contaminated Land, Dog Welfare	The Council fails to take appropriate, consistent action against those breaching legislation, policy or decisions made.			✓
Community Centres	Failure to provide and maintain Community Centres (Risk Register: DW55)		✓	
Environmental Health and Enforcement (Food, H&S, Private Sector Housing)	The Council fails to take appropriate, consistent action against those breaching legislation, policy or decisions made.	✓		
Events Management	Inefficient management of Council related events. Lack of centralised control over marketing; use of corporate branding, use of events / promotional suppliers.	✓		
Leisure Centres	Failure to provide and maintain Leisure centres (Risk Ref: DW64) Inability to maintain current level of income within Leisure Services (Risk Ref: DW67)		✓	
Partnerships and Voluntary Sector Grant Aid	Partnership Agreements not in place. Inaccurate records of grants maintained. Losses due to fraud or error or inappropriate activity. Grants are not made in line with agreed criteria.	✓		
SERVICE SPECIFIC – ORGANISATIONAL DEVELOPMENT & DEMOCRATIC SERVICES				
Complaints Management	Failure to adequately process complaints against members (Risk Ref: HB22) Failure to limit damage to Council reputation (Risk Ref: HB9)			✓

Proposed area for coverage	Risk Register/ Potential risks to the area	2017/18	2018/19	2019/20
Customer Services, Cashiering and One Stop Shop Area	Wrong / inaccurate advise given by customer services staff (Risk Ref: HB33) Failure to meet the requirements of the SLA – Cashiering with Gedling Homes (Risk Ref: HB36)		✓	
Data Protection Act/ Freedom of Information Act	Failure to comply with the FOI Act (Risk Ref: S14) Failure to comply with the Data Protection Act (Risk Ref: HB8) Failure to comply with FOI policies and procedures (Risk Ref: HB11) Potential breach of DPA relating to transfer of personal data held within DNA and GP referral schemes (Risk Ref: DW68)			✓
Elections – Returning Officer Role	Failure to comply with practice and procedures for administering local elections.			✓
HR Management	Ineffective employee relations (Risk Ref: HB13) Ineffective recruitment and selection & advice (Risk Ref: HB14)			✓
IT Reviews	Inadequate Disaster Recovery plans for ICT (Risk Ref: S9) Loss / manipulation of data through inadequate information security (Risk Ref: HB24) Loss of support from core provision 3rd party supplier (Risk Ref: HB28)	✓	✓	✓
Mail Room	Insufficient security inappropriate access to the mail room. Lack of monitoring of usage of postal services. Lack of performance monitoring to ensure there is internal customer satisfaction.		✓	
Members Expenses	Payment of expenses is not adequately documented in procedures. The Council's policy towards car mileage and subsistence is not cost efficient. Expenses claims are not made on official forms or approved prior to processing. Management information is not being produced to monitor expenses being paid.		✓	

Proposed area for coverage	Risk Register/ Potential risks to the area	2017/18	2018/19	2019/20
SERVICE SPECIFIC – CHIEF EXECUTIVE				
Building Control	Failure to respond to an increasingly competitive market. Incorrect fees and charges are applied to applications. Reports of dangerous buildings are not followed up in line with policy.			✓
Geographic Information System, Land Charges, Street Naming & Numbering	Failure to adopt major roads -street naming (Risk Ref: HOPEG12)	✓		
Housing Strategy	Failure to deliver housing numbers, including affordable housing (Risk Ref: S19)		✓	
S106 Agreements and Community Infrastructure Levy	Failure to successfully negotiate s106 agreements for affordable housing (Risk Ref: SB24) Failure to provide a revised 106 policy (Risk Ref: HOPEG5) Failure to implement Community Infrastructure Levy (Risk Ref: HOPEG26)	✓		
SERVICE SPECIFIC – FINANCE				
Budgetary Control and Setting	Inadequate budgetary control (Risk Ref: MH60)	✓		✓
Capital Accounting and Asset Register	Lack of an appropriate capital strategy (Risk Ref: MH64)	✓	✓	✓
Car Parks	Lack of an effective car parking strategy (Risk Ref: MH48)	✓		
Property – Investment and Miscellaneous Properties and Facilities Management	Failure to effectively manage investment portfolio (Risk Ref: MH69)		✓	
Ground Maintenance, Parks & Open Spaces	Failure to maintain effective grounds maintenance programmes (Risk Ref: MH15) Failure to protect the public within Parks (Risk Ref: MH16) Inability to identify additional parks and open spaces to meet best practice guidance (Risk Ref: MH24)		✓	
Housing Needs	Lack of an effective Housing Strategy (Risk Ref: DW59) Incorrect application of the housing allocations Policy (Risk Ref: DW60) Incorrect assessment of homeless application (Risk Ref: DW61)	✓		

Proposed area for coverage	Risk Register/ Potential risks to the area	2017/18	2018/19	2019/20
Insurance	Failure to minimise insurance costs (Risk Ref: S11) Inability to defend Insurance Claims (Risk Ref: MH6) Failure to deliver appropriate and cost effective insurance and broker services (Risk Ref: MH28)			✓
Payment Card Industry Compliance	Failure to comply with PCI standards / requirements (Risk Ref: HB34)		✓	
Contract Management	Non-compliance with contract law (Risk Ref: S4) Failure to adequately vet contractors (Risk Ref: S5) Failure to maintain an accurate/complete contracts register (Risk Ref: MH58) Failure to employ competent contractors (Risk Ref: MH70) Failure to achieve efficient procurement of goods and services (Risk Ref: MH44)	✓	✓	✓
OTHER INTERNAL AUDIT ACTIVITY				
Follow up	To meet internal auditing standards, and to provide assurance on action taken to address previously agreed management actions.	✓	✓	✓
Contingency	To allow additional reviews to be undertaken in agreement with the Audit Committee or management based on changes in risk profile or assurance needs as they arise during the year.	✓	✓	✓
Management	This will include: <ul style="list-style-type: none"> • Annual planning • Preparation for, and attendance at, Audit Committee • 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 Gedling 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 E of the internal audit strategy plan for 2017/18 – 2019/20.

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
- International Standards for the Professional Practice of Internal Auditing.

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, with further reporting lines to Deputy Chief Executive.

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

Conflicts of interest may arise where RSM provides services other than internal audit to Gedling 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 internal audit plan as approved, including any additional tasks requested by management and the Audit Committee.
- Ensure the internal audit team consists of professional audit staff with sufficient knowledge, skills, and experience.
- Establish a Quality Assurance and Improvement Program to ensure the quality and effective operation of internal audit activities.
- Perform advisory activities where appropriate, beyond internal audit's assurance services, to assist management in meeting its objectives.
- Bring a systematic disciplined approach to evaluate and report on the effectiveness of risk management, internal control and governance processes.
- Highlight control weaknesses and required associated improvements together with corrective action recommended to management based on an acceptable and practicable timeframe.
- Undertake follow up reviews to ensure management has implemented agreed internal control improvements within specified and agreed timeframes.
- Report regularly to the Audit Committee to demonstrate the performance of the internal audit service.

Authority

The internal audit team is authorised to:

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

The Head of Internal Audit and internal audit staff are not authorised to:

- Perform any operational duties associated with the organisation.
- Initiate or approve accounting transactions on behalf of the organisation.
- Direct the activities of any employee not employed by RSM unless specifically seconded to internal audit.

Reporting

An assignment report will be issued following each internal audit assignment. The report will be issued in draft for comment by management, and then issued as a final report to management, with the executive summary being provided to the Audit Committee. The final report will contain an action plan agreed with management to address any weaknesses identified by internal audit.

The internal audit service will issue progress reports to the Audit Committee and management summarising outcomes of audit activities, including follow up reviews.

As your internal audit provider, the assignment opinions that RSM provides the organisation during the year are part of the framework of assurances that assist the board in taking decisions and managing its risks.

As the provider of the internal audit service we are required to provide an annual opinion on the adequacy and effectiveness of the organisation's governance, risk management and control arrangements. In giving our opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the board is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The annual opinion will be provided to the organisation by RSM Risk Assurance Services LLP at the financial year end. The results of internal audit reviews, and the annual opinion, should be used by management and the Board to inform the organisation's annual governance statement.

The PSIAS use the terms Board and Senior management. For the purposes of our internal audit services to Gedling Borough Council, these are defined as:

The board refers to the Audit Committee which assumes responsibility for overseeing the work of internal audit.

Senior management is defined as those responsible for the leadership and direction of the organisation.

Data Protection

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

Fraud

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

Approval of the Internal Audit Charter

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

APPENDIX D: OUR CLIENT CARE STANDARDS

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

FOR FURTHER INFORMATION CONTACT

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