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|  |  | cw audit services**Kettering Borough Council**Strategic Internal Audit Plan 2014 - 2017Getting value from your service |

**1. Introduction**

**General background**

This document sets out a proposed strategic plan of Internal Audit coverage for the period April 2014 to March 2017. The plan of work has been driven by the requirements of the Public Sector Internal Audit Standards (PSIAS) released by HM Treasury in December 2012, which are applicable from 1st April 2013, the Accounts & Audit Regulations (2011) and guidance relating to the Annual Governance Statement, which the work of Internal Audit supports and informs. The proposed plan supports an opinion based on an assessment of the design and operation of the internal control environment and the adequacy and effectiveness of control noted from our risk based audits carried out during the year. It follows therefore that the focus of the audit plan is critical to ensuring the right level of assurance to the Council.

**The aim of the plan is to:**

* **Deliver a risk focused audit programme** - through a detailed risk assessment across the organisation and at component level
* **Be proactive and forward looking** - by looking at what risks the Council faces and trying to minimise these through our work.
* **Add value** – by providing practical, value-added recommendations, in areas of significant risk, by working where relevant with other functions (e.g. risk management and anti-fraud) and identifying ways of working more efficiently.
* **Provide assurance to management and the Monitoring and Audit Committee** - as key stakeholders, we will work closely with management and the Monitoring and Audit Committee with regard to your assurance needs.

**Internal Audit Charter and Standards**

The PSIAS requires us to explicitly detail the purpose, authority and responsibility of our internal audit activity in a formally documented Internal Audit Charter, which is included as Appendix 2 to this document.

In conducting our work as your Internal Auditors we are required to adhere to a set of standards as outlined in the PSIAS. We consider that compliance with these standards is a key element of our Internal Audit service in accordance with our contract with you, and maintain quality procedures to ensure compliance.

We believe that we have established suitable arrangements to enable us to comply with the standards. We will, however, report any instances of non-compliance should they arise, as soon as we become aware of them.

**2. Developing the plan**

Our plan of work is designed to support the annual Internal Audit Opinion. The required basis for forming this opinion is as follows:

* An assessment of the design and operation of the overall internal control environment, governance and risk management arrangements; and
* An assessment of the adequacy and effectiveness of controls, based upon the results of our risk based audit assignments that are reported during the course of year.

It follows that an effective risk based audit plan, focusing the resource into areas of principal risk is essential.

**Risk Assessment**

The plan has been prepared in consultation with Council Officers. It has been informed by:

* A review of the risks contained within the Council’s Risk Register and Annual Governance Statement.
* A series of meetings held with all the Heads of Service to identify key auditable areas based on an assessment of current and future issues and risks.
* Our understanding of the challenges to the Council to deliver its objectives within the current economic environment and changes in local government legislation.

On the basis of this process we have identified a number of priority areas (see section 3) and these have been scheduled for attention in the first year of the audit plan. We have also identified a number of more strategic issues that will require audit coverage in the second and third years of the plan. The resulting Internal Audit Plan is detailed at Appendix One. We will, however, continue to review the audit plan on an ongoing basis in response to developments and initiatives. If additional risks arise or change in priority during the year the audit plan will be reconsidered with management and amended to ensure that audit resources remain focused on the key risk areas.

**3. Linking our plan to your strategic risks**

The following table sets out the proposed areas of work for the 2014/15 financial year linked through to your business objectives/risk and showing the supporting rationale for that work and a summary outline of the work to be undertaken.

| **Area** | **Rationale - Links to Objectives/Risks** | **Work outline** |
| --- | --- | --- |
| **FINANCE, REVENUES & BENEFITS** |
| Financial Management & Budgetary Control | Key financial system to be covered under Managed Audit arrangements. Financial strategy and management key in time of recession. | Review of key controls to be agreed with External Auditor, to include budget setting, approval, adjustment and monitoring. |
| Capital Accounting | Key financial system to be covered under Managed Audit arrangements. | Review of key controls to be agreed with External Auditor, to include control account reconciliations, journal entries and interfaces with other key systems.  |
| Creditor Payments | Key financial system to be covered under Managed Audit arrangements. | Review and testing of key controls as agreed with External Auditor to include starters, leavers, permanent and temporary variations. |
| Income & Debtors | Key financial system to be covered under Managed Audit arrangements. | Review of key controls to be agreed with External Auditor, to include debtor account requisitioning, pricing and debt recovery. |
| Risk Management | Robust Risk Management system is required to underpin delivery of Council objectives, compliance with legislation. IA review is also required to provide a balanced Annual Audit Opinion that contributes the Annual Governance Statement. | Review of evidence to ensure that the Council has a fully embedded risk management system in place that identifies and treats risks to key strategic and operational objectives. |
| Business Rates | Key financial system to be covered under Managed Audit arrangements.  | Review of key controls to be agreed with External Auditor, but with specific focus on ensuring complete, accurate and timely collection of business rates. |
| Benefits | Key financial system to be covered under Managed Audit arrangements. Challenges faced by ongoing amendments to the benefits system. | Review of key controls to be agreed with External Auditor, to include claims processing and payment, management checking, overpayment processes etc.  |
| High Level Controls | Requirement under Managed Audit arrangements to cover all high level controls not subject to separate audit. | Review of key controls to be agreed with External Auditor. |
| **ENVIRONMENTAL CARE SERVICES** |
| Emergency Planning | The Authority is one of the key local partners that would need to co-ordinate with each other in the event of a major incident/disaster occurring | Review of the Authority’s preparedness to deal with major incident/disaster. |
| Fleet Management | New contract in place during 13/14 for the provision and maintenance of the Council’s vehicle fleet.  | Review of vehicle fleet provision and maintenance contract arrangements to include coverage of accounting and monitoring arrangements for vehicle costs.  |
| Waste Collection & Recycling | High profile service provided by the Council with recent changes to the service with collection of co-mingled waste for recycling, | Review to provide assurance that new waste collection and recycling methods are fully embedded and operating effectively. |
| Street Cleansing | Streets must be cleaned in accordance with the Environmental Protection Act (EPA) 1990. | Review of systems and process to ensure that streets are cleaned in accordance with EPA 1990. Assurance also required that street cleaning arrangements provide good value for money. |
| **ENVIRONMENTAL HEALTH SERVICES** |
| Car Park Income | All services provided by the Council that generate income are subject to internal audit review on a cyclical basis. | Review of fee collection process to ensure that all income due is received promptly and in full. |
| Pest Control | All services provided by the Council that generate income are subject to internal audit review on a cyclical basis.  | Review of pest control service to ensure that all income due is received promptly and in full.  |
| Residents Parking | All services provided by the Council that generate income are subject to internal audit review on a cyclical basis. Assurance also required that permits are issued in accordance with eligibility requirements. | Review of processes in lace to issue permits, focussing on ensuring evidence of eligibility is obtained. Review of fee collection process to ensure that all income due is received promptly and in full. |
| **COMMUNITY SERVICES** |
| Leisure Services - Contract Monitoring (Parkwood)  | Leisure services are provided through contacts with external companies. Assurance required that leisure services are being effectively delivered under these arrangements.  | Review of contract management arrangements for the Parkwood Leisure Centre to ensure that service is being delivered in accordance with agreement. |
| **DEMOCRATIC & LEGAL SERVICES** |
| Property Management | Proper management of the authority’s property assets is essential to ensure effective use and maximisation of income where appropriate. | Review of the property register and lease agreements to ensure thatcomplete and accurate records are maintained, leases are renewed in a timely fashion, properties are used and maintained in accordance with lease agreement and that all income due has been received. |
| **HUMAN RESOURCES** |
| Agency Workers and Consultants | Excessive use of agency workers and consultants may not be cost effective or comply with Council appointment processes. Assurance required that the Council complies with Agency Workers Regulations. | Review of current usage of agency workers and consultants to confirm that they have been appointed in a cost effective manner and that Agency Workers Regulations are being complied with. |
| **HOUSING SERVICES** |
| Voids Management | Delays in making void properties fit to be rented to tenants impacts on rent revenues collected. 2013/14 internal audit highlighted the need for a number of significant actions to be taken to improve control,  | To review the effectiveness of controls in place to identify and act on void properties with the minimum level of delay, with specific reference to ensuring that actions agreed in the 2013/14 IA report have been implemented. |
| Homelessness | Housing Options team have a duty to ensure that individuals who are classified as homeless are housed promptly | Review of the processes for confirming homeless status of individuals. Assurance that homeless are housed in a cost effective and prompt manner.  |
| Private Sector Housing - Enforcement | Private landlords have a duty to maintain properties in accordance with a number of different safety standards and the Council has enforcement powers to ensure that these standards are met. | Review of the process for ensuring that the private rent housing stock within the Borough is maintained in accordance with appropriate safety standards. Review of the process for responding to tenant complaints, inspecting properties and issuing safety improvement orders where necessary. |
| Leasehold Services | Major changes recently made to the system for managing leasehold properties  | Assurance required that new arrangements for managing leasehold properties are fully embedded and operating effectively. |
| **OTHER** |
| Anti Fraud and Corruption | Council should be complying with best practice guidance released by central government on tackling fraud in the local government sector. | Review of current anti-fraud and corruption strategy and policy to ensure that it complies with best practice. Testing to provide assurance that strategy and policy is being applied in practice. |

**4. Reporting and relationships**

**4.1 Reporting Lines**

The Internal Audit Charter attached at Appendix 2 outlines the reporting lines and relationships for this engagement, essentially setting out the accountability of the Head of Internal Audit (CWAS) to the Responsible Finance Officer, but noting that operationally in practice this accountability is delegated to the Head of Finance. The Head of Internal Audit (CWAS)’s reporting requirements are also embodied in the Council’s Financial Regulations.

**Audit Reporting**

**Periodic and Assignment Reporting**

Final management reports relating to individual audit assignments will be reported to the relevant operational manager and associated deputy chief executive. Summary findings will be reported to the Monitoring and Audit Committee (via the Key Performance Booklet), together with update reporting.

**Annual Internal Audit Opinion**

In line with the PSIAS and expected professional practice, we will issue a formal audit opinion taking account of:

* An assessment of the design and operation of the overall internal control environment, governance and risk management arrangements; and
* An assessment of the adequacy and effectiveness of controls, based upon the results of our risk based audit assignments that are reported during the course of year.

This opinion will be formally recorded in the Internal Audit Year End Report that is reported to management. In addition to this formal opinion we will also bring to the attention of the Responsible Finance Officer any Significant Internal Control Issues that we feel should be declared in your Annual Governance Statement.

**4.2 Third Party Audit Arrangements**

As the Council’s Internal Auditors we are required to agree with you the arrangements for forming an appropriate opinion where either you operate key systems on behalf of other organisations, or key systems are being operated by other organisations on your behalf. We recognise that the Council operates within a number of different partnership arrangements and procures and contracts various services. It is our current understanding that the following key services are provided by third parties:

* Licencing Unit
* Planning Unit

In addition we understand that Kettering Borough Council provides the following services on behalf of various other local authorities:

* District Law
* Financial system (Agresso)
* Emergency Planning
* Business Continuity

**4.3 Relationships with external bodies**

**External Audit**

We will agree a protocol of joint working arrangements supported by a regular programme of update meetings with External Audit. We will use these meetings to report on progress against our plan and as an opportunity to discuss any significant issues arising from our work.

**Other Review Bodies**

Where we intend to place formal reliance on the work of any other review body, we will undertake an appropriate audit or quality assurance exercise to ascertain the level of assurance that we can derive from that work.

**4.4 Additional Services/Ad-hoc Work**

The PSIAS requires us to define the potential role that we may have in providing ad hoc consultancy work. In providing such a service we would seek to apply the professional skills of Internal Audit through a systematic and disciplined evaluation of the policies, procedures and operations that you have put in place to ensure the achievement of your objectives. We believe that our status as Internal Auditors ensures that we can deliver such work in an independent and objective manner. We also have access to consultancy services via our strategic relationships (e.g. PwC and Deloitte).

**Mark Watkins**

**CW Audit Services**

**Strategic Internal Audit Plan – 2014/2017**

**Appendix 1**

| **Area** | **Audit Assignment** |  | **2014/15** | **2015/16** | **2016/17**  |
| --- | --- | --- | --- | --- | --- |
| Finance & Corporate DevelopmentIncome & Debt Management | Financial Management & Budgetary Control |  | 8 | 8 | 8 |
| Main Accounting & Treasury Management |  | - | 10 | - |
| Capital Accounting & Fixed Assets |  | 6 | - | 6 |
| Creditors |  | 10 | - | 10 |
| Income & Debtors ( including receipting and banking of remittances)  |  | 10 | - | 10 |
| Payroll & Expenses |  | - | 10 | - |
| Risk Management |  | 8 | 8 | 8 |
| Council Tax |  | - | 9 | - |
| Business rates |  | 9 | - | 9 |
| Benefits |  | 8 | - | - |
| Insurance |  | - | 8 | - |
| Procurement |  | - | 10 | - |
| High Level Controls |  | 10 | 10 | 10 |
| **Sub-total** |  | **69** | **73** | **61** |
| Environmental Care Services | Business Continuity |  | - | 10 | - |
| Emergency Planning |  | 10 | - | - |
| Fleet Management |  | 10 | - | - |
| Waste Collection |  | 10 | - | 10 |
| Street Cleansing |  | 10 | - | - |
| Grounds Maintenance |  | - | 10 | - |
| Crematorium Fees |  | - | - | 10 |
| **Sub-total** |  | **40** | **20** | **20** |
| Environmental Health Services | Car Park Income |  | 10 | - | - |
| Licensing (Locally provided e.g. taxis, dog breeding, tattoo parlours etc) |  | - | 10 | - |
| Pest Control |  | 10 | - | - |
| Food Safety |  | - | 10 | - |
| Noise &Nuisance Complaints |  | - | - | 10 |
| Residents Parking Zones |  | 10 | - | - |
| **Sub-total** |  | **30** | **20** | **10** |
| Community Services | Open Spaces/Pavilions/Outdoor Sports |  | - | - | 10 |
| Leisure Services – Contract Monitoring (Phoenix) |  | - | - | 10 |
| Leisure Services – Contract Monitoring (Parkwood) |  | 10 | - | - |
| Grants (Voluntary Sector Grants, Small Grants, Economic Development Grants |  | - | 10 | - |
| Markets |  | - | - | 10 |
| **Sub-total** |  | **10** | **10** | **30** |
| Democratic & Legal Services | Legal Services – Partnership Arrangements |  | - | - | 10 |
| Member Services ( including Mayoral Services) |  | - | 10 | - |
| Corporate Governance  |  | - | - | 10 |
| Property Management |  | 10 | - | - |
| **Sub-total** |  | **10** | **10** | **20** |
| Human Resources | Training & Development |  | - | - | 10 |
| Agency Workers & Consultants |  | 10 | - | - |
| Recruitment |  | - | 10 | - |
| **Sub-total** |  | **10** | **10** | **10** |
| Development Services | S106/Community Infrastructure Levy |  | - | - | 10 |
| Land Charges |  | - | 10 | - |
| Planning & Development  |  | - | - | 10 |
| Building Control |  | - | 10 |  |
| **Sub-total** |  | **0** | **20** | **20** |
| Housing Services | Housing Rents |  | - | 10 | - |
| Choice Based Lettings |  | - | - | 10 |
| Voids Management\* |  | 10 | - | 10 |
| Homelessness |  | 10 | - | - |
| Private Sector Housing – Enforcement |  | 10 | - | - |
| Capital Refurbishment Programme |  | - | 10 | - |
| Planned Maintenance |  | - | 10 |  |
| Responsive Repairs |  | - | 10 | - |
| Leasehold Services |  | 10 | - | - |
| Sheltered Housing |  | - | - | 10 |
| **Sub-total** |  | **40** | **40** | **30** |
| Computer audit | Assignments to be advised |  | 10 | 10 | 10 |
| **Sub-total** |  | **10** | **10** | **10** |
|  Follow Up  | Recommendation Tracking |  | 5 | 5 | 5 |
| Follow Up Reviews |  | 5 | 8 | 8 |
| **Sub-total** |  | **10** | **13** | **13** |
| Other | Contingency |  | 5 | 6 | 10 |
| Contract Audit |  | - | 10 | - |
| Anti-Fraud & Corruption Arrangements |  | 8 | - | - |
| National Fraud Initiative |  | - | - | 8 |
| **Sub-total** |  | **13** | **16** | **18** |
| Management & Advice | Audit Needs Assessment, Planning & Annual Report |  | 5 | 5 | 5 |
| Monitoring and Audit Committee/External Audit/Senior Team meetings |  | 5 | 5 | 5 |
| Contract Management & ad hoc advice |  | 6 | 6 | 6 |
| **Sub-total** |  | **16** | **16** | **16** |
| **Totals** |  |  | **258** | **258** | **258** |

\*Voids Management – shared responsibilitywith Environmental Care Services

**INTERNAL AUDIT CHARTER**

**Appendix 2**

1. **DEFINITION**

Internal Audit is an independent and objective appraisal service within an organisation:

* Internal Audit primarily provides an independent and objective opinion to the Council on the degree to which risk management, control and governance support the achievement of the organisation’s agreed objectives. In addition, Internal Audit’s findings and recommendations are beneficial to line management in the audited areas. Risk management, control and governance comprise the policies, procedures and operations established to ensure the achievement of objectives, the appropriate assessment of risk, the reliability of internal and external reporting and accountability processes, compliance with applicable laws and regulations, and compliance with the behavioural and ethical standards set for the organisation.
* Internal Audit also provides an independent and objective consultancy service specifically to help line management improve the organisation’s risk management, control and governance. The service applies the professional skills of Internal Audit through a systematic and disciplined evaluation of the policies, procedures and operations that management put in place to ensure the achievement of the organisation’s objectives, and through recommendations for improvement. Such consultancy work contributes to the opinion, which Internal Audit provides on risk management, control and governance.
1. **INTERNAL AUDIT TEAM**

Within the parameters of the Service Level Agreement, the Head of Internal Audit (CWAS) is responsible for ensuring the team is adequately staffed and that there is access to the full range of knowledge, skills, qualifications and experience to deliver the Internal Audit Plan in line with Public Sector Internal Audit Standards (PSIAS) and other professional standards. The team will undertake regular assessments of professional competence through an on-going appraisal and development programme (i.e. Personal Development Plans and Continuing Professional Development) with training provided where necessary. Auditors also have responsibilities for applying due professional care when performing their duties.

Appointment at all levels of the team will endeavour to fulfil the four main principles of the Code of Ethics for Internal Auditors i.e. Integrity, Objectivity, Competency (i.e. professional qualifications, skills and experience) and Confidentiality.

If the Head of Internal Audit (CWAS), Chief Executive, Deputy Chief Executive (as s151 Officer), Head of Finance or the Monitoring and Audit Committee consider that the level of Internal Audit resources or the terms of reference in any way limit the scope of Internal Audit, or prejudice the ability of Internal Audit to deliver a service consistent with the definition of internal auditing, they should advise the Council accordingly.

1. **RESPONSIBILITIES AND OBJECTIVES OF INTERNAL AUDIT**

The Head of Internal Audit (CWAS) is responsible for developing an Internal Audit Strategy for providing (for the Council to consider adopting) economically and efficiently, with objective evaluation of, and opinions on, the effectiveness of the organisation’s risk management, control and governance arrangements. The annual audit opinion is a key element of the framework of assurance the Responsible Finance Officer needs to inform the completion of the Annual Governance Statement.

This strategy will be realised through the delivery of considered and approved annual plans. These will systematically review and evaluate risk management, control and governance which comprise the policies, procedures and operations in place to:

* Establish, and monitor the achievement of, the organisations objectives.
* Identify, assess and manage the risks to achieving the organisations objectives.
* Ensure the economical, effective and efficient use of resources.
* Ensure compliance with established policies (including behavioural and ethical expectations), procedures, laws and regulations.
* Safeguard the organisation’s assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption.
* Ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes.
1. **RELATIONSHIPS – CHIEF EXECUTIVE, HEAD OF FINANCE, MONITORING AND AUDIT COMMITTEE AND COUNCIL**

The Head of Internal Audit (CWAS) is accountable to the Council through the Responsible Finance Officer or their designate.

1. **INDEPENDENCE**

Internal Audit must be sufficiently independent of the activities, which it audits to enable auditors to perform their duties in a manner, which facilitates impartial and effective professional judgements and recommendations. Internal Auditors will have no executive responsibilities.

Individual auditors will have an impartial, unbiased attitude, characterised by integrity and an objective approach to work, and should avoid conflicts of interest. Individual auditors must declare any conflict of interest to the Director of Internal Audit (CWAS). Any conflicts of interest encountered by the Director of Internal Audit (CWAS) must be declared to the Head of Finance.

1. **REMIT**

Internal Audit’s planning will embrace risk management, control and governance processes of the organisation including all its operations, resources, services and responsibilities for other bodies.

1. **ACCESS**

Internal Audit have the right to access all records, assets, personnel and premises of the Council and, where relevant its partner organisations, in the pursuit of information necessary to fulfil its responsibilities. In any instances of conflict this will be referred for resolution to the Responsible Finance Officer or their designate.

1. **AUDIT OPINION**

The Head of Internal Audit (CWAS) will present a formal annual report based on the work of Internal Audit to the Responsible Finance Officer. Interim Reports will also be presented in year. The Monitoring and Audit Committee will be presented with the opinion of the overall adequacy and effectiveness of the organisations risk management, control and governance processes.

1. **QUALITY ASSURANCE**

The Head of Internal Audit (CWAS) is responsible for developing a quality assurance programme designed to gain assurance by both internal and external review that work of Internal Audit is compliant with the professional standards and achieves its objectives. Results of this quality assurance programme will be reported to the Monitoring and Audit Committee in the Annual Report.

1. **RELATIONSHIPS – MANAGEMENT, AND OTHER AUDITORS/REVIEW BODIES**

The Head of Internal Audit (CWAS) will co-ordinate Internal Audit Plans and activities with line managers, external audit and other review agencies to ensure effective audit coverage is achieved and duplication of effort is minimised.

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