



cw audit services

Kettering Borough Council

Strategic Internal Audit Plan 2015 - 2018

Getting value from your service

1. Introduction

General background

This document sets out a proposed strategic plan of Internal Audit coverage for the period April 2015 to March 2018. 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 2015/16 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	Financial strategy and management key in time of economic restraints in the public sector.	Review of key controls to include the delivery of the MTFS, budget setting, approval, adjustment and monitoring.
Main Accounting	Accuracy of financial reporting and effective management of financial resources is key to the delivery of the Council's objectives.	Review of key controls to include ledger account reconciliations, clearance of suspense accounts, investment of financial resources, bank account reconciliations.
Payroll & Expenses Payments	Pay expenditure represents significant proportion of Council's overall spending.	Review of key controls to ensure accurate, valid and timely payments are made to staff. Review of members' expenses.
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.
Council Tax	Key revenue system that is central to the Council's financial plans and delivery of objectives.	Review of key controls to include bill production, collection, discounts, empty properties, overdue debt collection and reporting.
Benefits	Key area of expenditure for the Council. Potential changes in the resource model used to deliver benefits and ongoing roll out of central government changes to benefits system (Universal Credit)	Review of key controls to include claims processing and payment, management checking, overpayment processes etc. Arrangements for introducing Universal Credit.
Insurance	Financial risks associated with inadequate insurance cover.	Review process for ensuring that Council's activities and assets are subject to appropriate insurance cover.
Procurement & Contract Management	The Council must demonstrate that significant value non-pay expenditure has been procured and managed in accordance with accepted public sector probity requirements and relevant EU legislation.	Review the processes for procuring services to ensure that they comply with the Council's Constitution and that there is an appropriate procurement framework in place to secure proper VFM. Following successful procurement of services, ensure that appropriate contract management processes are in place to confirm delivery of services as agreed.
High Level Controls	Financial controls remain key to the delivery of the Council's objectives in a time of economic restraint.	Review of key controls for fundamental finance and revenue systems not subject to a specific audit during 2015/16 (creditors, debtors, capital accounting, capital programme, NNDR).

Area	Rationale - Links to Objectives/Risks	Work outline
ENVIRONMENTAL CARE SERVICES		
Business Continuity	Previous reviews have highlighted that progress towards producing and maintaining effective Business Continuity Plans has been slow.	Establish extent to which previous recommendations with regard to Business Continuity have been implemented and comment on current adequacy of arrangements.
Grounds Maintenance	Maintenance of parks, gardens and open spaces is a publicly visible service that would attract criticism if not effectively delivered.	Review of processes in place to ensure that parks, gardens and open spaces are maintained in a safe and pleasant environment.
ENVIRONMENTAL HEALTH SERVICES		
Licensing	Licensing is a key income stream for the council. Risks to general public associated with unlicensed operators.	The audit will assess monitoring arrangements for licensing partnership and review local licensing arrangements not covered by the partnership.
Food Safety	The Council is responsible for ensuring that food safety standards are maintained for all premises providing food to the public.	Review of food premises inspection and enforcement processes.
COMMUNITY SERVICES		
Grants	Community Services offer a variety of grants to the local community and voluntary sector. Assurance required that grants are offered on a fair and equitable basis and are spent in accordance with purpose.	Selection of a sample of grants made by Community Services to ensure fair and equitable process has been followed and that expenditure against these grants is consistent with purpose.
DEMOCRATIC & LEGAL SERVICES		
Member Services	New members likely to join Council following elections in May 2015	Review of new member induction and training programme.
HUMAN RESOURCES		
Recruitment	Effective deployment of an appropriately skilled and resourced workforce is key to the delivery of the Council's objectives.	Review recruitment arrangements to ensure that appropriate safeguards and checks are in place in accordance with legislation and that there is a transparent and properly documented selection process operating.
DEVELOPMENT SERVICES		
Land Charges	The Authority makes charges for local land searches on behalf of prospective buyers, but does this in competition with private firms and therefore has to ensure competitive rates for fees are charged.	Review of the controls in place to ensure that all local land charge income is collected intact, that charges are competitive without impacting on appropriate cost recovery and that the Council complies with current legislation.
Building Control	Building control fees provide a significant income stream that contributes to balanced budget. Council must ensure that all new or altered building works in the Borough comply with relevant regulations.	Review of arrangements to ensure that income from building control fees is maximised and that all new and altered building works are undertaken in accordance with relevant building regulations.
HOUSING SERVICES		
Housing Rents	Key income stream that contributes towards achieving a balanced budget. Current economic climate and changes to benefits legislation make collection of rent income more challenging.	Review of the processes to ensure that rent income is collected promptly and in full, including debt recovery routines.
Capital Refurbishment & Planned Maintenance	Council housing stock represents a major asset that must be properly maintained to protect the safety of tenants and maximise rental income.	Review of the programme in place to maintain housing stock to a safe and habitable standard.

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:

- Licensing 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

Area	Audit Assignment	2015/16	2016/17	2017/18	
Finance & Corporate Development Income & Debt Management	Financial Management & Budgetary Control	8	8	8	
	Main Accounting & Treasury Management	10	-	10	
	Capital Accounting & Fixed Assets	-	6	-	
	Creditors	-	10	-	
	Income & Debtors (incl receipting & banking of remittances)	-	10	-	
	Payroll & Expenses	13	-	10	
	Risk Management	8	8	8	
	Council Tax	9	-	9	
	Business rates	-	9	-	
	Benefits	8	8	8	
	Insurance	8	-	-	
	Procurement & Contract management	20	-	10	
	High Level Controls	10	10	10	
	Sub-total		94	69	73
	Environmental Care Services	Business Continuity	10	-	-
Emergency Planning		-	-	8	
Fleet Management		-	-	9	
Waste Collection		-	9	-	
Street Cleansing		-	-	8	
Grounds Maintenance		10	-	-	
Crematorium Fees		-	8	-	
Sub-total			20	17	25
Environmental Health Services	Car Park Income	-	-	10	
	Licensing (Locally provided e.g. taxis, dog breeding, tattoo parlours etc)	10	-	-	
	Pest Control	-	-	8	

Area	Audit Assignment	2015/16	2016/17	2017/18
	Food Safety	10	-	-
	Noise & Nuisance Complaints	-	10	-
	Residents Parking Zones	-	-	7
	Sub-total	20	10	25
Community Services	Open Spaces/Pavilions/Outdoor Sports	-	9	-
	Leisure Services – Contract Monitoring (Phoenix)	-	9	-
	Leisure Services – Contract Monitoring (Parkwood)	-	-	10
	Grants (Voluntary Sector Grants, Small Grants, Economic Development Grants)	10	-	-
	Markets	-	-	10
	Sub-total	10	18	20
Democratic & Legal Services	Legal Services – Partnership Arrangements	-	10	-
	Member Services (including Mayoral Services)	10	-	-
	Corporate Governance	-	9	-
	Property Management	-	-	10
	Sub-total	10	19	10
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	20	20	0
Housing Services	Housing Rents	10	-	10
	Choice Based Lettings	-	10	-
	Voids Management	-	10	-
	Homelessness	-	-	10

Area	Audit Assignment	2015/16	2016/17	2017/18
	Private Sector Housing – Enforcement	-	-	10
	Capital Refurbishment & Planned Maintenance	20	-	-
	Responsive Repairs	-	10	-
	Leasehold Services	-	-	10
	Sheltered Housing	-	10	-
	Sub-total	30	40	40
Computer audit	Assignments to be advised	10	10	10
	Sub-total	10	10	10
Follow Up	Recommendation Tracking	8	8	8
	Follow Up Reviews	8	8	8
	Sub-total	16	16	16
Other	Contingency	2	5	5
	Anti-Fraud & Corruption Arrangements	-	-	8
	National Fraud Initiative	-	8	-
	Sub-total	2	13	13
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

INTERNAL AUDIT CHARTER

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.

2. 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.

3. 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.

4. 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.

5. 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.

6. 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.

7. 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.

8. 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.

9. 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.

10. 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.