



cw audit services

Kettering Borough Council

Annual Internal Audit Report 2014/15
May 2015

Getting value from your service

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1 Introduction

This annual report provides my opinion (see section 2) as the Head of Internal Audit to Kettering Borough Council. It also summarises the activities of Internal Audit for the period 1st April 2014 to 31st March 2015.

The Council is required by law (Accounts & Audit Regulations 2011) to maintain an adequate and effective system of internal audit of its accounting records and internal control systems in accordance with proper internal audit practices. The Public Sector Internal Audit Standards (PSIAS) require the Head of Internal Audit to provide a written report to those charged with governance, to support the Annual Governance Statement, (AGS), setting out:

- An opinion on the overall adequacy and effectiveness of the organisation's control environment ;
- Disclose any qualifications to that opinion, together with the reasons for that qualification;
- Present a summary of the work carried out by Internal Audit during the year from which the opinion is derived, including any reliance that is being placed upon third party assurances;
- Draw attention to any issues the Head of Internal Audit deems particularly relevant to the Annual Governance Statement (AGS)
- Consider delivery and performance of the Internal Audit function against that planned;
- Comment on compliance with these Standards and the results of any quality assurance programme.

The Council should consider my opinion, together with management assurances, its own knowledge of the organisation and assurances received throughout the year from other review bodies (such as External Audit) when producing its AGS.

My opinion takes into account the range of individual opinions arising from risk-based audit assignments that have been reported throughout the year.

An internal audit plan was developed to provide you with independent assurance on the adequacy and effectiveness of systems of control across a range of financial and organisational areas. **A summary of the work we have performed and delivery against the plan is provided in section 3.**

Alongside the delivery of the operational internal audit work, we have met regularly with Council management to ensure any issues regarding our performance could be highlighted and any necessary action taken to resolve these. Following each audit, management are also requested to provide feedback on the service received. We have received positive feedback on the level of service we have provided during the year.

2 Annual Head of Internal Audit Opinion

Roles and responsibilities

The organisation is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements.

Internal Audit provides an independent and objective opinion to the organisation on the control environment and plays a vital part in advising the organisation whether these arrangements are in place and operating correctly.

The Annual Governance Statement (AGS) is an annual statement by the Leader, Chief Executive and s151 Officer that recognises, records and publishes an authority's governance arrangements.

In accordance with PSIAS, the Head of Internal Audit (HoIA) is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes (i.e. the organisation's system of internal control). This is achieved through a risk-based plan of work, agreed with management and approved by the Monitoring and Audit Committee, which should provide a reasonable level of assurance, subject to the inherent limitations described below.

The opinion does not imply that Internal Audit have reviewed all risks and assurances relating to the organisation. The opinion is substantially derived from the conduct of risk-based plans. As such, it is one of the sources of assurance that the organisation should take into account in making its AGS.

The Head of Internal Audit Opinion

My opinion is set out as follows:

1. Overall opinion;
2. Basis for the opinion;

My **overall opinion** is that **significant** assurance can be given that there is a generally sound system of internal control, designed to meet the organisation's objectives, and that controls are generally being applied consistently. Some weaknesses in the design and/or inconsistent application of controls were noted in certain audits completed during the year a number of these are summarised in section three of this report.

The **basis** for forming my opinion is as follows:

1. An initial assessment of the design and operation of the underpinning risk management framework and supporting processes; and
2. An assessment of the range of individual opinions arising from risk-based audit assignments contained within internal audit risk-based plans that have been reported throughout the year. This assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing control weaknesses.
3. Any reliance that is being placed upon third party assurances.

3 Work undertaken during the year

Summary of assurances provided

During the course of the year we have conducted work to provide assurance over financial, governance and operational systems. Appendix One summarises the assurance levels we have given.

Delivery of the plan

An internal audit plan for 2014/15 of 258 days (fully delivered) was developed to provide you with independent assurance on the adequacy and effectiveness of systems of control across a range of financial and organisational areas. To achieve this our internal audit plan was divided into two broad categories; work on the financial systems that underpin your financial processing and reporting and then broader risk focused work driven essentially by principal risk areas that had been identified in your risk register. A summary of work undertaken is included below:

- During the year we have undertaken reviews of your core financial systems and given full or significant assurance with regard to the management of risk in these areas.
- We have undertaken a number of pieces of work on areas of principal risk. In general we have been able to conclude that these systems are robust and operate in a good control environment.
- We have been able to provide full or significant assurance for 19 of the 22 individual audit assignment opinions we issued during 2014/15.

It is my view, taking account of the respective levels of assurance provided for each audit review, an assessment of the relevant weighting of each individual assignment and the extent to which agreed actions have been implemented, that you have a generally sound system of internal control.

We are pleased to report that our work has not highlighted any weaknesses that should be regarded as Significant Internal Control Issues that would require disclosure within your AGS. We did however identify some improvements that were required in certain audits, this impacted on the level of assurance for those specific audits:

- **Emergency Planning:** This review highlighted that there has been limited take up of training opportunities offered to staff for key roles identified in the Emergency Plan and a need therefore exists to increase the pool of trained resources for these roles so that the Council can respond effectively in the event of a major incident or emergency occurring in the Borough.
- **Agency Workers:** The Council spent £1.6m with agencies during the 2014/15 year. The audit highlighted that there is a need to supplement existing monitoring process with a more formal review undertaken on a regular basis to ensure that use of agency staff continues to represent the best option for the Council to address its resource requirements, particularly in cases where agency staff are being used in the medium to long-term rather than as a short term solution to resource issues. There is also a need to strengthen controls to identify when agency staff work continuously for 12 weeks or more and therefore qualify for certain employee rights under the Agency Work Regulations. Recommendations have also been made to improve certification controls for agency staff invoices.
- **IT Security:** This audit reviewed the security arrangements in place for two different IT systems, the Northgate rent system and the Flare Environmental Health system. A number of recommendations have been made, including the need to review access rights and arrangements for approving access to the systems, improve system records of potential security breaches, draw up Business Continuity Plans and develop some formal training for staff in order to gain optimum use of system capabilities.

Positive action has been agreed with management to address control weaknesses for each of the above areas.

Third party assurances

In arriving at our overall Annual Internal Audit Opinion, we have not sought to place reliance on any third party assurances.

Following up of actions arising from our work

All recommendations and agreed actions are subject to an ongoing recommendation tracking process that is facilitated by CW Audit Services, but completed by the relevant managers responsible for implementing the recommendations. This is undertaken on a self-assessment basis, but is supplemented by our independent follow-up reviews where this is deemed necessary (for example following the issue of a limited or moderate assurance report). A summary of the recommendation tracking results for the 2014/15 year is included as Appendix 2 to this report.

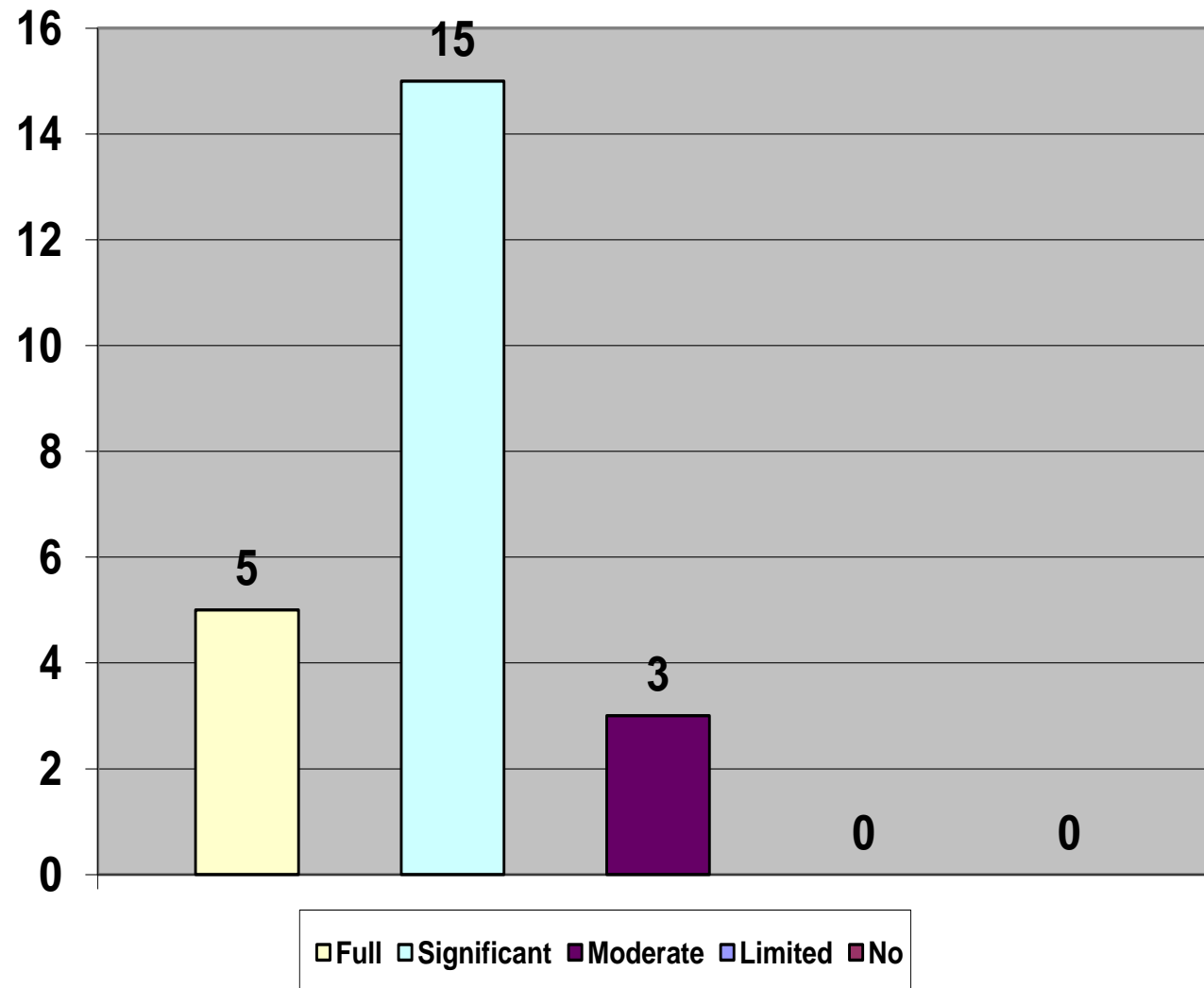
In addition elements of our work involve annual coverage of key areas of control for the organisation, such as in relation to key financial systems, and in such cases we also routinely follow up previously-agreed actions at each review.

Closing remarks

I have discussed and agreed this Annual Report and Audit Opinion with the Acting Head of Finance. Further detailed findings, conclusions and recommendations in the areas covered by our internal audit plan are covered within the progress reports and individual assignment reports that have been issued to the Committee during the year.

Assurance Levels – Individual Audit Assignments

Audit Review	Assurance
Core Financial & Governance Systems	
Financial Management & Budgetary Control	Full
Capital Accounting and Fixed Assets	Significant
Creditors	Significant
Income and Debtors	Full
Risk Management	Significant
Business Rates	Significant
Benefits	Full
Environmental Care Services	
Emergency Planning	Moderate
Fleet Management	Full
Waste Collection	Significant
Street Cleansing	Significant
Environmental Health Services	
Car Park Income	Significant
Pest Control	Significant
Resident Parking Zones	Full
Community Services	
Leisure Contract Monitoring (Parkwood)	Significant
Democratic & Legal Services	
Property Management	Significant
Human Resources	
Agency Workers	Moderate
Development Services	
Planning & Development (inc S106)	Significant
Housing Services	
Voids Management	
Homelessness	
Private Sector Housing - Enforcement	Significant
Leaseholder Services	Significant
IT Reviews	
IT Security	Moderate
Other	
Anti Fraud & Corruption Arrangements	Significant

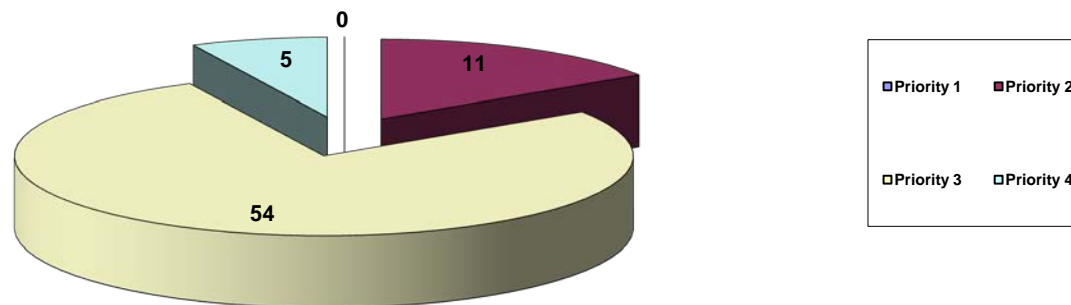


Level of assurance	Criteria
Full	No significant risk issues identified
Significant	Exposure to levels of risk that may only impair the effectiveness of the system or process under review
Moderate	Exposure to levels of risk that render some elements of the system's control environment undeliverable
Limited	Exposure to unacceptable level of risk that could have a serious impact upon the system or process under review
No	Exposure to unacceptable levels of risk that could have a serious impact upon the organisation as a whole

Summary of Internal Audit Recommendations

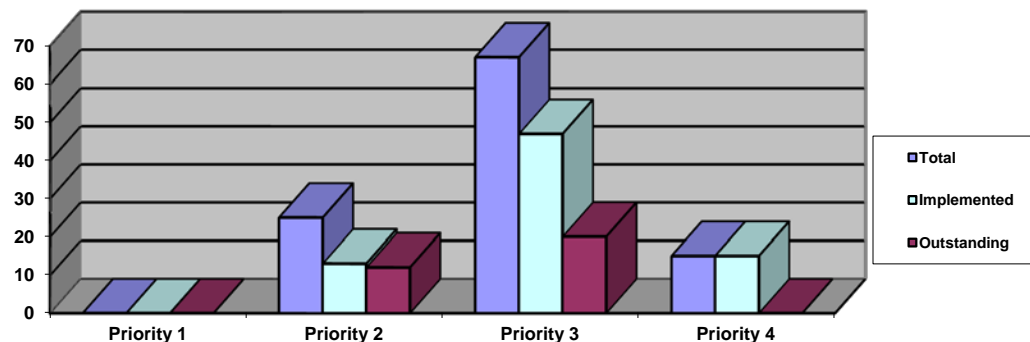
Recommendations made in 2014/15

Priority	Number
1	0
2	11
3	54
4	5
Total	70



Current status of all recommendations made and due for implementation by 31st March 2015 (includes recommendations made in 2013/14)

Priority	Number	Impl	O/S
1	0	0	0
2	25	13	12
3	67	47	20
4	15	15	0
Totals	107	75	32



Progress has been made in implementing action for the majority of the recommendations that remain outstanding and revised implementation dates have been agreed with relevant officers.

Definition of our risk rankings

Risk ranking	Assessment rationale
1	The system has been subject to high levels of risk that have, or could, prevent the system from meeting its objectives, and which may also impact on the delivery of one or more of the organisation's strategic objectives.
2	The system has been subject to high levels of risk that have, or could, prevent the system from meeting its objectives, but which are unlikely to impact on any of the organisation's strategic objectives.
3	The system has been subject to medium levels of risk that have, or could, impair the system from meeting its objectives.
4	The system has been subject to low levels of risk that have, or could, reduce its operational effectiveness.