



cw audit services

## **Kettering Borough Council**

Strategic Internal Audit Plan 2016 - 2019

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 2016 to March 2019. 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 1<sup>st</sup> 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 the Head of Resources and submission of the draft plan to the Corporate Management Team for comment and feedback. .
- 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 2016/17 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
<b>RESOURCES</b>		
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.
Capital Accounting	Effective management of capital assets is key to the delivery of the Council's objectives.	Review of processes for recording, valuing, depreciating and utilising the Council's capital assets.
Creditors	Key financial system – assurance required that the Council pays for goods and services promptly and accurately in accordance with Financial Regulations.	Review of key controls to include ordering, goods receipting and payment.
Risk Management	Robust risk management system is required to underpin delivery of Council objectives, compliance with legislation. IA is 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.
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. The Council is currently in the process of developing its Procurement Strategy and Procedures.	Provision of independent advice and support on the development of the Council's Procurement Strategy and Procedures. Testing to ensure consistent application of procurement rules, including recently introduced Framework Agreement for voids work.
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 2016/17 (Main Accounting & Treasury Management, Payroll & Expenses, Council Tax).
Training & Development	Appropriately skilled and qualified workforce required to deliver effective and safe services to the public.	Review of mandatory training programme and staff development programme to ensure consistently applied across all Council staff.
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.
<b>CUSTOMER SERVICES</b>		
Income and Debtors	Key financial system – assurance required that Council identifies all sources of potential income and collects such income promptly.	Review of process for collecting sundry debt and income from initial raising of debt through to collection and banking of income
Business Rates	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. 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.
National Fraud Initiative	Mandatory national data matching exercise	To consider adequacy of arrangements to comply with NFI requirements including investigations and reporting processes.

Area	Rationale - Links to Objectives/Risks	Work outline
<b>ENVIRONMENTAL CARE</b>		
Waste & Recycling	Key customer facing Council service.	Review of processes to ensure that waste and recyclables are collected in cost effective and efficient manner.
<b>PUBLIC SERVICES</b>		
Anti-Social Behaviour	The Council has a duty to take action, in conjunction with partners where applicable, in respect of anti-social behaviour reported by residents.	Review the processes in place that enable residents to report anti-social behaviour and the mechanisms in place to deal with such complaints. Testing to focus on arrangements for dealing with noise, graffiti, fly tipping and littering.
Leisure Services – Contract Monitoring (Phoenix)	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 with Phoenix to ensure that service is being delivered in accordance with agreement.
<b>DEMOCRATIC &amp; LEGAL</b>		
Legal Services – Partnership Arrangements	The Council hosts legal services for two other local authorities. Assurance required that service is effectively provided so that KBC and other local authorities are acting within legislative framework.	Review of partnership agreement to ensure that the shared service provides an effective legal service.
Corporate Governance	Importance of sound corporate governance arrangements, e.g. Standing Orders, Scheme of Delegation, Standards and codes of member and officer conduct etc, to the proper operation of Council functions, powers, duties, compliance with the law etc	Review of the constitution to ensure that appropriate framework exist for officers to deliver their duties.
<b>DEVELOPMENT SERVICES</b>		
S106 Agreements	Key income source to deliver needed infrastructure improvements within the Borough.	Review of the arrangements for identifying and collecting s106 Agreement monies from developers and subsequent spending on infrastructure projects defined in the agreements.
Planning & Development	Key area of Council’s role in ensuring development complies with national, regional and local policy.	Key focus would be collection of income and effectiveness of planning procedures. Ensure that procedures are in place to comply with the Council’s development plans and strategy.
<b>HOUSING</b>		
Choice Based Lettings	Council has a statutory duty to ensure that the public have fair and equal access to social housing and that the bidding process is fully transparent.	Review of compliance with criteria for registering on the housing allocation scheme (Keyways), bidding procedure, allocations process and information management and security.
Responsive Repairs	Maintenance of housing stock in good and usable condition is an essential element of the Council’s housing strategy. Risk of tenant dissatisfaction if Council fails to respond to repairs as and when they are required, with potential health and safety issues also arising. Key area of expenditure for the Council.	Review of process for receiving and dealing with repair requests in a timely and cost effective manner.
Sheltered Housing	Vital service provided by Council for older people who wish to remain in the community and live independently but would benefit from additional support.	Review of the process for applying for sheltered living accommodation and the service provided for tenants living in such accommodation, including lifeline personal alarms and silver service.
Disabled Facilities Grant	The conditions of the 2015/16 DFG from NCC require the Chief Internal Auditor to confirm that the conditions of the grant have been met,	Review of evidence to support compliance with grant conditions and formal sign off of declaration for return to NCC

## 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 Resources. 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.

**Mark Watkins**  
**CW Audit Services**

Area	Audit Assignment	2016/17	2017/18	2018/19
Resources	Financial Management & Budgetary Control	8	8	8
	Main Accounting & Treasury Management	-	10	-
	Capital Accounting & Fixed Assets	6	-	6
	Creditors	10	-	10
	Payroll & Expenses	-	10	-
	Risk Management	8	8	8
	Property Management	-	10	-
	Insurance	-	-	8
	Procurement & Contract management	17	10	-
	High Level Controls	10	10	10
	Training & Development	10	-	-
	Agency Workers & Consultants	-	10	-
	Recruitment	10	-	-
	<b>Sub-total</b>	<b>79</b>	<b>76</b>	<b>50</b>
	Customer Services	Income & Debtors (incl receipting & banking of remittances)	10	-
Council Tax		-	9	-
Business Rates		9	-	9
Benefits		8	8	8
Anti-Fraud & Corruption		-	8	-
National Fraud Initiative		8	-	-
<b>Sub-total</b>		<b>35</b>	<b>25</b>	<b>27</b>
Environmental Care	Business Continuity	-	-	10
	Emergency Planning	-	8	-
	Fleet Management	-	9	-
	Waste & Recycling	9	-	-
	Street Cleansing	-	8	-



Area	Audit Assignment	2016/17	2017/18	2018/19
	Grounds Maintenance	-	-	10
	<b>Sub-total</b>	<b>9</b>	<b>25</b>	<b>20</b>
Public Services	Car Park Income	-	10	-
	Licensing (Locally provided e.g. taxis, dog breeding, tattoo parlours etc)	-	-	10
	Pest Control	-	8	-
	Food Safety	-	-	10
	Anti-Social Behaviour	10	-	-
	Residents Parking Zones	-	7	-
	Open Spaces/Pavilions/Outdoor Sports	-	-	8
	Crematorium Fees	-	-	7
	Leisure Services – Contract Monitoring (Phoenix)	9	-	-
	Leisure Services – Contract Monitoring (Parkwood)	-	10	-
	Grants (Voluntary Sector Grants, Small Grants, Economic Development Grants)	-	-	10
	<b>Sub-total</b>	<b>19</b>	<b>35</b>	<b>45</b>
Commercial Development	Markets	-	10	-
	<b>Sub-total</b>	<b>0</b>	<b>10</b>	<b>0</b>
Democratic & Legal Services	Legal Services – Partnership Arrangements	10	-	-
	Member Services ( including Mayoral Services)	-	-	10
	Corporate Governance	9	-	9
	<b>Sub-total</b>	<b>19</b>	<b>0</b>	<b>19</b>
Development Services	S106 Agreements	10	-	-
	Land Charges	-	-	10
	Planning & Development	10	-	-
	Building Control	-	-	10
	<b>Sub-total</b>	<b>20</b>	<b>0</b>	<b>20</b>
Housing	Housing Rents	-	10	-
	Choice Based Lettings	10	-	-
	Voids Management*	-	-	10

Area	Audit Assignment	2016/17	2017/18	2018/19
	Homelessness	-	10	-
	Private Sector Housing – Enforcement	-	10	-
	Capital Refurbishment Programme	-	-	10
	Planned Maintenance	-	-	10
	Responsive Repairs	10	-	-
	Leasehold Services	-	10	-
	Sheltered Housing	10	-	-
	Disabled Facilities Grant	3	-	-
	<b>Sub-total</b>	<b>33</b>	<b>40</b>	<b>30</b>
Computer audit	Assignments to be advised	10	10	10
	<b>Sub-total</b>	<b>10</b>	<b>10</b>	<b>10</b>
Follow Up	Recommendation Tracking	8	8	8
	Follow Up Reviews	8	8	8
	<b>Sub-total</b>	<b>16</b>	<b>16</b>	<b>16</b>
Management & Advice	Contingency	2	5	5
	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
	<b>Sub-total</b>	<b>18</b>	<b>21</b>	<b>21</b>
<b>Totals</b>		<b>258</b>	<b>258</b>	<b>258</b>

## 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 Resources 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 RESOURCES, 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 Resources.

#### **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.