

Kettering Borough Council

Internal Audit Strategic Plan 2017/18 – 2019/20

March 2017



cw audit
audit and assurance services

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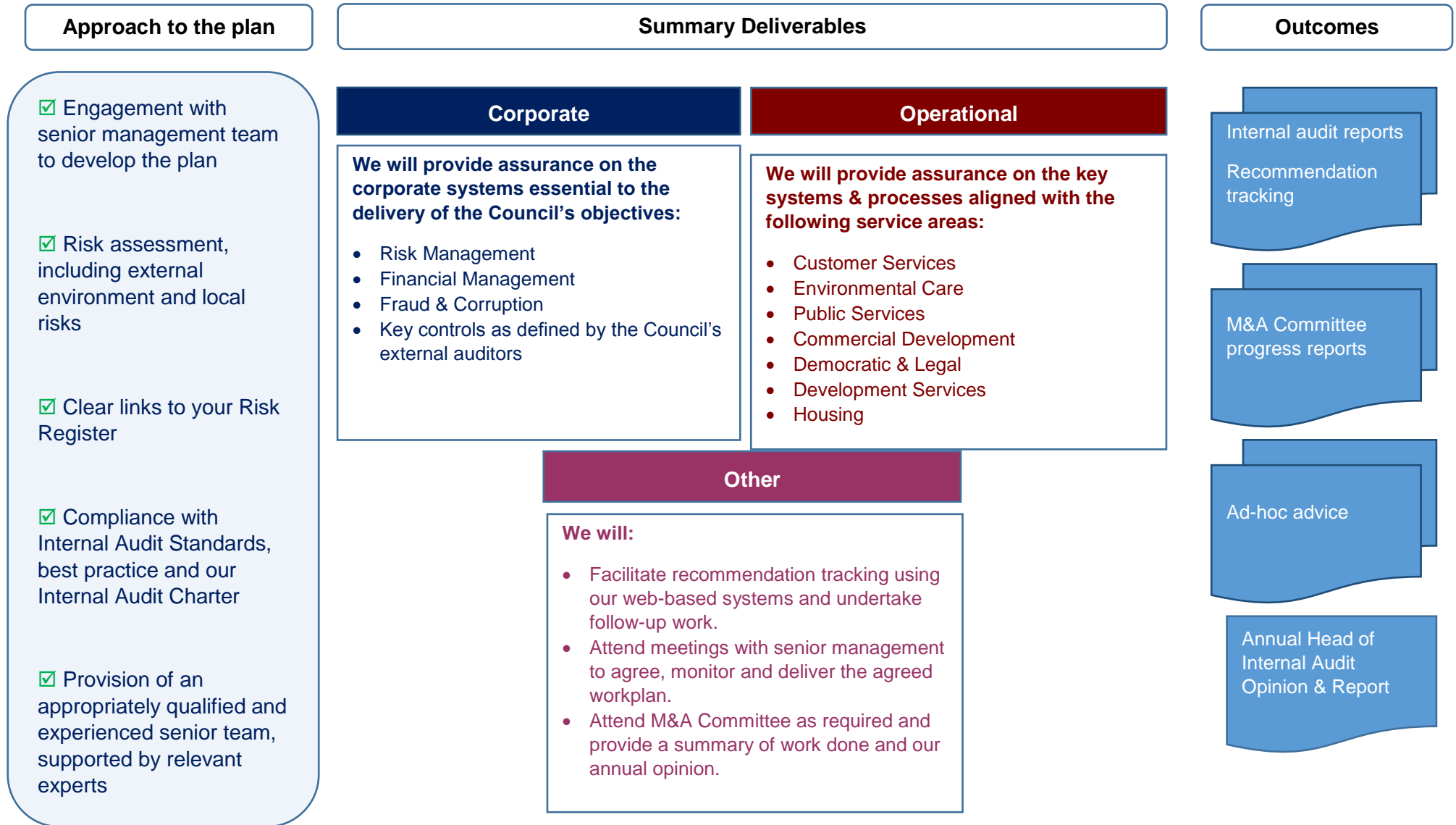
Appendix 1: Strategic Internal Audit Plan 2017/18 to 2019/20

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1. Your Plan on a Page

The diagram below summarises how the plan has been developed and outlines the approach to be taken in 2017/18 to deliver the plan.



2. Risk Assessment

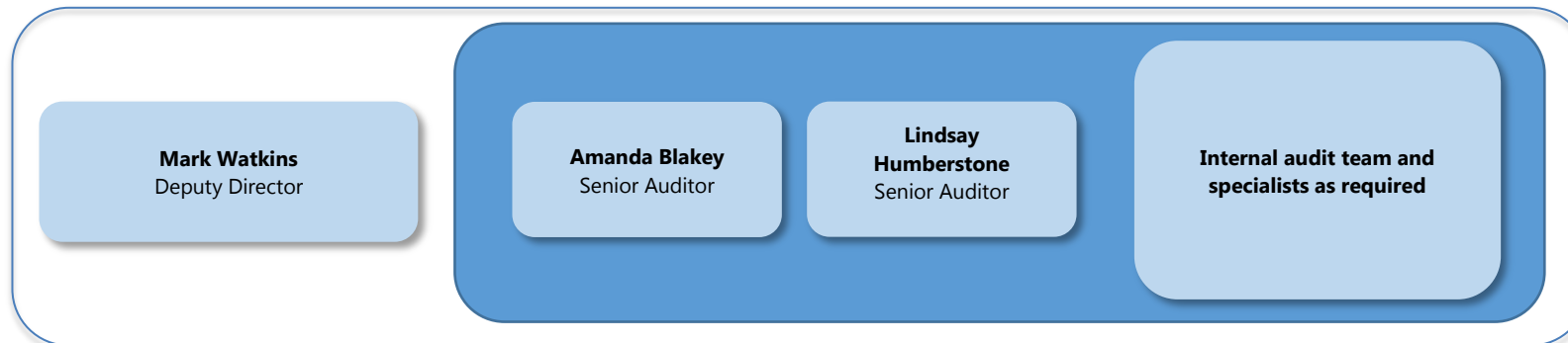
The strategic plan for 2017/18 to 2019/20 and the operational workplan for 2017/18 have been prepared as follows:

- Review of risks recorded in the Strategic Risk Register reported to the November 2016 meeting of the Monitoring and Audit Committee;
- Input from the Head of Resources and the Corporate Management Team.
- Assessment of any risk areas emanating from Internal Audit reviews conducted in the 2016/17 financial year.

The strategic plan is attached at Appendix One, with the 2017/18 operational plan at Appendix Two. A summary of the November 2016 Strategic Risk register is included as Appendix Three.

3. The Team

Mark Watkins will remain as your nominated Head of Internal Audit and will lead the team, consisting of two senior auditors that have had a wealth of experience in auditing the Council's systems over a number of years. The core team will be supported by relevant specialists as appropriate.



4. Conclusion

This internal audit plan has been designed to meet your requirements and fulfil the requirements of Internal Audit Standards. The draft plan is provided to the Monitoring & Audit Committee for final consideration and approval.

Mark Watkins

Deputy Director of Internal Audit

Appendix One: Strategic Internal Audit Workplan 2017/18 - 2019/20

Area	Audit Assignment	SRR Ref.	2017/18	2018/19	2019/20
Resources	Finance Systems* - High Level Controls	1,3	20	20	20
	Finance Systems* – Rolling Audit Programme	1,3	10	15	15
	Risk Management	All	8	8	8
	Property Management	1, 16	10	-	-
	Insurance	16	-	8	-
	Procurement & Contract Management	1,2	10	-	10
	Human Resources	6,9,14	10	-	10
	Data Protection & FOI	2,10	10	-	-
	Information Governance	2,10	10	-	-
	IT Asset Management	16	-	-	10
	Sub-total			88	51
Customer Services	Income & Payment Systems* - High Level Controls	1,2,3	10	10	10
	Income & Payment Systems* – Rolling Audit Programme	1,2,3	10	10	10
	Anti-Fraud & Corruption	1,8,10	8	8	8
	Sub-total		28	28	28
Environmental Care	Business Continuity	11	-	10	-
	Emergency Planning	12	8	-	-
	Fleet Management	1, 16	10	-	-

Area	Audit Assignment	SRR Ref.	2017/18	2018/19	2019/20
	Waste & Recycling	10	-	-	10
	Street Cleansing	10	9	-	-
	Grounds Maintenance	10	-	-	10
	Corporate Health & Safety	2,13	10	-	-
	Sub-total		37	10	20
Public Services	Car Park Income	1,10,16	10	-	-
	Licensing	1,2,10	10	-	-
	Pest Control	1,10	8	-	-
	Food Safety	2,10	-	10	-
	Anti-Social Behaviour	2,10	-	-	10
	Residents Parking Zones	10	7	-	-
	Open Spaces/Pavilions/Outdoor Sports	10,16	-	9	-
	Crematorium Fees	1,10,16	-	8	-
	Leisure Services – Contract Monitoring	2,10	-	-	10
	Grants (Voluntary Sector, Small, Economic Development)	10	-	10	-
	Sub-total		35	37	20
Commercial Development	Markets	1,10	10	-	-
	Economic Development	15	-	-	10

Area	Audit Assignment	SRR Ref.	2017/18	2018/19	2019/20
	Kettering Borough Trainers			10	
	Sub-total		10	10	10
Democratic & Legal Services	Legal Services – Partnership Arrangements	4	-	-	10
	Member Services (including Mayoral Services)	7	-	10	-
	Corporate Governance	2, 7,8,15	-	10	10
	Sub-total		0	20	20
Development Services	Land Charges	2,10	-	10	-
	Planning & Development (incl S106)	1, 2,10	-	-	10
	Building Control	1,2,10	-	10	
	Sub-total		-	20	10
Housing	Choice Based Lettings	1, 10,16	-	-	10
	Voids Management	1,16	-	10	-
	Homelessness	1,10	-	10	-
	Private Sector Housing – Enforcement	2, 10	10	-	-
	Capital Refurbishment Programme	16	-	10	-
	Planned Maintenance	16	-	10	-
	Responsive Repairs	16	-	-	10
	Leasehold Services	1,10	10	-	-

Area	Audit Assignment	SRR Ref.	2017/18	2018/19	2019/20
	Sheltered Housing	10	-	-	10
	Disabled Facilities Grant	Grant condition	4	4	4
	Sub-total		24	44	34
Follow-Up	Follow-Up & Recommendation Tracking	-	18	18	18
Management & Advice	Contingency	-	2	4	9
	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		18	20	25
Totals			258	258	258

*Financial Management, Budgetary Control, Main Accounting, Treasury Management, Creditors, Debtors, Payroll, Capital Accounting, IT Access Controls.

** Council Tax, Business Rates, Housing Rents, Benefits, IT access controls

Appendix Two: Operational Internal Audit Plan 2017/2018

Area	Rationale - Links to Strategic Risks	Work outline
RESOURCES		
Finance Systems - High Level Controls	SRR 1 & SRR 3– Delivery of a balanced budget and control of material and volatile budgets. Performance of key financial systems vital to delivering balanced budget during current period of financial austerity.	Review of all high level controls for key financial systems as defined and agreed by external audit.
Finance Systems – Rolling Audit Programme	SRR 1 & SRR 3 – Delivery of a balanced budget and control of material and volatile budgets. Performance of key financial systems vital to delivering balanced budget during current period of financial austerity.	Review of other controls not defined as high level by external audit, but for which assurance is required on a cyclical basis for key financial systems.
Risk Management	All risks recorded on SRR - 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 manages key strategic and operational risks.
Property Management	SRR 1 – Income from property leases contributes towards delivery of balanced budget. SRR 16 – KBC assets must be well maintained and use maximised.	Review of property register and lease agreements to ensure complete and accurate records are maintained, leases are renewed on time, properties are used and maintained in accordance with lease and all income due has been received.
Procurement & Contract Management	SRR 1 – cost effective procurement and contracting arrangements are vital to the delivery of a balanced budget. SRR 2- Council required to comply with relevant procurement legislation.	Council has been updating and improving its procurement strategy, policy and procedures during 2016/17. Assurance required through audit testing that these are now being properly applied.

Area	Rationale - Links to Strategic Risks	Work outline
Human Resources	<p>SRR 6 – Ensuring Corporate Capacity. HR systems are key to ensuring that correct skills, knowledge and qualifications are attracted to and retained by the Authority.</p> <p>SRR 9 – Staff morale. HR has key role to play in ensuring that workforce remains motivated and focussed.</p> <p>SRR 14 – Flexible and Robust HR policies.</p>	Human Resource subject areas to be covered on a cyclical basis to include recruitment, retention, staff development, agency staffing, workforce planning and absence monitoring.
Data Protection & FOI	<p>SRR 2 – Compliance with relevant legislation.</p> <p>SRR10 – Reputational risk to Council if personal data is not maintained securely and in accordance with legislation.</p>	Review of the Council’s arrangements for complying with the requirements of the Data Protection Act, including the possible impact of the EU General Data Protection Regulation pre and post Brexit.
Information Governance	<p>SRR 2 – Compliance with relevant legislation.</p> <p>SRR10 – Reputational risk to Council if electronic and hard copy information is not processed and maintained in accordance with government standards.</p>	Review of the Council’s arrangements for keeping information secure, managing records and sharing information in accordance with relevant guidance and legislation, such as The Public Services Network Code of Connectivity; The Health and Social Care Information Centre (HSCIC) IG Toolkit; and ISO/IEC 27001:2013 (Information Security Management Systems).
CUSTOMER SERVICES		
Income & Payment Systems - High Level Controls	<p>SRR 1 & SRR 3 – Delivery of a balanced budget and control of budget pressures. Performance of key income systems vital to delivering balanced budget.</p> <p>SRR 2 – impact of welfare reform changes on benefit payments system and potential impact on the collection of local taxation and rent income.</p>	Review of high level controls for key income & payment systems as prescribed by external audit. (Council tax, business rates, rents and benefits payments.)

Area	Rationale - Links to Strategic Risks	Work outline
Income & Payment Systems - Rolling Audit Programme	<p>SRR 1 & SRR 3 – Delivery of a balanced budget and control of budget pressures. Performance of key income systems such as council tax, and rents vital to delivering balanced budget.</p> <p>SRR 2 – impact of welfare reform changes on benefit payments system and potential impact on the collection of local taxation and rent income.</p>	Review of other controls not defined as high level by external audit, but for which assurance is required on a cyclical basis for key income and payment systems. (Council tax, business rates, rents and benefits payments.)
Anti-Fraud & corruption	<p>SRR 1 – Cases of fraud and corruption may impact on the Council's ability to deliver a balanced budget.</p> <p>SRR8 – Corporate Governance. Robust anti-fraud and corruption strategy, policy and procedures are a key element of effective governance arrangements.</p> <p>SRR10 – Reputational risk to the Council if fraud and corruption comes to light that is due to poor control systems and which should have been detected and dealt with earlier.</p>	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.
ENVIRONMENTAL CARE		
Emergency Planning	<p>SRR 2 – Council has statutory responsibilities to fulfil with regard to emergency planning.</p> <p>SRR 12 – Robust emergency planning in place.</p>	Review of the Authority's preparedness to deal with major incident/disaster.
Fleet Management	<p>SRR 1 – Fleet costs are significant element of budget</p> <p>SRR16 – KBC assets must be well maintained and use maximised.</p>	Review of vehicle fleet provision and maintenance contract arrangements to include coverage of accounting and monitoring arrangements for vehicle costs.
Street Cleansing	<p>SRR 10 – Reputational Risk to Council if street cleanliness is not maintained.</p>	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.

Area	Rationale - Links to Strategic Risks	Work outline
Corporate Health & Safety	<p>SRR2 – Failure to comply with legal H&S requirements</p> <p>SRR 13 – Health & Safety Compliance. Council responsible for health and safety of employees and visitors on Council premises.</p>	<p>Review of the Corporate Health and Safety policy and procedures, staff training and maintenance of appropriate risk assessments across the Authority.</p>
PUBLIC SERVICES		
Car Park Income	<p>SRR1 – Collection of budgeted car park income contributes towards the delivery of an overall balanced budget.</p> <p>SRR10 – Reputational risk to the Council if car parks are not properly maintained.</p> <p>SRR16 – Car parks must be well maintained and use maximised.</p>	<p>Review of fee collection process to ensure that all income due is received promptly and in full, to include proper maintenance of car parks to ensure that they are fully utilised.</p>
Licensing	<p>SRR1 – collection of licensing income contributes towards the delivery of an overall balanced budget</p> <p>SRR4 – Licensing partnership may not deliver/operate as expected/required</p> <p>SRR10- Reputational risk to the Council if unlicensed businesses operate and break the law or endanger public health & safety.</p>	<p>Review of the central licensing unit partnership arrangements, including collection and payment of accurate licensing fee income promptly to KBC.</p> <p>Review of arrangements for local licencing not delivered through the partnership.</p>
Pest Control	<p>SRR1 – Pest control income included in balanced budget.</p> <p>SRR10 – Reputational risk to the Council if pest control service is ineffective/fails.</p>	<p>Review of pest control service to ensure that all income due is received promptly and in full and that the service meets the needs of the general public.</p>
Residents' Parking Zones	<p>SRR 10 – Reputational risk to the Council if the administration of residents' parking zones is ineffective/fails.</p>	<p>Review of permit issue process to ensure evidence of eligibility is obtained. Review of fee collection process to ensure that all income due is received promptly and in full.</p>

Area	Rationale - Links to Strategic Risks	Work outline
COMMERCIAL DEVELOPMENT		
Markets	SRR1 – Market income included as part of balanced budget. SRR 10 – Reputational risk to the Council if the administration of markets is ineffective/fails.	Review of processes for letting market stalls, regulating traders and collecting income.
HOUSING		
Private Sector Housing Enforcement	SRR 2 – legal duty to regulate the safety of private rented accommodation. SRR10 – Reputational risk to the Council if enforcement responsibilities not properly delivered and a health and safety incident occurs in private rented accommodation.	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	SRR1 – Income from leased flats and costs of maintaining communal areas both have an impact on delivery of a balanced budget. SRR10 – Reputational risk to the Council if communal areas of leased flats are not maintained properly.	Review of arrangements for collecting service charges from leaseholders, including assurance that costs are covered and leaseholders are treated equitably. Review of arrangements for maintaining communal areas.
Disabled Facilities Grant	The conditions of the 2016/17 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.

Appendix Three: Summary of November 2016 Risk Register

Risk No.	Strategic Risk	Details
1	Delivery of a balanced budget	The Council continues to see reductions in central government funding and has also opted to freeze Council Tax levels over the past six years. As a consequence, the council has had to use increasingly innovative means to balance its budget and consider alternative strategies such as commercial investments in order to deliver a balanced budget. There is still much financial uncertainty facing the Council regarding its main funding sources such as New Homes Bonus and Business Rates Retention particularly from 2020 – when it is anticipated 100% Business Rates Retention will be introduced which will bring even greater volatility to one of the Council's main funding streams.
2	External legislation changes particularly those arising from unforeseen or rapid changes in national policies	<ul style="list-style-type: none"> a. Impact of the localisation of council tax benefit b. Potential impact of other changes due to welfare reform c. Impact of employment legislation on policies d. Impact of the Living Wage e. Business Rates reform f. Housing and Planning Bill g. Impact of reductions in Council Rents
3	Unexpected budget pressures (funding reductions elsewhere)	The challenging economic conditions have / are likely to result in other public sector providers cutting service budgets which could lead to pressure for the council to fill the funding gap that is left.
4	Minimising risks of partnership working	Proper arrangements are required to safeguard the council when it delivers services through joint / partnership arrangements to ensure that costs / liabilities and risks are understood and agreed from the outset. The cumulative impact of austerity measures over time increase the risks of partner organisations failing. In addition the changing focus of Registered Social Landlords increases the risk that they will no longer accept local authority nominations.
5	Delivery of major projects	The council has a very ambitious programme of corporate projects for example East of Kettering, which are both aspirational and challenging to deliver. They are stretching to deliver during normal economic conditions, extremely stretching in the current market conditions.
6	Ensuring corporate capacity	The council has ambitious objectives, projects and has developed a unique budget delivery framework that is currently standing the authority in good stead. To remain 'ahead of the curve' the council needs to ensure that it maintains corporate capacity to protect the council's position and to continue to deliver its priorities.
7	Maintaining political focus and stability	To ensure that resources are properly deployed and used effectively and efficiently, maintaining political focus is very important.
8	Ensuring effective governance arrangements	Good governance is at the heart of the correct and effective working of the council. This applies to compliance with legislation, member and officer behaviour and having a robust constitution. The introduction of Flexible Resourcing will require stronger governance arrangements.
9	Maintaining staff morale	Staff are at the heart of our organisation and the council holds the belief that staff can provide the answer to the challenges that we face. Staff morale is vital to keep; <ul style="list-style-type: none"> ◆ Services running

Risk No.	Strategic Risk	Details
		<ul style="list-style-type: none"> ◆ Deliver efficiency savings ◆ Improve the councils reputation
10	Controlled Reputation Management arrangements	Ensuring that the reputation of the council is monitored and managed is important for any large organisation. Failure to do so could result in negative publicity and more importantly spending resources correcting the issue when it could have been avoided. Also includes the risk posed by comments on social media.
11	Effective business continuity arrangements	The council needs to ensure that robust arrangements are in place for business continuity – especially in relation to IT systems / data / buildings.
12	Effective emergency planning arrangements	The council needs to ensure that robust arrangements are in place for emergency planning purposes.
13	Health and Safety compliance	Keeping pace with the latest H&S requirements and practices is an important cornerstone of the councils work.
14	Flexible and robust HR policies	Staff are the councils main resource, as such the council needs to ensure that it has up to date, flexible yet robust policies in place to deal with all aspects of employee management and relations.
15	Keeping pace with the demographic, social and economic changes	Keeping pace with the demographic and social changes and the impact this and decisions by other public sector bodies has on the Council
16	Physical Asset Risks ensuring KBC assets are maximised and well maintained	The Council needs to ensure that all its physical assets usage is being maximised