

Kettering Borough Council

Internal Audit Operational Plan 2019/20

June 2019



cw audit
audit and assurance services

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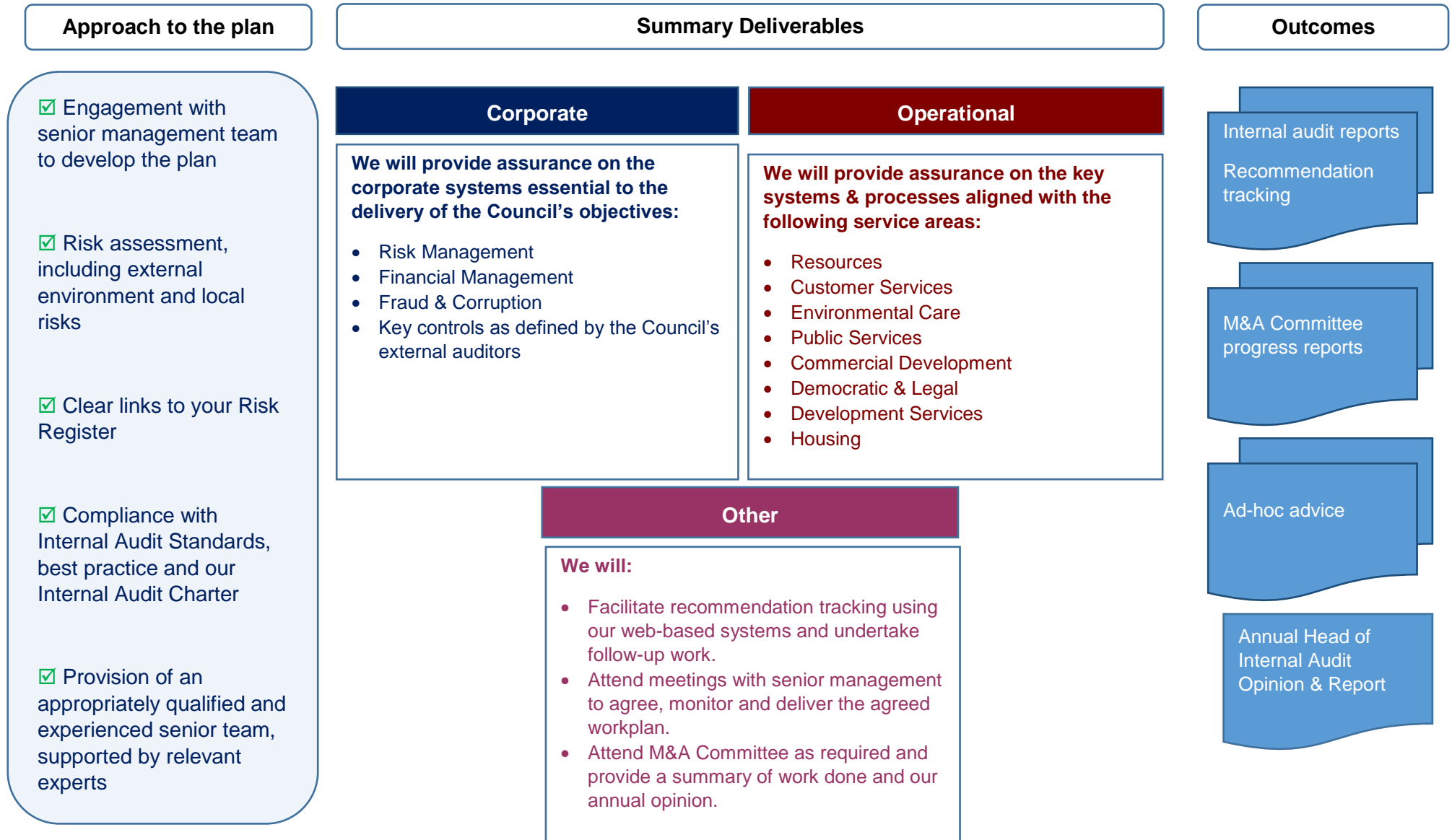
Appendix 1: Operational Audit Plan 2019/20

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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 2019/20 to deliver the plan.



2. Risk Assessment

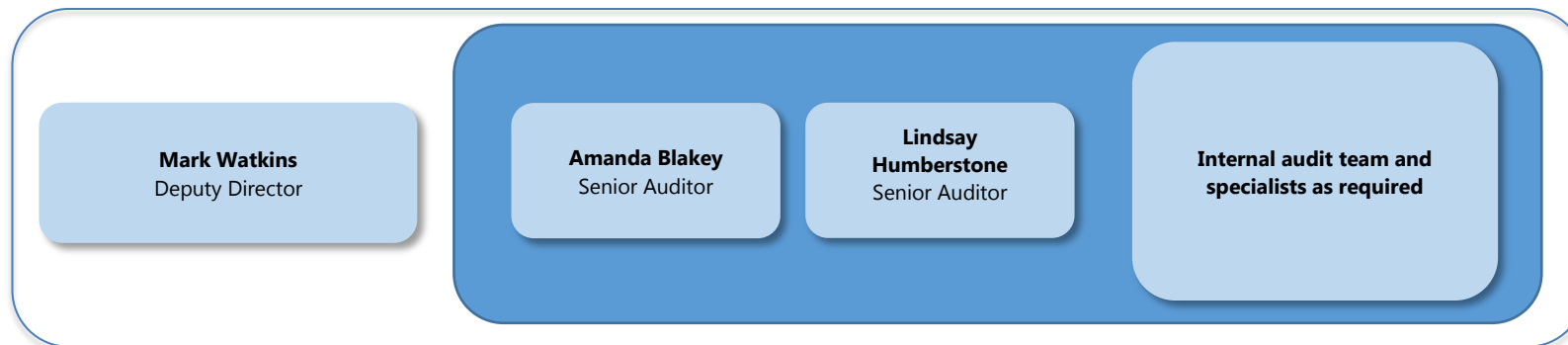
The operational plan for the 2019/20 year has been prepared as follows:

- Review of risks recorded in the Strategic Risk Register reported to the November 2018 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 2018/19 financial year.
- Recognition of the fact that the re-organisation of local government in Northamptonshire is likely to create a range of emerging risks during the 2019/20 year. The audit plan will therefore need to be flexible enough to allow management to direct audit resources accordingly.

The 2019/20 operational plan is attached at Appendix One, with the associated workplan shown at Appendix Two. A summary of the November 2018 Strategic Risk register is included as Appendix Three.

3. The Team

Mark Watkins will act as your nominated Head of Internal Audit, leading a 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: Operational Audit Plan 2019/20

Area	Audit Assignment	SRR Ref.	2019/20	Qtr
Resources	Financial Management & Reporting	A,C,J	6	3/4
	Finance Systems – IT Security & Access	A,C,J	4	3/4
	Creditors	A,C,J	8	3/4
	Payroll	A,C,J	7	3/4
	Capital Accounting	A,C,J	5	3/4
	Risk Management	All	8	2
	Contract Register Validation	R	5	3
	Agency Staff	A,B,F,N	15	1
	HR Recruitment	B,F,N	12	1
	Partnerships	D,E,F,H,J	15	2
	Property Management	A,C,J,Q	10	2/3
	Anti-Fraud & Corruption	A,H,J,R	10	2
	IT Audit - (specific auditable area to be confirmed)		15	3
	Sub-total			120
Customer Services	Income & Debtors	A,C	5	2/3
	Council Tax	A,B,C,J	7	2/3
	Business Rates	A,B,C,J	7	2/3
	Benefits	A,B,C,J	7	2/3
	IT Security & Access – Income & Payment Systems	A,B,C,J	4	2/3
	Sub-total			30
Commercial Development	Kettering Training Services	A,B,C,J,Q	5	2
	Sub-total		5	
Democratic & Legal Services	Democratic Services – Elections	B,G,H	10	2
	Sub-total		10	

Area	Audit Assignment	SRR Ref.	2019/20	Qtr
Environmental Care	Health & Safety	M	10	2/3
	Sub-total		10	
Housing	Housing Rents	A,B,C,J	7	2
	Housing Repairs	A,C,J,P,R	15	4
	Homelessness & Housing Options	B,J	10	4
	Disabled Facilities Grant	Grant condition	5	1
	Sub-total		37	
Follow-Up	Recommendation Tracking	-	10	All
	Targeted Follow-Up		20	3,4
	Sub-total		30	
Management & Advice	Audit Needs Assessment, Planning & Annual Report	-	5	
	Monitoring and Audit Committee/External Audit/Senior Team meetings	-	5	
	Contract Management & ad hoc advice	-	6	
	Sub-total		16	
Totals			258	

Appendix Two: Operational Internal Audit Plan 2019/20

Area	Links to Strategic Risks	Work outline
RESOURCES		
Finance Systems - (Financial Management & Reporting, IT Access & Security, Creditors, Payroll, Capital Accounting)	A - Delivery of a balanced budget C – Unexpected budget pressures J – Reputation management	Review of all high level controls for key financial systems.
Risk Management	All risks recorded on SRR. 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.
Contract Register Validation	R – Procurement	Review of Council's arrangements for insuring assets against potential losses.
Agency Staff	A – Delivery of a balanced budget B – Legislation F – Corporate capacity N – HR Policies	Review of Council's arrangements for dealing with the potential impact that LGR may have on staff resource issues, including processes followed when employing agency staff and control of additional costs associated with using agency staff.
HR Recruitment	B – Legislation F – Corporate capacity N – HR policies	Review to ensure that recently revised recruitment processes are complied with and that recruitment takes into account impending LGR.
Partnerships	D – Partnership working E – Delivery of major projects F – Corporate capacity H – Governance arrangements J – Reputation management	Review of the current and proposed partnership arrangements in place to ensure effective delivery of projects or services, with due attentions given to the impact that LGR may have on current and future partnership models.

Area	Links to Strategic Risks	Work outline
Property Management	A - Delivery of a balanced budget C – Unexpected budget pressures J – Reputation management Q – Commercial strategy	Review of the Council’s strategy and processes for acquiring and managing commercial properties.
Anti-Fraud & Corruption	A - Delivery of a balanced budget H – Governance arrangements J – Reputation management R – Procurement	Focus on overall arrangements to prevent, detect and investigate suspected fraud and corruption.
IT Audit	IT systems are vital to almost all services provided by the Council, therefore a range of different strategic risks could be affected by a failure in IT functionality or breach of IT security.	Specific subject area to be confirmed.
CUSTOMER SERVICES		
Income & Payment Systems (Income & Debtors, Council Tax, Business Rates, Benefits, IT Access & Security)	A - Delivery of a balanced budget B – Legislation C – Unexpected budget pressures J – Reputation management	Review of high level controls for key income & payment systems.
COMMERCIAL DEVELOPMENT		
Kettering Training Services	A - Delivery of a balanced budget B – Legislation C – Unexpected budget pressures J – Reputation management Q – Commercial strategy	Review of the economic viability of Kettering Training Services.

Area	Links to Strategic Risks	Work outline
DEMOCRATIC & LEGAL SERVICES		
Democratic Services - Elections	B – Legislation G - Political focus and stability H – Governance arrangements	Focus on the arrangements for ensuring that an accurate and up-to-date electoral register is maintained and that preparations are made in advance for election to be held in the wake of LGR.
ENVIRONMENTAL CARE		
Health & Safety	M – Health & safety compliance	To ensure that the Council has robust arrangements in place to comply with health and safety regulations, with particular reference to confirming that actions agreed in 18/19 audit have been successfully implemented.
HOUSING		
Housing Rents	A - Delivery of a balanced budget B – Legislation C – Unexpected budget pressures J – Reputation management	Review of key controls covering the setting of rent amount, letting properties and collecting income.
Housing Repairs	A - Delivery of a balanced budget C – Unexpected budget pressures J – Reputation management P – Physical assets R – Procurement	Detailed testing to confirm that the 'Re-inventing Repairs Action Plan' has delivered a robust, efficient and cost-effective system for managing and delivering housing repairs in a cost effective manner.
Homelessness & Housing Options	B – Legislation J – Reputation management	Review of arrangements for implementing the Homelessness Reduction Act and administering the housing options system; with particular reference to ensuring that actions agreed in 18/19 audit have been successfully implemented.
Disabled Facilities Grant	The conditions of the 2018/19 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 2018 Risk Register

Risk No.	Strategic Risk	Details
A	Delivery of a balanced budget	<p>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.</p> <p>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.</p>
B	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 (Universal Credit, 2018) c. Impact of employment legislation on policies d. Impact of the Living Wage e. Business Rates reform f. Social Housing Green Paper g. Impact of reductions in Council Rents h. Apprenticeships i. Homelessness Reduction Act j. Fair Funding Review k. Leaving the European Union (impact to Local Economy and subsequently to KBC)
C	Unexpected budget pressures (funding reductions elsewhere)	<p>The challenging economic conditions have and are likely to continue to result in other public sector providers cutting service budgets. This could lead to pressure being placed on the Council to fill the resulting funding gap or lost service. This could be relevant given the financial challenges facing Northamptonshire County Council.</p>
D	Partnership working	<p>Proper arrangements are required to safeguard the council when it delivers services through joint working and 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. Northamptonshire County Council's stabilisation programme may redesign how services are delivered, impacting on existing partnerships.</p>

Risk No.	Strategic Risk	Details
E	Delivery of major projects	The council has a very ambitious programme of corporate projects including: <ul style="list-style-type: none"> • Street Scene Partnership with Corby • Town Centre Delivery Plan • Growth Deals These projects can be both aspirational and challenging to deliver during normal economic conditions but become extremely stretching when operating in current market conditions.
F	Ensuring corporate capacity	The council has ambitious objectives and 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. This has the potential to become even more challenging as the council is required to deliver on its 'business as usual' whilst experiencing pressures from the Public Service Reform work streams.
G	Maintaining political focus and stability	To ensure that resources are properly deployed and used effectively and efficiently, maintaining political focus is very important. Being clear from the outset about what KBC is trying to achieve, how we achieve it, and then continuing to maintain the focus in these areas. The challenging nature of which is likely to increase as we progress through Public Service Reform.
H	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.
I	Maintaining staff morale	Staff are at the heart of our organisation and the council holds the belief that staff can provide the answers to the challenges that we face. Staff morale is vital to keep; <ul style="list-style-type: none"> • Services running • Deliver efficiency savings • Improve the councils reputation In line with comments under Risk F, it is recognised that pressures from Public Service Reform could have an adverse impact.
J	Reputation management	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.
K	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.
L	Effective emergency planning arrangements	The council needs to ensure that robust arrangements are in place for emergency planning purposes.
M	Health and Safety compliance	Keeping pace with the latest H&S requirements and practices is an important cornerstone of the council's work.
N	Robust & effective HR policies	Staff are the council's 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. The importance of which are ever more present when going through organisational change e.g. Street Scene Partnership and Public Service Reform.

Risk No.	Strategic Risk	Details
0	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. Understanding and reacting to the changing needs of the community. Particular challenges facing the Council include, but are not limited to: Leaving the European Union, Welfare Reform and the ageing population.
P	Physical asset risks - ensuring KBC assets are maximised and well maintained	The Council needs to ensure that our physical assets are being used in a safe and efficient way to maximise their effectiveness in delivering outcomes.
Q	Commercial strategy	This includes seeking commercial investment opportunities, reviewing our fees and charges policy and being more commercially minded in our everyday processes to drive efficiencies.
R	Procurement	The appropriate and compliant purchase of goods and services is integral to all areas of the Council.