



## **South Kesteven District Council**

Internal Audit Strategy  
2013/2014 – 2015/2016

Presented at the Governance & Audit Committee meeting of: 14<sup>th</sup> March  
2013

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## 1 INTRODUCTION

This document sets out the approach we have taken to develop your Internal Audit Strategy for 2013/14 to 2015/16 and the detailed Annual Plan for 2013/14.

### 1.1 Role of Internal Audit

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

*(Definition of Internal Audit: Chartered Institute of Internal Auditors)*

From 1 April 2013, internal auditors in the public sector are required to work to the *Public Sector Internal Audit Standards (PSIAS)*, which are based on the *International Standards for the Professional Practice of Internal Auditing* published by the Institute of Internal Auditors and which also adopt the institute's definition of internal auditing and code of ethics.

In line with these requirements, we perform our internal audit work with a view to reviewing and evaluating the risk management, control and governance arrangements that the Council has in place, focusing in particular on how these arrangements help South Kesteven District Council to achieve its objectives. The opinion may also be used by the S151 Officer, to support their Annual Governance Statement. This is achieved through a risk-based plan of work, agreed with management and approved by the Audit Committee.

## 2 DEVELOPING THE INTERNAL AUDIT STRATEGY

### 2.1 Issues influencing Internal Audit coverage

The Council's objectives are the starting point in the development of our strategy for delivery of internal audit services.

We have considered our previous work and findings on your risk management processes and consider that we can place reliance on your risk registers / assurance framework to inform the Internal Audit Strategy.

Appendix A reflects the range of potential issues that may affect the Authority. These were used to focus our conversations along with the Authorities' assurance priorities with the senior management team on where our work would be most effective.

In preparing your strategy and more detailed operational plan we have met with:

- All Heads of Service;
- Governance & Risk Officer;
- Head of Finance; and
- Strategic Directors.

The strategy is set out in Appendix A, with the more detailed annual plan for 2013/14 set out at Appendix B.

As well as assignments designed to provide assurance or advisory input around specific risks, the strategy includes:

- a follow-up allocation, which will be utilised to assess the degree of implementation achieved in relation to recommendations agreed by management during the prior and current financial year and will serve to inform the adequacy of the organisation's own recommendation tracking process; and
- an audit management allocation, used at Partner and Manager level for quality control, client and External Audit liaison and for preparation for and attendance at Audit Committee.

## **2.2 Working with other assurance providers**

We intend to meet with the Authorities' External Auditors to confirm the scope of the work in the areas of financial control to ensure they can continue to place their planned level of reliance on our work for 2013/2014.

The Audit Committee are reminded that internal audit use only one source of assurance and through the delivery of our plan we will not, and do not, seek to cover all risks and processes at the Authority. We will however seek to work closely with other assurance providers, such as External Audit to ensure that duplication is minimised and a suitable breadth of assurance obtained.

## **3 INTERNAL AUDIT RESOURCES**

### **3.1 Your Internal Audit Team**

Your internal audit team is led by Chris Williams as Head of Internal Audit.

Your Senior Manager is Rob Barnett.

We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under auditing standards.

### **3.2 Internal Audit Fees**

The fee for your internal audit service for 2013/14 is a composite daily rate of £315.

## **4 CONSIDERATIONS FOR THE AUDIT COMMITTEE**

- Does the Strategy for Internal Audit (as set out at Appendix B) cover the organisation's key risks as they are recognised by the Governance & Audit Committee?
- Is the Committee satisfied that sufficient assurances are being received by the Authority to monitor the organisation's risk profile effectively, including any emerging issues / key risks (see Appendix A) not included in our annual plan?

**APPENDIX A: UPDATED STRATEGY FOR INTERNAL AUDIT 2013/14 – 2015/16**

**Risk Based Assurance**

<b>Auditable Areas</b>	<b>Potential Risks to the area/system</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
<b>CORPORATE FOCUS</b>				
<b>Finance</b>				
<b>Corporate Governance</b>	<b>Scheme of Delegation, Financial Regulations and information presented to management does not enable informed decision making.</b>	✓	✓	✓
<b>Risk Management</b>	<b>The Council does not have a clear methodology in place for identifying, assessing and mitigating key risks.</b>	✓	✓	✓
<b>Bourne Community Access Point</b>	<b>Controls in place at Bourne CAP are not in line with other areas of the Council.  Adequate policies and procedures have not been developed.</b>	✓		
<b>Insurance</b>	<b>Inadequate insurance arrangements are in place, leading to financial and reputational loss.  Value for money is not obtained with regards to insurance services.</b>		✓	✓
<b>Housing Benefit</b>	<b>Changes to legislation have not been acted upon.  Claims are not processed in line with legislation and internal policies which may lead to inaccurate payments being made and customer dissatisfaction.</b>		✓	✓
<b>Benefits Fraud Investigation</b>	<b>Failure to investigate allegations of potential fraud in line with legislation and Council policy.  Sanctions are not imposed on benefit claimants who have committed an offence.</b>	✓		
<b>Medium Term Financial Strategy</b>	<b>The Financial Strategy has not been developed appropriately and is not being adhered to.  The Strategy does not support the financial objectives of the Council.</b>	✓		

Auditable Areas	Potential Risks to the area/system	2013/14	2014/15	2015/16
Pool Cars	<p>Pool cars are not being utilised by employees in line with Council policy.</p> <p>The booking system is not effective.</p>	✓		✓
Council Tax	<p>Failure to raise accurate demand notices to liable parties and apply discounts and exemptions in line with legislation and internal policies.</p> <p>The annual billing deadline is not met.</p> <p>Low collection rates.</p>		✓	
NDR	<p>All hereditaments within the District have not been identified with bills raised in a timely manner in line with legislation and internal policies.</p> <p>Reliefs and exemptions are granted inappropriately.</p>		✓	
Anti-Fraud & Corruption	<p>Failure to develop and adhere to adequate policies and procedures to ensure compliance with the Bribery Act.</p>			✓
Income Collection	<p>All income due to the Council is not identified and collected.</p> <p>Monitoring of income is not undertaken.</p>	✓		✓
Information Technology	<p>The provision of the IT service is not fit for purpose.</p>	✓	✓	✓
Service Level Agreements	<p>Service Level Agreements have not been agreed by both parties and do not protect the interest of the Council.</p>		✓	

Auditable Areas	Potential Risks to the area/system	2013/14	2014/15	2015/16
<b>CORPORATE FOCUS</b>				
<b>People, Projects &amp; Performance</b>				
Performance Management	Failure to integrate new localised performance framework together with local measures linked to priority actions.		✓	
Absence Management	Arrangements have not been put in place to cover the move from annual to flexi hours.  Potential 'problem areas' are not identified and action taken.  High levels of sickness absence in areas may impact on the ability to deliver services.	✓		
Customer Services	Failure to meet customer demand.  Failure to implement service review recommendations.			✓
Consultation Communications Stakeholder Contact	and – Central services are not being used in the required manner, e.g. the use of centralised advertising budgets.	✓		
<b>CORPORATE FOCUS</b>				
<b>Property Development</b>				
Leases	Leases have not been identified and granted in line with policies and procedures.  Leases are issued or renewed without receiving appropriate authorisation.  Expired leases or those nearing expiry date or not identified with action being taken.	✓		✓
Building Control	The merger of the service has not been assessed and monitored.  Inability to deliver service standards expected in a competitive market.  Failure to comply with Building Regulations which may result in compensation claims or threats to reputation.		✓	

Auditable Areas	Potential Risks to the area/system	2013/14	2014/15	2015/16
Asset Management Plan	<p>A defined Asset Management Strategy has not been documented to assist the Council in achievement of its objectives.</p> <p>Assets have not been identified and accurately recorded.</p> <p>Authorisation is not received prior to assets being written off or disposed off or loss and thefts are not reported.</p> <p>The Asset Management software is not fit for purpose.</p>	✓		
Contract Management - Ground & Tree Maintenance Contract	<p>A robust maintenance service for Grounds and Tree is not provided through the contract.</p> <p>Quality inspections are not undertaken to provide assurance over the quality of work.</p> <p>Contract monitoring is not undertaken.</p>	✓		
Car Parks (Enforcement)	<p>Car parks are not effectively managed and controlled and income is not accounted for.</p> <p>APCOA contract and enforcement procedures are not monitored.</p>	✓		✓
<b>CORPORATE FOCUS</b>				
<b>Legal &amp; Democratic Services</b>				
Elections	<p>The electoral register is not maintained up to date.</p> <p>Legislation is not complied with during election time.</p>			✓
Members Allowances & Expenses	<p>Council Policy is not complied with and expenditure is nor monitored and controlled.</p> <p>Members Allowances are not published in line with legislation.</p>	✓		
Code of Conduct and Register of Interests	<p>The Code of Conduct has not been reviewed.</p> <p>The register of interests is not up to date and declarations are not made.</p>	✓		

Auditable Areas	Potential Risks to the area/system	2013/14	2014/15	2015/16
<b>COMMUNITY &amp; ENVIRONMENTAL FOCUS</b>				
<b>Environmental Services</b>				
Licensing	<p>The Licensing Act is not complied with.</p> <p>Licenses are issued without the correct review and authorisation and expired licences are not promptly detected.</p> <p>Income is not monitored and collected prior to issue of licences.</p>	✓		
Community & Anti-Social Behaviour	<p>Failure to comply with current legislation – Crime and Disorder Act.</p> <p>Inability to reduce community crime and anti-social behaviour – lack of funding.</p>			✓
CCTV	<p>The use of CCTV contravenes legislation e.g. the data protection act.</p> <p>Loss of funding available impacting on the provision of the service.</p>		✓	
Waste & Recycling	<p>Potential health &amp; safety non-compliance leading to reputational risks and insurance claims.</p> <p>Employees have not been adequately trained to perform their duties.</p> <p>Risks and hazards associated with the service have not been identified and monitored.</p> <p>Service performance is not monitored.</p>	✓		✓
Fleet Management	The Council fleet is not maintained to a suitable standard.	✓		✓
Street Cleansing	There is a failure in operational performance leading to complaints from residents.		✓	
Environmental Health – Foods Establishments	Food establishments are not monitored to ensure that they comply with food hygiene standards.			✓

Auditable Areas	Potential Risks to the area/system	2013/14	2014/15	2015/16
Disabled Facilities Grants	Grants have been awarded without the appropriate review and authorisation.  Funding for grants is reduced impacting on the ability to assist in disabled adaptations.	✓		
<b>COMMUNITY &amp; ENVIRONMENTAL FOCUS</b>				
<b>COMMUNITY ASSETS</b>				
Leisure Management Contract	Failure to deliver service due to underperformance of the contract.  The contract is not monitored and action taken to improve standards should this be required.	✓		✓
Arts Centre	The Arts Centres are not utilised as they are not advertised and promoted with meaningful information being provided to the general public.  Services have not been costed correctly leading to a loss of income to the Council.		✓	
Repairs and Maintenance	Repairs are not identified and undertaken in a timely manner resulting in the Council being exposed to a higher risk of potential insurance claims from members of the public.	✓		
Planned & Cyclical Maintenance & Capital Programme	Failure to deliver capital programme and monitor the associated costs.  A cyclical maintenance strategy has not been developed and costs identified.		✓	
Contract Management	Competent contractors have not been appointed and contract performance is not monitored.		✓	

Auditable Areas	Potential Risks to the area/system	2013/14	2014/15	2015/16
<b>COMMUNITY &amp; ENVIRONMENTAL FOCUS</b>				
<b>Housing &amp; Neighbourhoods</b>				
Supporting People (including Lifeline and Care Services)	Loss of the supporting people contract.		✓	
Allocations and Lettings (including Void Management)	Lettings are not dealt with consistently and in line with policy. Void properties are not managed to ensure there are processed and re-let as soon as is possible.	✓		✓
Resident Involvement	Dissatisfied tenants through service failure and lack of consultancy with tenants. Lack of service improvements. No tenant participation and involvement.		✓	
Homelessness	Failure to meet statutory obligations under the Homelessness Act. Inability to respond to housing requests from the homeless. Lack of emergency housing.			✓
<b>DEVELOPMENT &amp; GROWTH FOCUS</b>				
<b>Development &amp; Growth</b>				
Economic Development	Failure to identify roles and responsibilities and allocate resources. Poor communication with external Stakeholders. Projects are unsuccessful due to poor project management and control of funding.	✓		
Planning	Planning applications are not processed in line with legislation and Council policy.	✓	✓	
Conservation	An up to date conservation register is not maintained. Laws and legislation applicable to conservation are not adhered to.		✓	

## Financial Controls (including work allowing greater external audit reliance on our work)

Systems	Source of Requirement	2013/14	2014/15	2015/16
General Ledger / Main Accounting System	External audit will place reliance on our work to inform their audit.		✓	
Budgets			✓	✓
Creditors & Procurement			✓	✓
Treasury Management		✓		✓
Income and Debtors			✓	
Payroll & Expenses		✓	✓	
Cash & Banking		✓	✓	✓

## Other Internal Audit Activity

Activity	Rationale	2013/14	2014/15	2015/16
Follow Up	To meet internal auditing standards and to provide management with on-going assurance regarding implementation of recommendations.	✓	✓	✓
Contingency	To allow for additional audits to be undertaken at the request of the Audit Committee or management based on changes in assurance needs as they may arise during the year.	✓	✓	✓
Audit Management	This will include: <ul style="list-style-type: none"> <li>▪ Annual planning</li> <li>▪ Preparation for, and attendance at, Audit Committee meetings</li> <li>▪ Regular liaison and progress updates</li> <li>▪ Liaison with external audit</li> <li>▪ Preparation of the annual internal audit opinion</li> </ul>	✓	✓	✓

**APPENDIX B: INTERNAL AUDIT PLAN 2013/2014**

Audit	Internal Audit Coverage	Internal Audit Approach	Audit Days	Proposed Timing	Audit Committee
<b>Assurance and Advisory Work to Address Specific Risks</b>					
<b>Corporate Focus - Finance</b>					
Corporate Governance	The review will focus on the Constitution Committee and consider it's effectiveness and ability to react and provide informed decision making.	Assurance	4	TBC	TBC
Risk Management	The review will consider the current risk management arrangements to develop an improvement plan that ensures that the Authority through continuous improvement maintains efficient and effective processes for the identification, assessment, monitoring and reporting of risk.	Assurance	3	TBC	TBC
Medium Term Financial Strategy	Consideration of the content of the strategy and whether the strategy supports the objectives of the Council.	Assurance	5	TBC	TBC
Pool Cars	A review of the current policy to cover whether employees utilise the service and do not use their own cars to claim mileage. The bookings system and mileage records.	Assurance	5	TBC	TBC
Information Technology	Consideration of whether the current IT service is fit for purpose and a review of end user feedback.	Assurance	7	TBC	TBC
Benefits Fraud Investigation Unit	This review will seek to ensure that the Investigation team are investigating cases of potential fraud in line with legislation and internal policies, and prosecuting where an offence has been committed.	Assurance	7	TBC	TBC
Bourne Community Access Point	Areas of consideration within this review will include Customer Service focus, the implications and effect of agile working and cash collection. (this review will include our annual review of cash collection and banking with the focus on this particular area).	Assurance	10	TBC	TBC

Audit	Internal Audit Coverage	Internal Audit Approach	Audit Days	Proposed Timing	Audit Committee
<b>Corporate Focus – People, Projects &amp; Performance</b>					
Absence Management	The review will consider if arrangements have been made to cover the move from annualised to flexi hours. It will also focus on the issue of long term sickness and aim to identify potential problem areas and asses actions are in place to attempt to reduce sickness.	Assurance	5	TBC	TBC
Consultation and Communication – Stakeholder Contact.	Consideration of the use of central services to departments and the controls in place to ensure that central services and budgets are utilised e.g use of the centralised advertising and printing budget.	Assurance	5	TBC	TBC
<b>Corporate Focus – Property Development</b>					
Leases	This area was subject to a Red assurance opinion during the 2012/13 internal audit review and therefore a further review has been scheduled for this year to monitor progress made within the area.	Assurance	7	TBC	TBC
Asset Management Plan	This review will focus on the software in use to ensure that all assets are recorded adequately and a full and complete audit trail is available.	Assurance	6	TBC	TBC
Contract Management – Ground and Tree Maintenance	This area was subject to a Red assurance opinion during the 2012/13 internal audit review and therefore a further review has been scheduled for this year to monitor progress made within the area.	Assurance	6	TBC	TBC
Car Parks (Enforcement)	New enforcement arrangements have been introduced so this review will focus on the enforcement contract in place considering contract reporting and performance.	Assurance	7	TBC	TBC

Audit	Internal Audit Coverage	Internal Audit Approach	Audit Days	Proposed Timing	Audit Committee
<b>Corporate Focus – Legal &amp; Democratic Services</b>					
Members Allowances & Expenses	To ensure that allowances and expenses are claimed in line with documented policy and procedures, and that allowances are published as required.	Assurance	5	TBC	TBC
Code of Conduct and Register of Interests	Compliance with the Code of Conduct including use of Council email. Annual return of declaration of interests.	Assurance	5	TBC	TBC
<b>Community &amp; Environment Focus – Environmental Services</b>					
Licensing	Following the act reform we will perform a review of this area to ensure that the Licencing Act is being adhered to.	Assurance	6	TBC	TBC
Waste & Recycling	We will undertake a review of the service which will cover both refuse and recycling. Looking at the performance of the service alongside identification of risks and employee training.	Assurance	10	TBC	TBC
Fleet Management	A review to consider the adequacy of the Council's fleet and procedures in place to ensure that it is maintained to a suitable standard.	Assurance	6	TBC	TBC
Disabled Facilities Grants	The review will aim to provide assurance that grants are being awarded in line with policy and procedures and receive adequate authorisation.	Assurance	5	TBC	TBC
<b>Community &amp; Environment Focus – Community Assets</b>					
Leisure Management Contract	The Leisure Management Contract is in place until 2014 with an option to extent until 2016; this review will be timely in ensuring that the contract performance is being monitored and is up to a suitable standard.	Assurance	5	TBC	TBC
Repairs and Maintenance	This area was subject to a Red assurance opinion during the 2012/13 internal audit review and therefore a further review has been scheduled for this year to monitor progress made within the area.	Assurance	8	TBC	TBC

Audit	Internal Audit Coverage	Internal Audit Approach	Audit Days	Proposed Timing	Audit Committee
<b>Community &amp; Environment Focus – Housing and Neighbourhoods</b>					
Allocations and Lettings (including Void Management)	The review this year will consider the revised allocations policy.	Assurance	5	TBC	TBC
<b>Development &amp; Growth Focus – Development &amp; Growth</b>					
Economic Development	The area has recently undergone a restructure so we will consider how effective the structure is and if partnership working is successful. We will also compare procedures to what other Councils have introduced e.g NNDR Discounts	Assurance	5	TBC	TBC
Planning	This review will consider the planning application process and will specifically look at the appeals process and the financial impact of these appeals. We will also consider the process in place for the newly introduced pre-application decision charges.	Assurance	6	TBC	TBC
<b>Financial Controls</b>					
Treasury Management	The focus of this review will be on Council investments and ensuring that there is sufficient cash available to meet liabilities. Changes in HRA financing arrangements with the introduction of self financing model in April 2012.	Assurance	4	TBC	TBC
Payroll & Expenses	The use of electronic pay slips (e-slips) and assurance that employees use this service. Assurance over employee tax codes and subsistence. Electronic expenses policy.	Assurance	6	TBC	TBC
Income Collection	Following the Welfare Reform Act we will focus this review on rent collection.	Assurance	10	TBC	TBC

Audit	Internal Audit Coverage	Internal Audit Approach	Audit Days	Proposed Timing	Audit Committee
<b>Other Internal Audit Coverage</b>					
Contingency	For coverage of risks and changes in assurance needs as these arise during the year. To be agreed in advance with Management.	-	5	As required	n/a
Follow Up	To meet internal auditing standards and to provide management with ongoing assurance regarding implementation of recommendations.	Follow up review	12	Ongoing	Delivered to each Audit Committee
Management	This will include: <ul style="list-style-type: none"> <li>▪ Annual planning.</li> <li>▪ Preparation for, and attendance at, Audit Committee meetings.</li> <li>▪ Regular liaison and progress updates.</li> <li>▪ Liaison with external audit.</li> <li>▪ Preparation of the annual internal audit opinion.</li> </ul>	-	15	Ongoing	As used
<b>Total (Excluding Contingency)</b>			190		

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