

# **South Kesteven District Council**

Internal Audit Plan 2014/15

Audit Committee meeting: 21 November 2013

## Introduction

The Internal Audit Strategy for 2013/14 to 2015/16 and the detailed Annual Plan for 2013/14 was approved by the Governance and Audit Committee on 14 March 2013.

Details of the Internal Audit Strategy are shown in Appendix A.

## 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 Governance and Audit Committee.

## Developing the internal audit plan 2014/15

The Council's objectives are the starting point in the development of our internal audit plan.

In determining the internal audit plan for 2014/15, we will consider the Internal Audit Strategy (as shown in Appendix A) and also take into account the internal audit work completed in previous years with emphasis on those auditable areas where the Council "cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective" (i.e. Red reports).

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

In preparing the internal audit plan for 2014/15 we will meet with:

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

### Working with other assurance providers

We intend to meet with the Authority's 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 2014/2015.

The Governance & 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 Council. 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 is obtained.

## Considerations for the Governance & Audit Committee

Prior to meeting Council officers to discuss the audit work for 2014/15, we require the Governance & Audit Committee to consider the auditable areas shown in Appendix A (specifically those shown for 2014/15) and provide their views/feedback. In doing so, Governance & Audit Committee should consider the following:

- Does the internal audit plan (as set out at Appendix A) 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 Council to monitor the organisation's risk profile effectively, including any emerging issues/key risks not included in our annual plan?

Members to review the audit plan for 2014/15 (Appendix A) and recommend any changes.

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

## Risk Based Assurance

Auditable Areas	Potential Risks to the area/system	2013/14	2014/15	2015/16
<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>	✓		

Auditable Areas	Potential Risks to the area/system	2013/14	2014/15	2015/16
<b>Medium Term Financial Strategy</b>	<p>The Financial Strategy has not been developed appropriately and is not being adhered to.</p> <p>The Strategy does not support the financial objectives of the Council.</p>	✓		
<b>Pool Cars</b>	<p>Pool cars are not being utilised by employees in line with Council policy.</p> <p>The booking system is not effective.</p>	✓		✓
<b>Council Tax</b>	<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>		✓	
<b>NNDR</b>	<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>		✓	
<b>Anti-Fraud &amp; Corruption</b>	<p>Failure to develop and adhere to adequate policies and procedures to ensure compliance with the Bribery Act.</p>			✓
<b>Income Collection</b>	<p>All income due to the Council is not identified and collected.</p> <p>Monitoring of income is not undertaken.</p>	✓		✓
<b>Information Technology</b>	<p>The provision of the IT service is not fit for purpose.</p>	✓	✓	✓
<b>Service Level Agreements</b>	<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>				
<b>Performance Management</b>	Failure to integrate new localised performance framework together with local measures linked to priority actions.		✓	
<b>Absence Management</b>	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.	✓		
<b>Customer Services</b>	Failure to meet customer demand. Failure to implement service review recommendations.			✓
<b>Consultation and Communications – Stakeholder Contact</b>	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>				
<b>Leases</b>	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.	✓		✓

Auditable Areas	Potential Risks to the area/system	2013/14	2014/15	2015/16
<b>Building Control</b>	<p>The merger of the service has not been assessed and monitored.</p> <p>Inability to deliver service standards expected in a competitive market.</p> <p>Failure to comply with Building Regulations which may result in compensation claims or threats to reputation.</p>		✓	
<b>Asset Management Plan</b>	<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 of or loss and thefts are not reported.</p> <p>The Asset Management software is not fit for purpose.</p>	✓		
<b>Contract Management - Ground &amp; Tree Maintenance Contract</b>	<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>	✓		
<b>Car Parks (Enforcement)</b>	<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>				
<b>Elections</b>	<p>The electoral register is not maintained up to date.</p> <p>Legislation is not complied with during election time.</p>			✓

Auditable Areas	Potential Risks to the area/system	2013/14	2014/15	2015/16
<b>Members Allowances &amp; Expenses</b>	<p><b>Council Policy is not complied with and expenditure is nor monitored and controlled.</b></p> <p><b>Members Allowances are not published in line with legislation.</b></p>	✓		
<b>Code of Conduct and Register of Interests</b>	<p><b>The Code of Conduct has not been reviewed.</b></p> <p><b>The register of interests is not up to date and declarations are not made.</b></p>	✓		
<b>COMMUNITY &amp; ENVIRONMENT FOCUS</b>				
<b>Environmental Services</b>				
<b>Licensing</b>	<p><b>The Licensing Act is not complied with.</b></p> <p><b>Licenses are issued without the correct review and authorisation and expired licences are not promptly detected.</b></p> <p><b>Income is not monitored and collected prior to issue of licences.</b></p>	✓		
<b>Community &amp; Anti-Social Behaviour</b>	<p><b>Failure to comply with current legislation – Crime and Disorder Act.</b></p> <p><b>Inability to reduce community crime and anti-social behaviour – lack of funding.</b></p>			✓
<b>CCTV</b>	<p><b>The use of CCTV contravenes legislation e.g. the data protection act.</b></p> <p><b>Loss of funding available impacting on the provision of the service.</b></p>		✓	

Auditable Areas	Potential Risks to the area/system	2013/14	2014/15	2015/16
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.			✓
Disabled Facilities Grants	<p>Grants have been awarded without the appropriate review and authorisation.</p> <p>Funding for grants is reduced impacting on the ability to assist in disabled adaptations.</p>	✓		
<b>COMMUNITY &amp; ENVIRONMENT FOCUS</b>				
<b>COMMUNITY ASSETS</b>				
Leisure Management Contract	<p>Failure to deliver service due to underperformance of the contract.</p> <p>The contract is not monitored and action taken to improve standards should this be required.</p>	✓		✓

Auditable Areas	Potential Risks to the area/system	2013/14	2014/15	2015/16
Arts Centre	<p>The Arts Centres are not utilised as they are not advertised and promoted with meaningful information being provided to the general public.</p> <p>Services have not been costed correctly leading to a loss of income to the Council.</p>		✓	
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	<p>Failure to deliver capital programme and monitor the associated costs.</p> <p>A cyclical maintenance strategy has not been developed and costs identified.</p>		✓	
Contract Management	Competent contractors have not been appointed and contract performance is not monitored.		✓	
<b>COMMUNITY &amp; ENVIRONMENT 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)	<p>Lettings are not dealt with consistently and in line with policy.</p> <p>Void properties are not managed to ensure there are processed and re-let as soon as is possible.</p>	✓		✓
Resident Involvement	<p>Dissatisfied tenants through service failure and lack of consultancy with tenants.</p> <p>Lack of service improvements.</p> <p>No tenant participation and involvement.</p>		✓	

Auditable Areas	Potential Risks to the area/system	2013/14	2014/15	2015/16
Homelessness	<p>Failure to meet statutory obligations under the Homelessness Act.</p> <p>Inability to respond to housing requests from the homeless.</p> <p>Lack of emergency housing.</p>			✓
<b>DEVELOPMENT &amp; GROWTH FOCUS</b>				
<b>Development &amp; Growth</b>				
Economic Development	<p>Failure to identify roles and responsibilities and allocate resources.</p> <p>Poor communication with external Stakeholders.</p> <p>Projects are unsuccessful due to poor project management and control of funding.</p>	✓		
Planning	<p>Planning applications are not processed in line with legislation and Council policy.</p>	✓	✓	
Conservation	<p>An up to date conservation register is not maintained.</p> <p>Laws and legislation applicable to conservation are not adhered to.</p>		✓	

#### 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 & 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>	✓	✓	✓

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

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