



SOUTH KESTEVEN DISTRICT COUNCIL

Internal Audit Strategy 2019/20 - 2021/22

Presented at the Governance and Audit Committee meeting of: 21 March 2019

This report is solely for the use of the persons to whom it is addressed.

To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party.

EXECUTIVE SUMMARY

Our Internal Audit Plan for 2019/20 is presented for consideration by the Governance and Audit Committee.

The key points to note from our plan are:



2019 Internal Audit priorities: Internal audit activity for 2019/20 is based on analysing your corporate objectives, risk profile and assurance framework as well as other factors affecting you in the year ahead, including changes within the sector. Our detailed plan for 2019/20 is included at Section 1.



Level of Resource: The level of resource required to deliver the plan is consistent with 2018/19, with the daily rate inflated to £325 per day with the agreement made upon our appointment. We will increase the use of technology when undertaking operational audits in 2019. This will further strengthen our sampling, increasing the level of assurance provided.



Core Assurance: Key priorities and changes within the Council during the period have been reflected within the proposed audit coverage for 2019/20 and beyond. The Council has introduced a new CRM system and a review has been included in the plan. With the increase in use of social media, a review has been included in this area. The Council has setup three wholly owned companies and is in the process of establishing a 50/50 joint venture development company and have requested a review of the governance arrangements focusing on the Council's constitution in relation to these companies. We will also continue assess the implementation of previously agreed internal audit actions and report back to the Governance and Audit Committee on the ongoing implementation status.

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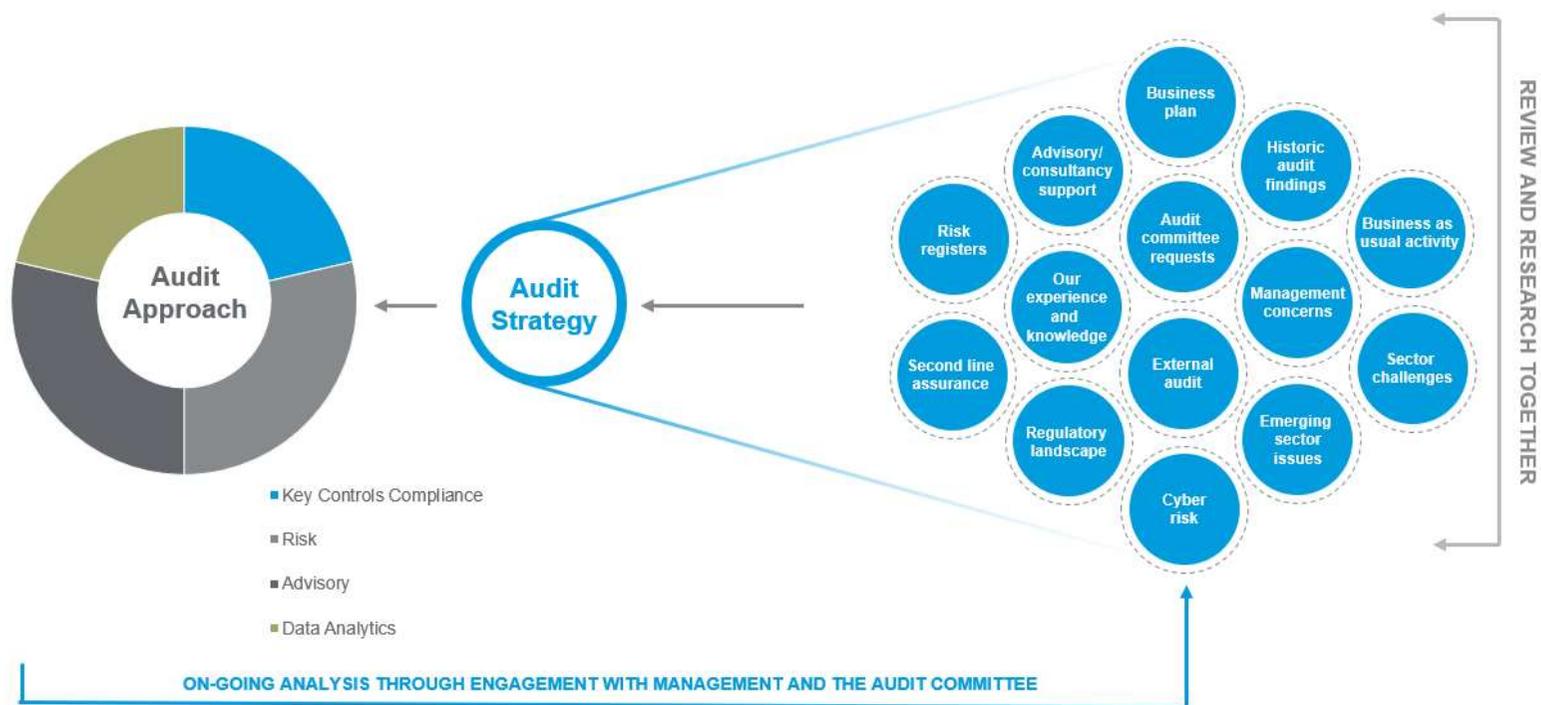
1. YOUR INTERNAL AUDIT PLAN 2019/20

Our approach to developing your internal audit plan is based on analysing your corporate objectives, risk profile and assurance framework as well as other, factors affecting South Kesteven District Council in the year ahead, including changes within the sector.

Risk management processes

We have evaluated your risk management processes and consider that we can place reliance on your risk registers / assurance framework to inform the internal audit strategy. We have used various sources of information (see Figure A overleaf) and discussed priorities for internal audit coverage with management.

Figure A: Audit considerations – sources considered when developing the Internal Audit Strategy.



Based on our understanding of the Council, the information provided to us by stakeholders, and the regulatory requirements, we have developed an annual internal plan for the coming year and a high-level strategic plan (see Section 2 and Appendix B for full details).

2. INTERNAL AUDIT PLAN 2019/20

The table below shows each of the reviews that we propose to undertake as part of the internal audit plan for 2019/20. The table details the strategic objectives which may warrant internal audit coverage. This review of your risks allows us to ensure that the proposed plan will meet the Council's assurance needs for the forthcoming and future years. As well as assignments designed to provide assurance or advisory input around specific risks, the strategy also includes: time for tracking the implementation of actions and an audit management allocation.

Objective of the review (Strategic area)	Audit approach	Fee per audit	Proposed timing
Resources			
Risk Management Consideration of the current risk management framework and arrangements which will include the risk management strategy, business areas approach to risk, risk register, reporting of risk and mitigations, review and update of the risk registers. Information report to management and committees.	Risk Based	£1,546	Quarter 3
Purchasing Cards To assess compliance with the Council's financial procedures in relation to purchasing cards.	Key Controls	£2,149	Quarter 3
Customer Relationship Management This review will focus on the roles and responsibilities, to ensue these are defined and access to the system is suitably controlled. We will also review the type of information recorded, and whether this complies with legislation; as well as processes for deletion of information no longer required. The consideration of hardware and software requirements and whether availability and capacity is monitored to ensure adequate resources are maintained. The exact scope will be agreed with management.	Risk Based	£2,594	Quarter 2
Complaints and Freedom of Information The audit will include a review of the Council's Complaints and Freedom of Information processes against key statutory requirements and best practice.	Risk Based	£1,965	Quarter 2

Objective of the review (Strategic area)	Audit approach	Fee per audit	Proposed timing
<p>IT Review</p> <p>To review the processes employed by the Council and for the management of risks in relation to the Council's IT network. Exact area of coverage and scope to be agreed with management.</p>	Risk Based	£2,568	Quarter 2
<p>Procurement and Contracts</p> <p>We will focus on whether policies and procedures are being adhered to with regards obtaining tenders and quotations, and the level of due diligence performed on potential new suppliers. We will also review the level of contractor performance management undertaken across the Council, and how this results in payments being made to contractors.</p> <p>We will review pre, mid and post contract processes for each of the sampled contracts.</p>	Risk Based	£1,834	Quarter 3
<p>Housing Benefits</p> <p>We will undertake a review to ensure that applications received are done so in line with policy, procedure, and are subject to an independent check. We will also ensure that changes in circumstances are processed correctly and in a timely manner. We will also review any qualification points in the HB grant validation work and undertake sample testing to ensure the Council is dealing with claims in line with HB grant requirements</p>	Risk Based	£1,257	Quarter 2
Commercial and Operational			
<p>Health and Safety</p> <p>We will review policies and procedures in place, risk assessments, training, information provided to staff and contractors and compliance with legislation.</p>	Risk Based	£1,546	Quarter 3
<p>Building Control</p> <p>This review will focus on the building control function and include a review of fees and charges in respect of this service.</p>	Risk Based	£2,044	Quarter 2
<p>Enforcement – Littering</p> <p>We will seek to ensure that the Council's enforcement action is undertaken in accordance with procedure, and legal advice is obtained where appropriate to ensure compliance with Council decisions and legislation. At the request of management, we will review the enforcement action performed related to decisions made in regard to littering. We will review the records maintained within this area for a sample of enforcement cases and ensure a clear audit trail exists which shows the stages of the procedure.</p>	Risk Based	£2,411	Quarter 3

Objective of the review (Strategic area)	Audit approach	Fee per audit	Proposed timing
Growth			
<p>Homelessness</p> <p>We will review whether the Council's policies and procedures are designed to limit homelessness and housing problems where possible, and that the districts housing stock is subject to review to determine where potential issues may arise in the future. We will also include a review of the processes in place for the provision of temporary and emergency accommodation; how eligibility is assessed and the accommodation is paid for.</p>	Risk Based	£1,834	Quarter 3
<p>Capital Strategy</p> <p>This review will focus on the Council's approach to capital investment and how this is aligned to its strategic aims. Our review will include how the Council identifies, programmes and priorities funding requirements in creating and delivering affordable housing.</p>	Risk Based	£1,834	Quarter 2
<p>Void Management</p> <p>This review will look at void management and assess procedures for identifying voids both prior to and as they materialise and procedures for determining the condition of the property and addressing any issues following the void arising.</p> <p>In addition, we will also review the processes in place for reporting and monitoring voids.</p>	Risk Based	£2,122	Quarter 4
<p>Allocations and Lettings</p> <p>To provide assurance over the core housing processes, ensuring that allocations and lettings are in line with Council policy.</p>	Risk Based	£2,227	Quarter 1
<p>Planning Service</p> <p>This review will focus on planning applications including timeliness of dealing with applications, the appeals process (including basis of appeals), review of planning decisions, KPIs and management reporting.</p>	Risk Based	£1,965	Quarter 4
Transformation and Change			
<p>Communication – Social Media</p> <p>To review how the Council communicates with key stakeholders in order to provide information on Council services and promote activities which are benefit to the wider community. Our review will look at policies and procedures for using the range of social media i.e. Facebook and Twitter.</p>	Risk Based	£1,834	Quarter 1

Objective of the review (Strategic area)	Audit approach	Fee per audit	Proposed timing
Flexible Working To review the Council's policies and procedures in place which allows flexible working, to ensure that risk assessments have been undertaken, staff have been provided with relevant training and systems are in place to stay in touch with staff.	Risk Based	£1,834	Quarter 4
Other Internal Audit Activity			
Follow up To meet internal auditing standards, and to provide assurance on action taken to address management action previously agreed by management.	Follow Up	£1,257 £1,257	Quarter 1 Quarter 3
Contingency To allow additional reviews to be undertaken in agreement with the Governance and Audit Committee or management based in changes in risk profile or assurance needs as they arise during the year.	-	£1,625	As required
Management This will include: <ul style="list-style-type: none"> • Annual planning; • Preparation for, and attendance at, Governance and Audit Committee; • Regular liaison and progress updates; • Liaison with external audit and other assurance providers; and • Preparation of the annual opinion. 	-	£13,322	Throughout the year

A detailed planning process will be completed for each review, and the final scope will be documented in an Assignment Planning Sheet. This will be issued to the key stakeholders for each review.

2.1 Working with other assurance providers

The Governance and Audit Committee is reminded that internal audit is 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 within the Council.

We will however continue to work closely with other assurance providers, such as external audit to ensure that duplication is minimised, and a suitable breadth of assurance obtained.

APPENDIX A: YOUR INTERNAL AUDIT SERVICE

Your internal audit service is provided by RSM Risk Assurance Services LLP. The team will be led by Chris Williams as your Head of Internal Audit, supported by Amjad Ali as your Client Manager.

Fees

Our fee to deliver the plan is £51,025 based on 157 days (excluding VAT).

Core team

The delivery of the 2019/20 audit plan will be based around a core team. However, we will complement the team with additional specialist skills where required.

Conformance with internal auditing standards

RSM affirms that our internal audit services are designed to conform to the Public Sector Internal Audit Standards (PSIAS).

Under PSIAS, internal audit services are required to have an external quality assessment every five years. Our risk assurance service line commissioned an external independent review of our internal audit services in 2016 to provide assurance whether our approach meets the requirements of the International Professional Practices Framework (IPPF) published by the Global Institute of Internal Auditors (IIA) on which PSIAS is based.

The external review concluded that “there is a robust approach to the annual and assignment planning processes and the documentation reviewed was thorough in both terms of reports provided to Governance and Audit Committee and the supporting working papers.” RSM was found to have an excellent level of conformance with the IIA’s professional standards.

The risk assurance service line has in place a quality assurance and improvement programme to ensure continuous improvement of our internal audit services. Resulting from the programme, there are no areas which we believe warrant flagging to your attention as impacting on the quality of the service we provide to you.

Conflicts of interest

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 internal auditing standards.

APPENDIX B: INTERNAL AUDIT STRATEGY 2019/20 – 2021/22

The table below shows an overview of the audit coverage to be provided through RSM's delivery of the internal audit strategy. This has been derived from the process outlined in Section 1 above, as well as our own view of the risks facing the sector as a whole.

Assurance Provided	
	Red - Minimal Assurance / Poor Progress
	Amber/red - Partial Assurance / Little Progress
	Amber/green - Reasonable Assurance / Reasonable Progress
	Green - Substantial Assurance / Good Progress
	Advisory / AUP
	IDEA

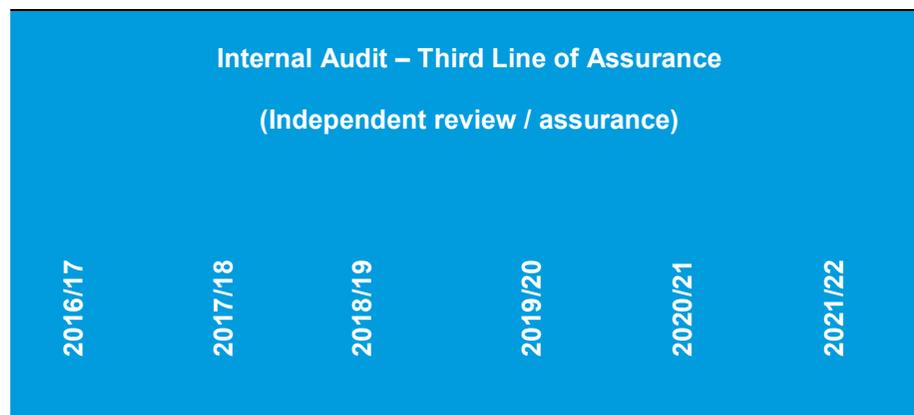
Internal Audit – Third Line of Assurance (Independent review / assurance)					
2016/17	2017/18	2018/19	2019/20	2020/21	2021/22

Audit Area

Resources

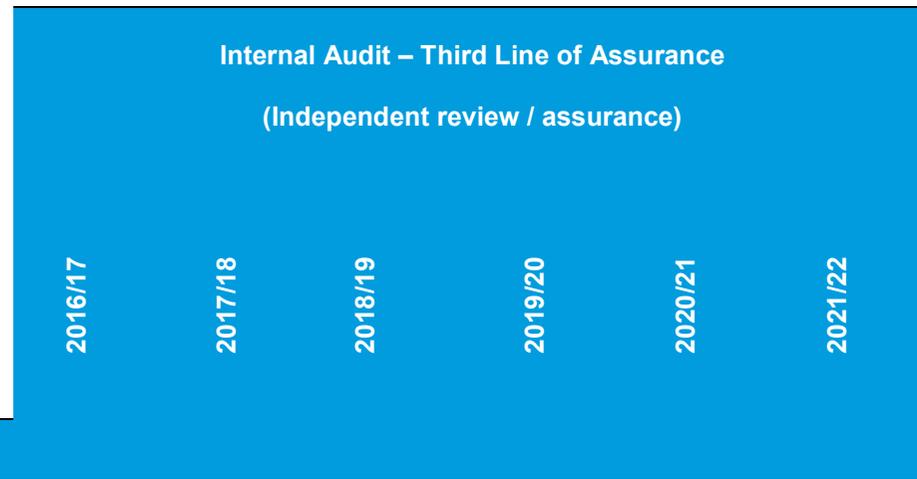
Risk Management				✓		✓
Corporate Governance					✓	
Rent Collection						✓
Financial Regulations						
Cash and Banking						
Income and Debtors						✓

Assurance Provided	
	Red - Minimal Assurance / Poor Progress
	Amber/red - Partial Assurance / Little Progress
	Amber/green - Reasonable Assurance / Reasonable Progress
	Green - Substantial Assurance / Good Progress
	Advisory / AUP
	IDEA



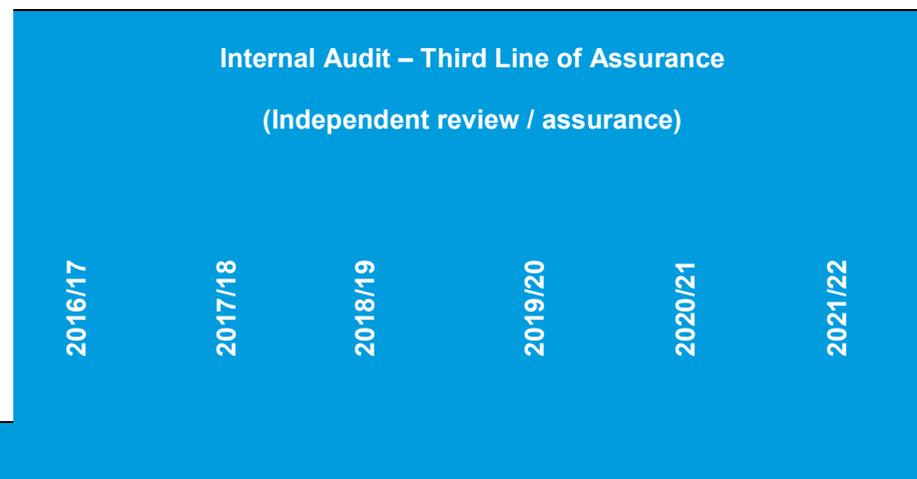
Audit Area	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Purchase Orders and Creditors					✓	
Payroll and Expenses						✓
Purchasing Cards				✓		
Treasury Management					✓	
Members Code of Conduct					✓	
Customer Relationship Management				✓		
Complaints and Freedom of Information				✓		
GDPR					✓	
Members Allowances and Expenses						
Rent Collection and Arrears						
IT Review				✓	✓	✓
Review of Contractor Spend						
Procurement and Contracts				✓	✓	✓
NNDR						✓
Council Tax					✓	

Assurance Provided	
	Red - Minimal Assurance / Poor Progress
	Amber/red - Partial Assurance / Little Progress
	Amber/green - Reasonable Assurance / Reasonable Progress
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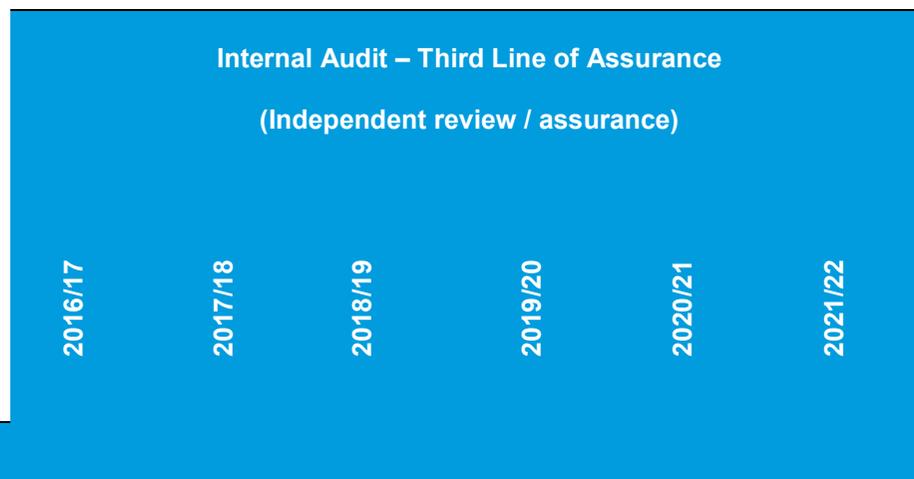
Audit Area	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Housing Benefits Overpayments						
Housing Benefits				✓		✓
Commercial and Operational						
Environmental Health						
Business Continuity						
Health and Safety				✓		
CCTV						
Community and Anti-Social Behaviour						✓
Taxi Licensing						✓
Fire Safety						
Building Control				✓		
Houses in Multiple Occupation					✓	
Enforcement - Littering				✓		
Ground Maintenance					✓	
Trade Waste					✓	

Assurance Provided	
	Red - Minimal Assurance / Poor Progress
	Amber/red - Partial Assurance / Little Progress
	Amber/green - Reasonable Assurance / Reasonable Progress
	Green - Substantial Assurance / Good Progress
	Advisory / AUP
	IDEA



Audit Area	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Refuse Collection – Missed Bins						
Growth						
Car Parks					✓	
Economic Development						✓
Facilities						
Pre-Application Fees						
Leisure Centres					✓	
Homelessness				✓		
Capital Strategy				✓		
Void Management				✓		
Resident Involvement					✓	
Repairs and Maintenance						✓
Health and Safety - Asbestos						
Allocations and Lettings				✓		
Asset Management Plan (HRA)						✓

Assurance Provided	
	Red - Minimal Assurance / Poor Progress
	Amber/red - Partial Assurance / Little Progress
	Amber/green - Reasonable Assurance / Reasonable Progress
	Green - Substantial Assurance / Good Progress
	Advisory / AUP
	IDEA



Audit Area	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Right to Buy		Amber/green				
Construction Regulations			Green			
Planning Service				✓		
Contracts Register and Leases						✓
Land Charges			Amber/green			
Transformation and Change						
Programme and Performance					✓	
Absence Management		Amber/green				
Communication – Social Media				✓		
Flexible Working				✓		
Recruitment and Retention			Amber/green			
Temporary Staff			Amber/green			
Other Internal Audit Activity						
Follow Up		Amber/green, Green, Green	Amber/green, Amber/green	✓	✓	✓

APPENDIX C: INTERNAL AUDIT CHARTER

Need for the charter

This charter establishes the purpose, authority and responsibilities for the internal audit service for South Kesteven District Council. The establishment of a charter is a requirement of the Public Sector Internal Audit Standards (PSIAS) and approval of the charter is the responsibility of the Governance and Audit Committee.

The internal audit service is provided by RSM Risk Assurance Services LLP (“RSM”).

We plan and 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 you to achieve its objectives. The PSIAS encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) as follows:

- Core principles for the professional practice of internal auditing;
- Definition of internal auditing;
- Code of ethics; and
- The Standards.

Mission of internal audit

As set out in the PSIAS, the mission articulates what internal audit aspires to accomplish within an organisation. Its place in the IPPF is deliberate, demonstrating how practitioners should leverage the entire framework to facilitate their ability to achieve the mission.

“To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight”.

Independence and ethics

To provide for the independence of internal audit, its personnel report directly to the Partner, Chris Williams (acting as your Head of Internal Audit). The independence of RSM is assured by the internal audit service reporting to the Chief Executive, with further reporting lines to Strategic Director Resources.

The Head of Internal Audit has unrestricted access to the Chair of Governance and Audit Committee to whom all significant concerns relating to the adequacy and effectiveness of risk management activities, internal control and governance are reported.

Conflicts of interest may arise where RSM provides services other than internal audit to South Kesteven District Council. Steps will be taken to avoid or manage transparently and openly such conflicts of interest so that there is no real or perceived threat or impairment to independence in providing the internal

audit service. If a potential conflict arises through the provision of other services, disclosure will be reported to the Governance and Audit Committee. The nature of the disclosure will depend upon the potential impairment and it is important that our role does not appear to be compromised in reporting the matter to the Governance and Audit Committee. Equally we do not want the Council to be deprived of wider RSM expertise and will therefore raise awareness without compromising our independence.

Responsibilities

In providing your outsourced internal audit service, RSM has a responsibility to:

- Develop a flexible and risk based internal audit strategy with more detailed annual audit plans. The plan will be submitted to the Governance and Audit and Committee for review and approval each year before work commences on delivery of that plan.
- Implement the internal audit plan as approved, including any additional tasks requested by management and the Governance and Audit Committee.
- Ensure the internal audit team consists of professional audit staff with sufficient knowledge, skills, and experience.
- Establish a quality assurance and improvement program to ensure the quality and effective operation of internal audit activities.
- Perform advisory activities where appropriate, beyond internal audit's assurance services, to assist management in meeting its objectives.
- Bring a systematic disciplined approach to evaluate and report on the effectiveness of risk management, internal control and governance processes.
- Highlight control weaknesses and required associated improvements together with corrective action recommended to management based on an acceptable and practicable timeframe.
- Undertake follow up reviews to ensure management has implemented agreed internal control improvements within specified and agreed timeframes.
- Report regularly to the Governance and Audit Committee to demonstrate the performance of the internal audit service.

For clarity, we have included the definition of 'Internal Audit', 'Senior Management Team' and 'Cabinet'.

- Internal audit – a department, division, team of consultant, or other practitioner (s) that provides independent, objective assurance and consulting services designed to add value and improve an organisation's operations. The internal audit activity helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.
- Senior Management Team who are the team of individuals at the highest level of organisational management who have the day-to-day responsibilities for managing the Council.

- Cabinet - The highest level governing body charged with the responsibility to direct and/or oversee the Council's activities and hold organisational management accountable. Furthermore, "Cabinet" may refer to a committee or another body to which the governing body has delegated certain functions (e.g. a Governance and Audit Committee).

Client care standards

In delivering our services we require full cooperation from key stakeholders and relevant business areas to ensure a smooth delivery of the plan. We proposed the following KPIs for monitoring the delivery of the internal audit service:

- Discussions with senior staff at the client take place to confirm the scope four weeks before the agreed audit start date.
- Key information such as: the draft assignment planning sheet are issued by RSM to the key auditee four weeks before the agreed start date.
- The lead auditor to contact the client to confirm logistical arrangements at least 10 working days before the commencement of the audit fieldwork to confirm practical arrangements, appointments, debrief date etc.
- Fieldwork takes place on agreed dates with key issues flagged up immediately.
- A debrief meeting will be held with audit sponsor at the end of fieldwork or within a reasonable time frame.
- Draft reports will be issued within 10 working days of the debrief meeting and will be issued by RSM to the agreed distribution list.
- Management responses to the draft report should be submitted to RSM.
- Within three working days of receipt of client responses the final report will be issued by RSM to the assignment sponsor and any other agreed recipients of the report.

Authority

The internal audit team is authorised to:

- Have unrestricted access to all functions, records, property and personnel which it considers necessary to fulfil its function.
- Have full and free access to the Governance and Audit Committee.
- Allocate resources, set timeframes, define review areas, develop scopes of work and apply techniques to accomplish the overall internal audit objectives.
- Obtain the required assistance from personnel within the Council where audits will be performed, including other specialised services from within or outside the Council.

The Head of Internal Audit and internal audit staff are not authorised to:

- Perform any operational duties associated with the Council.
- Initiate or approve accounting transactions on behalf of the Council.
- Direct the activities of any employee not employed by RSM unless specifically seconded to internal audit.

Reporting

An assignment report will be issued following each internal audit assignment. The report will be issued in draft for comment by management, and then issued as a final report to management, with the executive summary being provided to the Governance and Audit Committee. The final report will contain an action plan agreed with management to address any weaknesses identified by internal audit.

The internal audit service will issue progress reports to the Governance and Audit Committee and management summarising outcomes of audit activities, including follow up reviews.

As your internal audit provider, the assignment opinions that RSM provides the Council during the year are part of the framework of assurances that assist the Cabinet in taking decisions and managing its risks.

As the provider of the internal audit service we are required to provide an annual opinion on the adequacy and effectiveness of the Council's governance, risk management and control arrangements. In giving our opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the Cabinet is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The annual opinion will be provided to the Council by RSM Risk Assurance Services LLP at the financial year end. The results of internal audit reviews, and the annual opinion, should be used by management and the Cabinet to inform the Council's annual governance statement.

Data protection

Internal audit files need to include sufficient, reliable, relevant and useful evidence in order to support our findings and conclusions. Personal data is not shared with unauthorised persons unless there is a valid and lawful requirement to do so. We are authorised as providers of internal audit services to our clients (through the firm's terms of business and our engagement letter) to have access to all necessary documentation from our clients needed to carry out our duties.

Quality Assurance and Improvement

As your external service provider of internal audit services, we have the responsibility for maintaining an effective internal audit activity. Under the standards, internal audit services are required to have an external quality assessment every five years. In addition to this, we also have in place an internal quality assurance and improvement programme, led by a dedicated team who undertake these reviews. This ensures continuous improvement of our internal audit services.

Any areas which we believe warrant bringing to your attention, which may have the potential to have an impact on the quality of the service we provide to you, will be raised in our progress reports to the Governance and Audit Committee.

Fraud

The Governance and Audit Committee recognises that management is responsible for controls to reasonably prevent and detect fraud. Furthermore, the Governance and Audit Committee recognises that internal audit is not responsible for identifying fraud; however internal audit will be aware of the risk of fraud when planning and undertaking any assignments.

Approval of the internal audit charter

By approving this document, the internal audit strategy, the Governance and Audit Committee is also approving the internal audit charter.

FOR FURTHER INFORMATION CONTACT

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The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

Our report is prepared solely for the confidential use of South Kesteven District Council, and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to you on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

RSM Risk Assurance Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.