



SOUTH KESTEVEN DISTRICT COUNCIL

Internal Audit Plan 2020/21

Presented at the Governance and Audit Committee meeting of: 18 March 2020

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To the fullest extent permitted by law, RSM Risk Assurance Services LLP
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EXECUTIVE SUMMARY

Our Internal Audit Plan for 2020/21 is presented for consideration by the Governance and Audit Committee.

The key points to note from our plan are:



2020 Internal Audit priorities: Internal audit activity for 2020/21 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 2020/21 is included at Section 2. The Council will be retendering for the provision of Internal Audit Services in 2020 and therefore a one year Internal Audit Plan has been developed and agreed with management.



Level of Resource: The level of resource required to deliver the plan is consistent with 2019/20. We will increase the use of technology when undertaking operational audits in 2020. 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 2020/21 and beyond. Local government continues to face significant financial pressure and a key theme of our work during 2020/21 will be around finance, as well as IT and business continuity. The Internal Audit Plan includes a number of areas relating to compliance including GDPR, Financial Regulations as well as Health and Safety areas relating specifically to Council housing. 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 2020/21

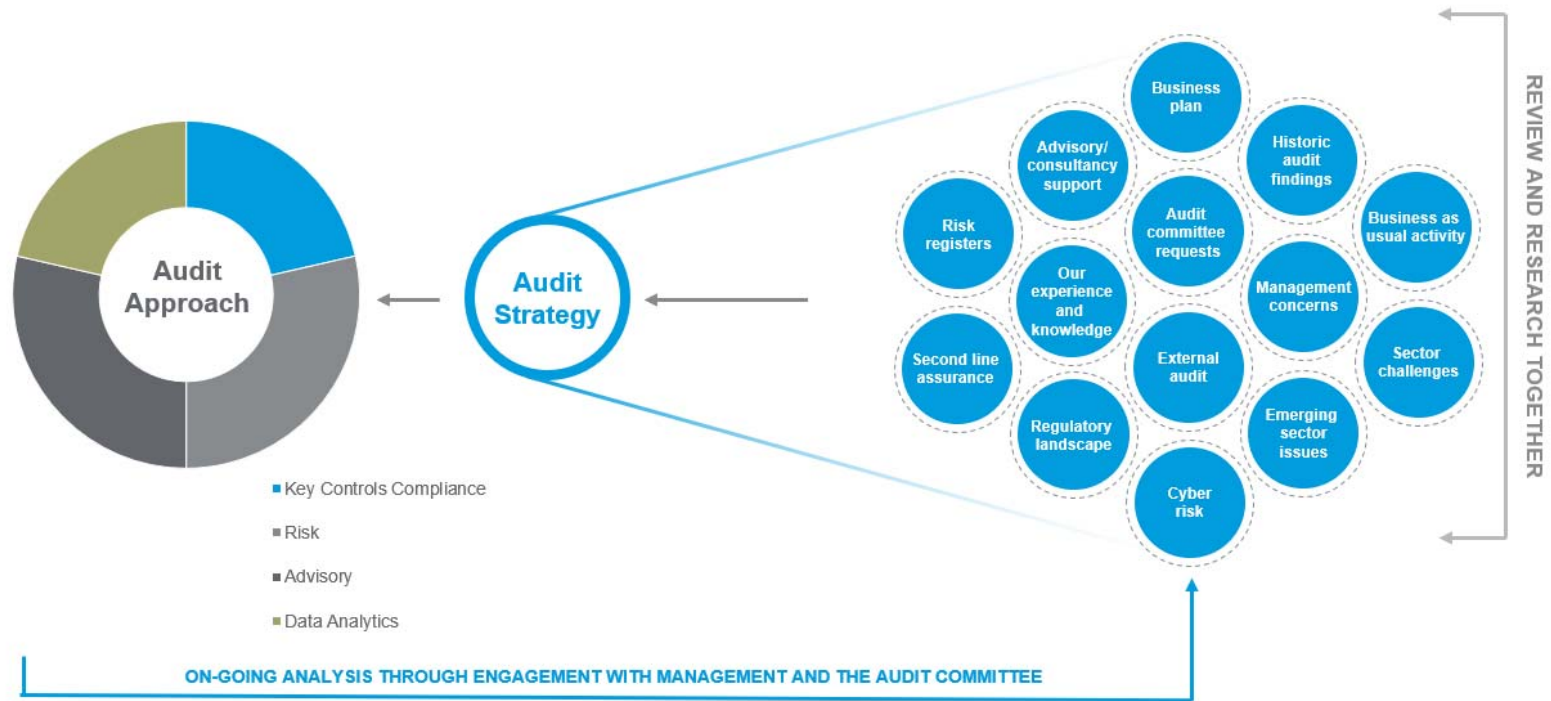
Our approach to developing your Internal Audit Plan is based on analysing your corporate objectives, risk profile and assurance framework as well as other, factors affecting South Kesteven District Council in the year ahead, including changes within the sector.

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 Plan. We have used various sources of information (see Figure A overleaf) and discussed priorities for internal audit coverage with the following people:

- Paul Thomas, Interim Chief Executive;
- Ken Lyon, Assistant Chief Executive – Housing Delivery;
- Gary Smith, Strategic Director – Commercial and Operations;
- Richard Wyles, Director of Finance;
- Lee Sirdifield, Strategic Director – Transformation and Change;
- Harry Rai, Assistant Director – Housing;
- Jane McDaid, Assistant Director – Growth;
- Shahin Ismail, Director of Law and Governance; and
- Ian Yates, Assistant Director – Commercial and Operations.

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



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 (see Section 2 for full details).

2. INTERNAL AUDIT PLAN 2020/21

The table below shows each of the reviews that we propose to undertake as part of the Internal Audit Plan for 2020/21. 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 plan also includes: time for tracking the implementation of actions and an audit management allocation.

Objective of the review	Audit approach	Proposed timing	Proposed Governance and Audit Committee
Strategic			
<p>Business Continuity and Emergency Planning</p> <p>This audit will review the current plan in place considering whether business impact assessments have been completed, priorities have been established and testing of the plan undertaken. We will consider the development of department plans to feed into the Council wide plan.</p>	Risk Based	Quarter 1	September 2020
<p>Project Management – Governance Arrangements</p> <p>The review will provide assurance that appropriate project management methodologies are in place. Our review will include how projects are monitored and delivered. This review will include business cases for projects, decision making, risk assessments, monitoring of delivery against targets and action taken to ensure that delays or slippages are minimised and action plans are in place to meet project deadlines. A sample of projects will be agreed with management.</p>	Risk Based	Quarter 3	March 2021
<p>Contracts and Procurement</p> <p>We will focus on whether policies and procedures are being adhered to with regards to 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. We will review pre, mid and post contract processes for each of the sampled contracts.</p>	Risk Based	Quarter 1	September 2020
<p>GDPR – Advisory Post Implementation Review</p> <p>An advisory post implementation review to provide assurance that processes are in place in order to ensure compliance with the requirements of the General Data Protection Regulation (GDPR).</p>	Compliance	Quarter 2	December 2020

Objective of the review	Audit approach	Proposed timing	Proposed Governance and Audit Committee
Finance			
<p>Financial Regulations</p> <p>This review will consider the content of the Financial Regulations to ensure there is regular review and update, formal approval of changes, communication to and understanding by staff, compliance is monitored and breaches are identified and dealt with in line with disciplinary procedures.</p>	Compliance	Quarter 2	December 2020
<p>Rent Collection and Arrears</p> <p>This review will provide assurance over the Council's ability to collect and accurately account for rental income in a timely basis. We will also ensure that legal recovery action is initiated promptly, and enforcement procedures are adhered to.</p>	Risk Based	Quarter 3	March 2021
<p>Council Tax</p> <p>Our audit will provide assurance that procedures in relation to Council Tax are followed and correct charges are being applied, and will include identification and recording of persons liable for Council Tax, billing methods and payment collection, recovery and write offs, segregation of duties, exemptions, discounts and refunds.</p>	Risk Based	Quarter 4	March 2021
Growth			
<p>Housing Compliance - Gas, Electrical, Legionella, Asbestos and Fire</p> <p>A compliance audit to confirm policies and procedures are being consistently, effectively and efficiently applied.</p>	Compliance	Quarter 3	March 2021
<p>S106 Agreements</p> <p>To provide assurance that policies and procedures are complied with, and opportunities presented by planning applications are maximised, such as contributions from developers and other bodies. We will also review the procedures for the repayment of funds not spent, and the separation of funds for the administration and completion of works.</p>	Key Controls	Quarter 2	December 2020

Objective of the review	Audit approach	Proposed timing	Proposed Governance and Audit Committee
Commercial and Operational			
<p>Disabled Facilities Grant</p> <p>We will review applications for grants to ensure that they are processed in line with statutory responsibilities and internal policies and procedures. We will also review the use of, and payments to, contractors, and tenant / applicant contributions made to the total cost following the eligibility assessment. Finally, we will review the budget monitoring process in place, and the level of management information reported.</p>	Key Controls	Quarter 1	September 2020
<p>Car Parks</p> <p>To ensure the Council's car park provision is reviewed to determine whether the requirements of users are being met, and also that each facility has been risk assessed. We will include a review of the signage in place at each car park, ensuring this reflects the Council statutory responsibilities, the approved fees and charges for parking and complaints. We will also include a review of the contract in place for the provision of car park enforcement.</p>	Risk Based	Quarter 2	December 2020
Transformation and Change			
<p>Learning and Development</p> <p>A review of the identification and approval of learning needs, monitoring of completion and confirmation of learning and development requirements including mandatory training. This review will also include the Council's Learning and Development Plan.</p>	Risk Based	Quarter 4	March 2021
<p>IT Infrastructure – Post Implementation Review</p> <p>This review will focus on the Council's IT infrastructure and review the IT implementation plan. Detailed scope will be agreed with management.</p>	Risk Based	Quarter 3	March 2021
<p>Customer Services</p> <p>To provide assurance that Customer Services meet the requirements of service users, with specific focus on garden waste services.</p>	Advisory	Quarter 2	December 2020

Objective of the review	Audit approach	Proposed timing	Proposed Governance and Audit Committee
Other Internal Audit Activity			
Follow up To meet internal auditing standards, and to provide assurance on action taken to address management actions previously agreed by management.	Follow Up	Quarter 1 Quarter 3	September 2020 March 2021
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. 	-	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 set out in a separate fee letter.

Core team

The delivery of the 2020/21 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 Audit and Risk 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 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 the Interim Director of Finance and S151 Officer.

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 plan. The plan will be submitted to the Governance and Audit 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 plan, the Governance and Audit Committee is also approving the internal audit charter.

FOR FURTHER INFORMATION CONTACT

Chris Williams, Head of Internal Audit

Chris.Williams@rsmuk.com

07753 584 993

Amjad Ali, Senior Manager

Amjad.Ali@rsmuk.com

07800 617 139

rsmuk.com

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.

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