

Tonbridge & Malling Borough Council

Internal Audit Operational Plan

2006-07

And three year Cyclical Plan

SUMMARY

Introduction

- 1. This operational plan sets out the audit programme for the financial year 2006-07. The work planned takes into account:
 - Internal Audit's objectives
 - key issues for 2006-07
 - the results of previous audits
 - the cyclical programme of audit work (The three year plan can be viewed at [Appendix 1].
 - the resources available
 - Level of Risk within each service
 - compliance with the revised CIPFA Code of Practice for Internal Audit 2003
 - working with the CIPFA Internal Audit Manual
- 2. The summary audit plan for 2006-07 is shown on pages 9 and 10 of this document.

Internal Audit's Objectives

- 3. The Section's objectives are derived from statutory requirements and the CIPFA Code of Practice for Internal Auditors in the UK 2003:
 - to provide an effective and independent appraisal function to management
 - to encourage improvements in internal controls to promote the proper, efficient, effective and economic use of resources within the Council
 - to produce work of sufficient quality and coverage to satisfy external audit requirements
 - to contribute effectively to departmental and corporate issues.
 - To contribute towards providing evidence for the Statement of Internal Control

Planning considerations

- 4. In order to make best use of audit resources, the need for audit reviews in individual areas is considered, based on a risk assessment, which evaluates:
 - materiality
 - the inherent risk associated with that activity (high risk activities are those which involve access to cash or complex activities where errors could arise or potential embarrassment risk to the council)
 - Individual Risk Registers
 - the controls in place to prevent and detect losses and errors
 - Knowledge from previous audit reviews.
- 5. This risk assessment is then translated into a three year strategic audit plan which shows the frequency of audit reviews, and an annual operational plan which sets out the areas to be covered in the current year, taking into account resource constraints.
- 6. In compiling the Plan for 2006-07, I have taken into account:
 - my financial and other risk assessment of the Council's activities
 - · discussions with officers
 - the incidence of irregularities over the past year
 - resources available
 - liaison with the District Auditor
 - key issues identified (as follows)

Key Issues for 2006/2007

Key issue identified	effect on Audit Plan	where addressed
Corporate Performance Assessment (CPA).	Audits will follow up the action of any areas in need of improvement identified by the CPA process.	Whole plan
Freedom of Information	Audits will ensure that the risks associated with the Freedom of Information Act have been taken account of.	Whole Plan
Risk Management Strategy and Corporate Governance Framework	Audit reviews to include examination of compliance with Risk Management and Corporate Governance Requirements in particular the requirement to produce evidence for the Statement of Internal Control.	Whole plan
Risk Registers	All high impact, high likelihood risks identified in operational risk registers will be covered in the audit plan.	Whole plan
Introduction of a Data image processing system (DIPS).	Audit time will be spent in providing advice on the controls relating to DIPS.	Advice and an audit of the DIPS system.
Revised Housing Benefit Performance Standards	Audit reviews of Housing Benefit areas will consider the requirements of the Revised HB Performance Standards.	Audit reviews of Housing Benefit, Council Tax Benefit and Benefit Fraud Investigation.
Managed Audit 2002	Audit reviews will continue to be undertaken in order to achieve compliance with standards required to achieve Managed Audit status.	Whole plan
The Accounts & Audit Regulations 2003	Audit reviews will be undertaken to ensure compliance with the regulations.	Whole plan
Publication by CIPFA of: Code of Practice for Internal Audit in Local Government in the United Kingdom 2003	We need to ensure that our work is carried out to the standards set out in the Code of Practice.	Whole plan
Publication of the Institute of	We need to ensure that	Whole plan

Internal Auditors Code of Ethics & International Standards	our work is carried out to the standards set out in the Code.	
Money Laundering	Audit reviews will consider any issues relating to the new Anti Money Laundering Policy.	Income collection audits
BVPI's and LPI's	We need to ensure that we have checked a sample of BVPI calculations and results.	BVPI's and LPI's will be checked within individual audits.
Implementing "E" Government (IEG)	Audit reviews will consider any issues relating to IEG.	Whole Plan
Customer Relationship Management (CRM)	The Council has purchased a CRM system and it will be implemented during 06/07.	An Individual audit of CRM.
Upgrades of Integra, Uniform and Payroll	Relevant audits will need to take account of the upgrades.	Audits of Main Accounting, Development Control, Building Control, Land Charges and Payroll.
Grants	Extra audit work will be carried out looking at Grants this year.	An audit on Grants
Procurement and efficiency savings/Gershon	Identify areas where efficiency savings can be made.	Whole Plan

The Plan for 2006-07

Systems based audits

7. These are audits carried out on a cyclical basis, to check that the Council has satisfactory systems of internal control in place for all significant areas of expenditure and income. Major income and expenditure systems are reviewed annually with a full CIPFA matrix audit being performed every other year. Some of these functions such as budgetary control will be undertaken as part of the work on most audits. CIPFA matrices detail all

the internal controls that should be in place within the system and associated audit tests to ensure they are in place.

audit area	review objectives
Ledger (the main accounting system)	To check controls over entries to the main accounting system to make sure that data is processed completely and accurately and to ensure the upgrade of Integra is carried out successfully.
Bank reconciliations	To check that reconciliations are promptly prepared and reviewed and that any failure to reconcile the bank account and the ledger is promptly investigated.
Payroll	To check that controls ensure we pay the right person the right amount for work done.
Purchasing and creditors	To check that the ordering and receipt of goods and services and payments for them are in accordance with Financial Procedural Rules and that the Council receives value for money from its purchases.
Debtors	To check that controls ensure debtors' accounts are promptly and correctly raised and that income due is promptly collected.
Council Tax	To check that there are controls in place to ensure that all persons liable for Council Tax receive correctly calculated bills and amounts due are promptly collected.
NNDR	To review the controls in place to ensure that businesses liable to pay non domestic rates receive correctly calculated bills and that amounts due are promptly collected.
Housing Benefits	To check that there are controls in place to ensure that benefits are only paid to those entitled to receive them.
	To provide advice and ensure there are adequate controls relating to the DIPS system.
	To ensure compliance with the Revised Housing Benefits Performance Standards.
Investments	To check that controls over investments ensure that:
	 purchases and sales of investments are properly authorised
	all income earned is received and

	properly recorded
	 Unauthorised disposals or loss of investments is prevented or promptly detected.
Budgetary Control -	To check that:
revenuecapital	 budgets prepared are complete budgets are monitored regularly and action is taken by budget holders in response to significant variances Regular year end forecasts are reported to Members.
Stock Control	To check that:
	 Stocktakes of all goods held are undertaken regularly and that the results of the stocktakes are being analysed
Income Collection –	To check that:
 Cash collection machines 	 secure arrangements exist for the collection and recording of monies
Leisure Activities	collected.all monies collected are promptly,
 Car Parking 	completely and accurately brought to
Development Control	account and that adequate records are maintained.all collections are promptly and
Building ControlLand Charges	 completely banked. Controls are in place to identify any variations in actual income levels against expected levels.

Discrete audit areas

audit area	review objectives
Insurance	This audit will examine the policies and levels of cover in place in order to ensure that it is adequate.
Post Opening	This audit will test the internal controls in place to ensure that post opening procedures allow post to be handled securely.
Risk Registers	To identify areas of High Impact, High Likelihood and to review the internal controls in place in order to minimise the risk. Also ensure that Risk Registers are regularly reviewed.
Computer Audit	The audit section will work in liaison with the IT Section to ensure that IT policies are adhered to.

Arrangements to prevent fraud and corruption

audit area	review objectives
Contract Audit work	To check that Contract Procedural Rules are complied with. To ensure controls are in place for the proper letting and management of contracts and that contract payments are made in accordance with contract terms.
Travel Claims	The review will consider whether we have controls in place to ensure that all sums claimed from the Council are reasonable and accurately recorded in our accounting records.
Petty Cash	To examine that petty cash imprests are maintained accurately and that expenditure incurred is appropriate.
Cashing up	To check that officers are able to account for all income received by them on the day of the cashing up.
Special investigations	To carry out investigations into suspected frauds, losses etc.

Follow up of recommendations made in previous audit reports

Audit reports	To follow up recommendations made in previous
	reports and to check that agreed action has
	been implemented.

Audit programme for 2006-07

Systems based audits	Total
	days
	06/07
Main accounting system	10
Payroll (including salaries, wages,	5
overtime payments, expenses)	
Creditors (including ordering, receiving	5
and authorising payments for goods and	
services)	
Debtors	10
Housing and Council tax benefits	30
Non-domestic rates	5
Council tax	10
Investment income	10
Cash and bank	10
VAT	5
Sub Total	100

Income collection (a selection of sites reviewed each year):	
Income receipting/Cash Machines	15
 Larkfield Leisure Centre 	8
 Angel Leisure Centre 	5
 Tonbridge Pool 	5
 Poult Wood 	10
Other Leisure Activities	18
Car Parks	5
Development Control	10
Building Control	10
Land Charges	5
Subtotal	91
Discrete audit areas	Total
	days
Insurance	5
Post Opening	5
Subtotal	10
American and the management and date at	T-4-1
Arrangements to prevent and detect	Total
fraud and corruption (Other than cash ups and petty cash).	days
Contract audit	40
Housing Benefits – Fraud Prevention	5
Travel Claims	5
Other reviews	173
Subtotal	223
Follow up of action agreed in previous	25
audit reports and advice and guidance	
Audit background work and research	103
e.g. Planning, Management, reading	.00
journals and Committee reports etc.	
•	
Total resources required	552

8. Total audit resources available for the year are estimated at 552 days, assuming the Section remains fully staffed all year. The Chief Internal Auditor is required to advise Members on the level of resources within the section. It is the opinion of the CIA that the level of resources within the section will enable the audit plan to be met and in turn meet the assurance levels required as evidence for the Statement on Internal Control.

Reporting protocol

9. We aim to involve auditees at key stages of the audit process, to ensure their agreement to audit findings and recommendations. The table below sets out how auditees will be involved in the audit process.

Audit stage	Involvement
Agreement of brief at the start of the audit	Head of Service
Discussion of main findings arising from an audit	Service Manager
Draft report	Service Manager/Auditee
Agreed report	Director of Finance (Chief Executive if Finance Audit) Head of Service and Auditees
Action Plan on audit	Head of Service
recommendations	
Audit satisfaction	Head of Service
questionnaire completion	
Where an action plan is not returned, follow-up procedures will commence after 28 days of report issue date.	Head of Service
Annual Report (with a summary of work covered, number of classified recommendations made and action, satisfaction levels achieved. The audit opinion will be given and a report of action taken will be given for "Unsatisfactory" opinions.) Annual Operational Plan Three year Strategic Plan	Management Team & Audit Committee
Quarterly progress reports (with a summary of work covered, number of classified recommendations made and action, satisfaction levels achieved. The audit opinion will be given and a report of action taken will be given for "Unsatisfactory" opinions.) Recommendations that have been accepted and not implemented will also be reported.	Management Team & Audit Committee

Audit Process

- 10. We will continue to define recommendations in order to give recipients of audit reports a measurement of how significant the recommendation is considered to be with regards to action required. There are three classes of recommendation made as follows:-
 - High Fundamental weakness in the system that puts the Council at risk.
 - Medium System weakness that leaves the system open to risk.
 - Low Desirable improvement to the system.
- 11. The system of giving an audit opinion was introduced during the year 2001/2002 as part of a move towards a risk management approach.
- 12. The audit opinions can be viewed at [Appendix 2].

David Buckley - Chief Internal Auditor - March 2006.