

Annex 1



Tonbridge & Malling Borough Council

Internal Audit
Operational Plan

2009-10

And three year cyclical plan

SUMMARY

Introduction

1. This operational plan sets out the audit programme for the financial year 2009 -10. The work planned takes into account:
 - Internal Audit's objectives
 - key issues for 2009 -10
 - the results of previous audits
 - the cyclical programme of audit work
 - the resources available
 - level of risk within each service
 - compliance with the revised CIPFA Code of Practice for Internal Audit 2006
 - working with the localised CIPFA Internal Audit Manual

2. The summary audit plan for 2009 -10 is shown on pages 8 and 9 of this document.

Internal Audit's Definition

3. The definition for Internal Audit is stated in the CIPFA Code of Practice for Internal Auditors in the UK 2006:

Internal audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment (i) by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

Planning considerations

4. The Code of Practice requires the Chief Internal Auditor to prepare a risk based audit plan. 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 considers:
 - 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 (**Annex 2**) which shows the frequency of audit reviews, and an annual operational plan (09/10 column of (**Annex 2**)) which sets out the areas to be covered in the current year, taking into account resource constraints.

6. In compiling the plan for 2009 -10, 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 Audit Commission
 - key issues identified (as follows)

Key Issues for 2009/2010

Key issue identified	effect on Audit Plan	where addressed
<i>Corporate Performance Assessment (CPA) Key lines of enquiry.</i>	Audits will follow up the action of any areas in need of improvement identified by the CPA key lines on enquiry process.	<i>Whole plan</i>
<i>Freedom of Information</i>	Audits will ensure that the risks associated with the Freedom of Information Act have been taken account of.	<i>Whole Plan</i>
<i>Risk Management Strategy and Corporate Governance Framework</i>	Audit reviews to include examination of compliance with Risk Management and Corporate Governance Requirements in particular the requirement to produce evidence for the Annual Governance Statement.	<i>Whole plan</i>
<i>Risk Registers</i>	All high impact, high likelihood risks identified in operational risk registers will be covered in the audit plan.	<i>Whole plan</i>
<i>Document image processing system (DIPS).</i>	An audit review of the DIPS system will be completed.	<i>Audit of the DIPS system.</i>
<i>The Accounts & Audit Regulations 2006</i>	Audit reviews will be undertaken to ensure compliance with the regulations.	<i>Whole plan</i>
<i>Publication by CIPFA of : Code of Practice for Internal Audit in Local Government in the United Kingdom 2006</i>	We need to ensure that our work is carried out to the standards set out in the Code of Practice.	<i>Whole plan</i>
<i>Publication of the Institute of Internal Auditors Code of Ethics & International Standards</i>	We need to ensure that our work is carried out to the standards set out in the Code.	<i>Whole plan</i>
<i>Money Laundering</i>	Audit reviews will consider any issues relating to the Anti Money Laundering Policy.	<i>Income collection audits</i>
<i>National Performance Indicators (NPI)</i>	We need to ensure that we have checked a sample of NPI calculations and results.	<i>NPIs will be checked within individual audits.</i>

<i>Implementing "E" Government (IEG)</i>	Audit reviews will consider any issues relating to IEG.	<i>Whole Plan</i>
<i>Customer Relationship Management (CRM)</i>	CRM controls will be tested within relevant audits.	<i>Relevant Audits</i>
<i>International Auditing Standards (ISA)</i>	Sampling techniques will be used to match the Audit Commissions to minimise duplication of work	<i>Whole Plan</i>
<i>Procurement and efficiency savings/Gershon</i>	Identify areas where efficiency savings can be made.	<i>Whole Plan</i>

The Plan for 2009-10

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 three years. 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
Main Accounting	To check controls over entries to the main accounting system to make sure that data is processed completely and accurately.
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	<p>To check that there are controls in place to ensure that benefits are only paid to those entitled to receive them.</p> <p>To ensure there are adequate controls relating to the DIPS system.</p>
Investments	<p>To check that controls over investments ensure that:</p> <ul style="list-style-type: none"> • 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. • And due to the current economic climate there will also be monthly checks to ensure that the lending list has been updated and all investments have been properly considered and well documented.
<p>Budgetary Control -</p> <ul style="list-style-type: none"> • revenue • capital 	<p>To check that:</p> <ul style="list-style-type: none"> • 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	<p>To check that:</p> <ul style="list-style-type: none"> • Stocktakes of all goods held are undertaken regularly and that the results of the stocktakes are being analysed
<p>Income Collection –</p> <ul style="list-style-type: none"> • Cash collection machines • Leisure Activities • Car Parking • Development Control • Building Control • Land Charges 	<p>To check that:</p> <ul style="list-style-type: none"> • secure arrangements exist for the collection and recording of monies collected. • all monies collected are promptly, completely and accurately brought to account and that adequate records are maintained. • all collections are promptly and 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 following the recent retendering.
Mail Opening	This audit will test the internal controls in place to ensure that post opening procedures allow post to be handled securely.
Business Continuity	To ensure that services have been considered in the Business Continuity Plan and procedures are in place to enable Business Continuity.
Risk Management	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 and any significant movement in risks is adequately addressed.
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 is maintained accurately and that expenditure incurred is appropriate. This will take place at the time of unannounced cash ups.
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.
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Audit programme for 2009-10

Systems based audits	Total days 09/10
Main accounting system	10
Payroll (including salaries, wages, overtime payments, expenses)	5
Creditors (including ordering, receiving and authorising payments for goods and services)	5
Debtors	5
Housing and Council tax benefits	20
Non-domestic rates	5
Council tax	10
Investment income	10
DIPS	5
VAT	5
Sub Total	80

Income collection (a selection of sites reviewed each year):

• Income receipting/Cash Machines	10
• Larkfield Leisure Centre	12
• Angel Leisure Centre	10
• Tonbridge Pool	12
• Poult Wood	5
• Other Leisure Activities	18
• Car Parks	5
• Development Control	10
• Building Control	10
• Land Charges	5
Subtotal	97

Discrete audit areas	Total days
Insurance	5
Post Opening	5
Subtotal	10

Arrangements to prevent and detect fraud and corruption (Other than cash ups and petty cash).	Total days
Contract audit	5
Housing Benefits – Fraud Prevention	10
Travel Claims	5
Other reviews	183
Subtotal	203
Follow up of action agreed in previous audit reports and advice and guidance	25
Audit background work and research e.g. Planning, Management, reading journals and Committee reports etc.	104
Total resources required	519

8. Total audit resources available for the year are estimated at 519 days, assuming the Section remains fully staffed all year. The Chief Internal Auditor (CIA) is required to advise Members on the level of resources within the section.
9. 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 Annual Governance Statement.

Reporting protocol

10. 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 recommendations	Head of Service
Audit satisfaction questionnaire completion	Head of Service
Where an action plan is not returned, follow-up procedures will commence after 28 days of report issue date.	Head of Service
Annual Report a (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 "Minimal" 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 "Minimal" opinions.) Recommendations that have been accepted and not implemented will also be reported.	Management Team & Audit Committee

Audit Process

11. 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.

12. The system of giving an audit opinion was introduced during the year 2001/2002 as part of a move towards a risk management approach.

David Buckley – Chief Internal Auditor - March 2009.