

Tonbridge & Malling Borough Council Internal Audit and Fraud Plan 2016-17

1. Introduction

- 1.1 Section 151 of the Local Government Act 1972 and Regulation Six of the Accounts and Audit Regulations (England) set out the requirement for Local Authorities to have an Internal Audit function. The [Public Sector Internal Audit Standards](#) define Internal Audit as an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations.
- 1.2 Tonbridge & Malling Borough Council's Internal Audit and Fraud function contribute to the effective and efficient delivery of the Council's objectives and is delivered and developed in accordance with the Council's Internal Audit Charter.
- 1.3 This Internal Audit and Fraud Plan (the Plan) is prepared in accordance with the Public Sector Internal Audit Standards (PSIAS), the Local Government Application Note and the CIPFA Code of Practice for Anti-Fraud and Corruption. The Plan aims to ensure that sufficient audit and fraud assurance work is carried out to enable the Chief Audit Executive to deliver an opinion regarding the adequacy and effectiveness of the internal control arrangements within the Council.

2. Audit and Fraud Risk Assessment

- 2.1 The 2016-17 Internal Audit and Fraud Plan has been based upon an annual risk assessment of the Council and its resultant Internal Audit and Counter Fraud needs. The risk assessment is undertaken to:
 - 2.1.1 Identify the Council's business objectives.
 - 2.1.2 Identify the business activities to aim to meet those objectives.
 - 2.1.3 Rank these systems in terms of risk, taking into account the sensitivity of the system, any revised management arrangements and the risk of fraud and error, to enable prioritisation of areas for review.
- 2.2 The results of this process are used in conjunction with review of risk registers, input from Senior Management and knowledge of the wider control environment. The aim is to help ensure that Internal Audit and Fraud resources are directed effectively to the key risk areas where they can add the most value in helping to ensure the achievement of objectives, the improvement of internal control and the efficiency of service delivery.

3. Resourcing

- 3.1 The Internal Audit and Fraud functions of Tonbridge & Malling Borough Council and Kent County Council have operated a shared management arrangement since May 2015. The 2016-17 Internal Audit and Fraud Plan will be delivered using the resource based at Tonbridge & Malling Borough Council which consists of the Audit & Assurance Manager (0.5fte), two full-time Internal Auditors and two Fraud Officers (1.6fte) subject to any requirements for specialist skills (see 3.3 below).
- 3.2 The total audit and fraud resource available in 2016-17 is 700 days which is considered sufficient to provide assurance over all high risk areas identified by the Audit Needs and Fraud Risk Assessments and to deliver the annual audit opinion. The audit planning process considers the skills and experience of the team when programming audits, and all work planned is considered to be within the capability of the team.

- 3.3 The Internal Auditor or Fraud Officer assigned to each audit/fraud review is selected by the Audit & Assurance Manager based on their knowledge, skills, experience, discipline and any declared conflicts of interest to ensure that the review is conducted effectively. If a review calls for specialist skills/experience beyond that within the team, arrangements would be put in place to secure specialist skills from KCC as part of the partnership arrangement or from an external contractor if that is not possible. The level and skills of audit resources available will remain under review throughout the year to ensure that they continue to be sufficient.
- 3.4 The Internal Audit and Fraud Plan contributes to the Council's overall assurance framework and as such, where possible, information will be shared and activities coordinated with other internal and external providers of assurance to the Council.

4. 2016-17 Internal Audit and Fraud Plan

- 4.1 The Plan is intended to provide a clear picture of how the Council will make use of its Audit and Fraud function, reflecting all work to be undertaken by the team during the financial year. The Plan is split by assurance and consultancy work, proactive fraud work and time for investigations. The Plan records, for each area of planned work the proposed high-level scope and the number of days that have been allocated.
- 4.2 The Internal Audit and Fraud Plan reflects the Council's focus on identifying financial savings and opportunities for generating efficiencies in services. The Plan also incorporates targeted proactive anti-fraud work intended to assist in ensuring that the Council has appropriate arrangements in place to prevent and detect fraud, as far as possible.
- 4.3 As in previous years it is intended that the Internal Audit and Fraud team will remain responsive to the needs of the Council, the Directors and Senior Management during 2016-17; this is reflected in the provision of contingencies within the Plan for consultancy services, responsive work, investigations and advice and information unknown at the time of planning. It should be recognised, however, that any requests for additional work which are not covered by the allowances within the Plan may impact on the team's ability to achieve work specified in the Plan.

5. Monitoring & Reporting

- 5.1 The Internal Audit and Fraud Plan will remain under review throughout the year and be adjusted as necessary, in response to changes in the Council's business, risks, operations, programs, systems and control. All such changes will be reported to and agreed with Management Team and Audit Committee.
- 5.2 The performance of the Internal Audit and Fraud function is monitored and reported to the Audit Committee through regular reports including the overall opinion on the Council's governance, risk and control environment in the Annual Internal Audit Report.

No	Area of Audit Focus	Audit Days	Directorate	Rationale/Proposed High Level Scope
	ASSURANCE WORK			
	<u>Control assurance reviews</u>			
1	Complaints	7	Corporate	Post-implementation review of corporate system to provide assurance that objectives were met and benefits realised, to include review of outcomes in relation to appeals/ombudsman cases, etc.
2	Risk Management	12	Corporate	Annual assessment of risk management for reliance purposes including risk appetite and risk identification, assessment and mitigating actions.
3	Corporate Governance	12	Corporate	Review of the Local Code of Corporate Governance in line with the new Delivering Good Governance in Local Government (2016 Edition).
4	Safeguarding	15	Corporate	Implementation of the Safeguarding Strategy organisation-wide, finalisation of the scope will include consideration of key risk areas.
5	Partnerships	12	Corporate	To review the development and monitoring of key partnership arrangements to provide assurance on delivery of objectives.
6	Project and Programme Management	15	Corporate	A review to provide assurance that projects and programmes are effectively managed to deliver on time and to budget while achieving expected outcomes and realising benefits.
7	Demand Management	15	Corporate/CS	A review of strategies to manage demand on services through effective communication and dissemination of information, this could include getting things 'right first time' and use of our website.
8	Recruitment Strategy	12	Corporate/CS	Review to provide assurance on recruitment strategies, in particular in relation to hard to fill posts. Final scope to be defined but will potentially include use of recruitment incentives and consideration of alternative strategies such as shared services or use of consultants.
9	Financial Planning & Budget Monitoring	15	Corporate/F&T	To provide assurance that financial planning is in line with organisational objectives and that robust controls exist in relation to monitoring to support achievement of savings targets.
10	Refunds	12	Corporate/F&T	Review of refunds of all types to provide assurance that appropriate controls exist to manage the risk of fraud and error following systemic frauds occurring at neighbouring local authorities.
11	Payroll	10	F&T	Cyclical review of key financial system - scope for 16/17 to focus on deductions and variations.
12	Debtors inc debt recovery	12	F&T	Cyclical review of key financial system.
13	Capital Programme Monitoring	15	F&T	Cyclical review of key financial system.
14	IT Asset Management, inc acquisitions and disposals	10	F&T	To provide assurance that robust controls exist in relation to managing IT assets, including that procurement achieves value for money and that disposal is undertaken cost effectively and safely in terms of information security and environmental impact.
15	IT Strategy & Infrastructure	12	F&T	To provide assurance that the IT strategy is in line with corporate objectives and supports an infrastructure that is fit for purpose and responsive to organisational change.
16	Council Tax and Business Rates Recovery	12	F&T	Cyclical review of key financial system to provide assurance that recovery is maximised to support financial targets.
17	Housing Benefit Overpayments	10	F&T	Cyclical review of key financial system to provide assurance that recovery is maximised to support financial targets.
18	Parking income	12	SST&L	A financially material income stream. The scope for 2016/17 will be risk focussed and therefore dependent on any changes to service provision and parking charges.
19	Leisure development - external provision	12	SST&L	A review to provide assurance on the development of external provision in relation to leisure services to achieve objectives in relation to service delivery as well as financial targets.
20	Business Continuity - Emergency Planning	12	SST&L	Review to provide assurance on resilience to cope with an emergency including resourcing arrangements.
21	Public Health	12	PH&E	To provide assurance that public health initiatives achieve objectives and represent value for money in light of potential changes to funding.
22	The Local Plan	20	PH&E	A review to provide assurance on development of the Local Plan and support in terms of advice/challenge. The exact scope of work will be informed by progress through the year but is likely to be focussed on key milestones.
23	Housing - Empty Property Follow-up	10	PH&E	Follow-up to work undertaken in 2015/16 to review progress of the Empty Homes work.
24	Development Control	12	PH&E	Review to provide assurance on current and/or revised processes to support business process re-engineering.
		298		
	<u>Counter-fraud activity</u>			
	National Fraud Initiative (NFI)	40		Time for sifting results to inform whether referral to DWP and/or investigation by TMBC is required - Next full release due January 2017.
	Kent Intelligence Network (KIN) and other data matching/analysis	30		To reduce fraud and error with focus on Council Tax discounts and exemptions - time for sifting results to inform any further action required.
	Review of controls to prevent fraud in relation to Business Rates	12		A review to provide assurance that controls are adequate to manage the risk of fraud or error.
	Review of controls to prevent fraud in relation to grants and financial support	10		A review to provide assurance that controls are adequate to manage the risk of fraud or error.
	Investigations	120		Includes investigation of Council Tax Reduction Scheme fraud and joint working with DWP as well as investigations arising from data matches from NFI and KIN outputs.
	<u>Audit follow up work</u>			

	Follow up of all recommendations agreed by management	15		Allowance for the routine follow up and reporting to the Council's Management Team of agreed recommendations.
		525		Total Assurance Work
	Consultancy/Fraud Awareness Work			
	<u>Known project work</u>			
	Preparation for External Quality Assessment	20		
	Provision of training, advice and increasing fraud awareness	25		
	Support to other enforcement activities	25		
	Single Point of Contact for DWP	40		
	Licensing development of e-forms - advice	10		
	Housing advice	10		
		130		
	<u>Allowances for work unknown at the time of planning</u>			
	Consultancy services	15		Allowance for the provision of consultancy services unknown at the time of planning.
	Responsive work	15		Allowance for the provision of responsive support to the Council during the year.
	Advice and information	15		Allowance for the provision of control advice and information to the Council during the year.
		700		