

Tonbridge & Malling Borough Council Internal Audit and Fraud Plan 2017-18

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 2017-18 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 that aim to meet those objectives.
 - 2.1.3 Rank these systems in terms of risk, taking into account for example, risk to the council's reputation, financial materiality, risk of harm to staff, Members, contractors and service users and the risk of fraud and/or error. This enables prioritisation of areas for review.
- 2.2 The results of this process are used in conjunction with input from Senior Management on key service and strategic risks 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 2017-18 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 (one post is currently vacant) and two Fraud Officers (1.6fte) subject to any requirements for specialist skills (see 3.3 below). Additional days for 2017/18 are being sourced through use of a contractor pending any decision on recruitment to the vacant post.

- 3.2 The total audit and fraud resource available in 2017-18 is 632 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. 2017-18 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 includes assurance and consultancy work, proactive fraud work and time for investigations. For each area of planned work the Plan records the proposed high-level scope and the indicative number of days 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, and reduce its financial impact as far as possible. An example of this is the focus on Blue Badge Fraud included in the 2017/18 Plan. Use of a Blue Badge without entitlement is a specific offence and this is recognised nationally as an area for focus; in 2013 the National Fraud Authority estimate Blue Badge fraud costs the UK £46 million a year. Examples of the offence include use by someone other than the legitimate badge holder, a badge obtained through false representation (i.e. lying about having a disability) or creation of a fake badge. For each Blue Badge used fraudulently it has been estimated that the cost to a Local Authority could be in the region of £550 per annum in lost parking income.
- 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 2017-18; this is reflected in the provision of contingencies within the Plan for 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 and will therefore be considered on a risk basis.

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.

Area of Audit Focus	Planned Days	Assurance/ Consultancy	Directorate	Rationale/Proposed High Level Scope
The Savings and Transformation Strategy	15	A	All	This audit aims to provide assurance on delivery of the Strategy which is key to ensuring a viable and sustainable financial future for the Council and requires the achievement of ambitious savings and, increasingly, consideration of new ways of working and the related skills
Risk Management	10	A	All	Following the review and refresh of the Risk Management Strategy and Guidance this audit will aim to provide assurance that risks are being appropriately evaluated and escalated and that appropriate controls/residual actions have been identified
Serious and Organised Crime - Risk to Procurement Activity	10	A	All	Following a review undertaken by the Home Office which identified some vulnerabilities a recommendation was made to all Council's to undertake an audit of arrangements to manage procurement related serious and organised crime risks
Bribery & Corruption	10	C	All	A review of the Council's compliance with the requirement to take reasonable steps to avoid bribery and corruption to provide advice on any gaps to be filled or areas for development
Safeguarding	10	A	All	A follow-up to the 2016/17 audit to provide assurance that progress has continued and areas for development identified are now addressed
General Data Protection Regulations	10	C	CS	A 'readiness' review in line with new legislation due 25th May 2018 to provide advice on any actions needed to meet requirements
Information Governance including data sharing agreements	12	A	CS	Following development of the Information Governance OSG and Policy this review will provide assurance that the framework now in place to manage risk in relation to date creation, retention, sharing and destruction to ensure compliance with legislation and mitigation of reputational and financial risk
IR 35	5	C	CS	A review to establish whether any contractor or consultant arrangements comply with the new IR35 public sector requirements from April 2017
Corporate Governance - compliance with new framework and Policy Management	15	A	CS	A post implementation review to provide assurance on compliance with the new CIPFA/Solace Governance Framework, the review will also include a review of corporate policy management viewed as a cornerstone of governance
Licensing	12	A	CS	A review to provide assurance that controls are adequate to manage keys risks including of fraud and safeguarding
Payroll - Payment run	8	A	F&T	Cyclical cover of key/material financial system, this 3rd cycle will complete the review of the whole Payroll system
Helpdesk	12	A	F&T	A re-audit following implementation of the new helpdesk system
IT Disaster Recovery Plan	10	A	F&T	A re-audit following revision and updating of the IT Disaster Recovery Plan to provide assurance that the new Plan is fit for purpose based on business criticality
Cyber Attacks	12	A	F&T	Cyber attacks are considered to be a key risk to all organisations with recent cases impacting significantly at Local Authorities. The audit will aim to provide assurance that controls are in place to manage the risk to a reasonable level
Change in banking arrangements	5	C	F&T	Ad hoc advice on controls required for new processes as relevant
S106 agreements	12	A	PHEH	A follow-up to the 2015/16 audit of s106 which found a number of areas for development to provide assurance that the risks identified have now been addressed through adequate and effective control processes
Local Plan	12	A	PHEH	Following the audit undertaken in 2016/17 ongoing work will be undertaken at key stages in the development
Development Management	10	A	PHEH	Post-implementation review of revised approach following consultancy work in 2016/17 to provide assurance on implementation and effectiveness of changes
Building Control Resilience	10	A	PHEH	A review of the existing partnership to give assurance on resilience and sustainability
Planning enforcement	10	A	PHEH	An audit to provide assurance that planning enforcement activity is undertaken appropriately to ensure legislative compliance and effective use of sanctions including financial penalties if appropriate
Health and Safety	10	A	PHEH	A review to provide assurance that controls are adequate to ensure compliance with key legislation and manage the risk of harm to staff, contractors and service users
Air Quality Management	10	A	PHEH	An audit to provide assurance that processes in place meet statutory requirements, support environmental objectives and ensure air quality is considered in relevant decisions
Housing Discretionary Payments and Grants	15	A	PHEH/F&T	An audit which will include a focus on fraud and safeguarding risks to provide assurance that processes, including application and monitoring, are adequate and effective to ensure claims are bona fide and meet service users needs
Business Continuity Plan	10	A	SSLT	A re-audit following revision and updating of the Council's Business Continuity Plan to provide assurance that the new Plan is fit for purpose and appropriately risk based
Waste Contract Tender	20	C	SSLT	Consultancy work due to the financial materiality and public interest element of this key project, to include providing ongoing advice in relation to project and partnership governance and key risks including financial and reputational
Follow up of all recommendations agreed by management	10	A	All	Allowance for following up the implementation of actions agreed and reporting to Audit Committee
Proactive fraud activity				
National Fraud Initiative	100			Time for sifting results to inform whether referral to DWP and/or investigation by TMBC is required - results of the bi-annual matching process and the annual SPD to electoral role match were received in January 2017 and work is ongoing
KIN and other data matching/analysis to reduce fraud	30			Time for attendance at and chairing the KIN Board as well as sifting results of data matches to inform whether investigation or other action is required and document outcomes, including savings
Blue Badge Fraud	10			Liaison with KCC to address risks in relation to fraudulent use of blue badges with the aim of increasing income to the Council
Provision of training, advice and increasing fraud awareness	20			Rolling programme of fraud awareness training and ongoing provision of advice as required
Support to other enforcement activities	20			Ongoing provision of advice and support as required
Single Point of Contact for DWP	40			To fulfil role required by DWP
Allowances for work unknown at the time of planning				
Responsive work	15			Allowance for the provision of advisory or consultancy work during the year, for example in relation to system changes, key projects, partnership development or significant new contracts
Advice and information	12			Allowance for the provision of advice in relation to governance, risk or controls during the year
Investigations	100			Includes investigation of Council Tax Reduction Scheme fraud, joint working with DWP and investigating potential fraud in relation to other Council services as well as investigations arising from data matches from NFI and KIN outputs
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