

## **Tonbridge & Malling Borough Council Internal Audit and Fraud Plan 2018-19**

### **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](#) (PSIAS) define Internal Audit as an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 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 PSIAS and 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 on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

### **2. Audit and Fraud Risk Assessment**

- 2.1 The PSIAS require that the Chief Audit Executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals. The 2018-19 Internal Audit and Fraud Plan has been based on review of the Council's Strategic Risk Register and available Directorate/Service risk registers together with an assessment of the Council's Audit and Fraud assurance needs.
- 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 risk environment including emerging risks. 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 PSIAS require that the Chief Audit Executive must ensure that resources are appropriate, sufficient and effectively deployed to achieve the approved Plan. Appropriate refers to the mix of knowledge, skills and other competencies needed to deliver the planned work. 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 2018-19 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, the 0.6 post is also vacant) subject to any requirements for specialist skills (see 3.3 below). Additional days for 2018-19 are being sourced through use of a contractor pending any decision on recruitment to the vacant posts.

- 3.2 The total audit and fraud resource available in 2018-19 is approximately 630 days, which is considered sufficient to provide assurance over all high risk areas identified by the Audit 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 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. 2018-19 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, the indicative number of days allocated and, where relevant, is cross referenced to the Strategic Risk Register.
- 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 2018-19 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 counterfeit 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, its Members and Senior Managers; 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 these allowances 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 controls. Any 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.

Audit Area	Indicative Planned Days	Indicative Quarter	Assurance/ Consultancy	Directorate	Cross ref to Strategic Risk Register	Rationale/Proposed High Level Scope
Risk Management	10	4	A	All	N/a - assurance on RM Process	Following the review and refresh of the Risk Management Strategy and Guidance this audit will aim to provide assurance that risks are being robustly evaluated and escalated and that appropriate controls/residual actions have been identified
Safeguarding	10	3	A	All	Risk 1	Re-audit of safeguarding processes to measure direction of travel
Procurement	12	1	A	All	Risks 2, 4 & 8	Review of procurement processes including compliance with TMBC Policy and relevant legislation and value for money
Information governance - General Data Protection Regulations	15	Ongoing and Q4	A	All	Risk 8	Ongoing consultancy and assurance post implementation. Following consultancy work undertaken in 2017/18 in 'readiness' for the new legislation this review will provide assurance on compliance post implementation of the requirements
Business Continuity Plan inc Emergency Planning resilience	10	4	A	All/SSLT	Risks 12 and 17	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. The review will also focus on actions taken to address emergency planning resilience
Public Safety	12	2	A	All	Risks 1 and 7	Assurance on key responsibilities in relation to public protection
Corporate Governance - the democratic process and decision making	15	2	A	CS	Risks 2, 4 and 16	A post implementation review to provide assurance on compliance with the new CIPFA/Solace Governance Framework, the review will also include focus on the revised constitution and informed decision making
Customer services and Tonbridge castle service review	10	Ongoing	C	CS	N/a	Consultancy/advisory work to support implementation of changes and achievement of required financial and service outcomes
Starters and Leavers Payroll and Personnel processes	10	2	A	F&T/CS	Risk 6 and Core Financial System	Assurance on core financial system, to include assurance on recruitment checks following findings of 2017/18 audits
IT Disaster Recovery Plan	10	4	A	F&T	Risks 10 and 12	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
Council Tax Administration	12	2	A	F&T	Core Financial System	Assurance on core financial system
Council Tax fraud and error - KCC Funding	10	1	C	F&T	N/a	Assurance on compliance with requirements of business case for KCC funding and achievement of savings
Benefits assessments - Change of Circumstance	12	2	A	F&T	Core Financial System	Assurance on core financial system
Counter Fraud Function	10	3	A	F&T	N/a	Independent review of fraud function, equivalent of Internal Audit EQA to provide assurance on compliance with Policy and legislation as well as good practice with a view to informing future focus
Creditors	12	1	A	F&T	Core Financial System	Assurance on core financial system inc VAT
Treasury Management	10	2	A	F&T	Core Financial System	Assurance on core financial system, to include assurance on implementation of new Treasury Management Code
IT - New Strategy - dependent on timing	12	TBC	A	F&T	Risk 10	Assurance post-implementation of new Strategy including deep dive on key projects where relevant, timing of the audit will be dependent on the date the Strategy is finalised. If this means the audit needs to move back to 2019/20 the time will be used to review another key IT risk area in agreement with management and the Audit Committee
Local Plan	8	3	A	PHEH	Risk 5	Following the 2016/17 audit and subsequent changes to the timeline and requirements ongoing work will be undertaken at key stages in the development
Development Management	10	2	A	PHEH	Risk 4	Post-implementation review of revised approach following consultancy work in 2016/17 to provide assurance on implementation and effectiveness of changes
Prevention of Homelessness Act	15	4	A	PHEH	Risk 15	Detailed scope to be confirmed but to include compliance with new duties and potential focus on emergency accommodation/impact of welfare reform
Contaminated Land	10	4	A	PHEH	Risk 18	Assurance on monitoring process and actions arising following identification of potential contamination risks
Contract management inc grounds maintenance and Leisure Trust	12	3	A	SSLT	Risks 4 and 14	Overall assurance on contract monitoring processes to ensure value for money and quality of service delivery. The audit will include deep dive on key contracts.
Waste Contract Tender including process for green waste charging	15	Ongoing	C	SSLT	Risks 2, 4 and 14	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. Will include a focus on development of green waste charging processes
Parking methods of payment	5	TBC	C	SSLT	N/a	Service request - advisory work on methods of payment and future development
Follow-up - DHP	4	3	A	F&T		Follow-up of Limited assurance audit
Follow-up - NNDR	4	3	A	F&T		Follow-up of Limited assurance audit
Follow up of all recommendations agreed by management	10	Ongoing	A	All		Allowance for following up the implementation of actions agreed and reporting to Audit Committee
Proactive fraud activity						
National Fraud Initiative	100	Ongoing		F&T/All		Time for sifting results to inform whether referral to DWP and/or investigation by TMBC is required - results of the annual SPD to electoral roll match were received in January 2018 and work is ongoing
KIN and other data matching/analysis to reduce fraud	25	Ongoing		F&T/All		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. Will also include review of potential internal matches to detect and prevent fraud and any related data quality issues
Blue Badge Fraud	10	Ongoing		SSLT		Liaison with KCC to address risks in relation to fraudulent use of blue badges with the aim of increasing parking income to TMBC
Provision of training, advice and increasing fraud awareness	20	Ongoing		All		Rolling programme of fraud awareness training and ongoing provision of advice as required
Support to other enforcement activities	20	Ongoing		All		Ongoing provision of advice and support as required
Single Point of Contact for DWP investigations	40	Ongoing		F&T		To fulfil the role required by DWP - dealing with requests from the DWP for information held by TMBC to support DWP investigations of potential benefit fraud
Allowances for work unknown at the time of planning						
<b>Responsive work</b>	15	As required		All		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
<b>Advice and information</b>	15	As required		All		Allowance for the provision of advice in relation to governance, risk or controls during the year
<b>Investigations</b>	100	Ongoing		All		Includes investigation of potential fraud in relation to NNDR and Council Tax discounts and exemptions, Council Tax Reduction Scheme, joint working with DWP and investigating potential fraud in relation to other Council services as well as any investigations arising from data matches from NFI and KIN outputs
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