

AUDIT COMMITTEE

5 MARCH 2007

INTERNAL AUDIT WORK PROGRAMME 2006/2007

Report from: Internal Audit

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1 Summary

1.1 To advise Members of progress in achieving the internal audit programme for 2006/2007.

2 Decision issues

2.1 Following the Council's decision to establish this Committee, it is within the remit of this Committee to take decisions regarding accounts and audit issues.

3 Background

3.1. When considering the level of work needed on the key financial systems, internal and external audit work together to maximise the total audit resource available to this authority. This approach is known as the "managed audit". The 2006/2007 work programme was based on the following factors: -

- a number of audits are predetermined. They form part of the managed audit work, or are part of an assurance programme and this work must be carried out each year,
- audits based on risk assessment, identified through the service and business planning process,
- work requested, by members or officers,
- vacancy level within the internal audit team.

3.2. The 2006/2007 work programme is set out at Annex A and it shows progress changes to the plan and progress to date.

3.3. All managed audit work (systems and monitoring controls), fraud and corruption, the annual assurance programme for schools, governance and risk management are considered key activities and are given priority when resources are allocated. These audits will be completed by the year end.

4 Financial implications

4.1 There are no financial implications arising directly from this report.

5 Legal implications

5.1 There are no legal implications arising directly from this report.

6 Recommendations

6.1 Members are asked to note the progress to date and that the key assurance work identified will be completed.

7 Background papers

7.1 None

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Internal Audit Programme 2006/07

Activity ↓	Directorate →	Authority Wide	Community Services	Regeneration & Development	Children's Services	Business Support Department
Main Financial Systems – System Controls (Assurance Audits)						
Debtors (COLLECT)			F			
General Ledger						AC 03/07
Cash Control Framework						F
Council Tax						F
Housing and Council Tax Benefit						F
Housing Rents			F			
Business rates (NNDR)						F
Revenue Budgetary Control		F				
Financial Control in Schools <ul style="list-style-type: none"> • Budget management • Salary payments, travel and subsistence • Control and security of assets, information and equipment • Income and cash handling • Supplies, services and contracts • Payments, accounting and cash flow 					AC 09/06 AC 09/06 AC 03/07 AC 03/07 AC 03/07 AC 03/07	
Main Financial Systems – Monitoring Controls (Assurance Audits)						
Capital Budgetary Control		F				
Debtors (COLLECT)			F			
Council Tax						F
Housing and Council Tax Benefit						F
Housing Rents			F			
Business rates (NNDR)						F
Fraud and Corruption assessments (Assurance Audits)						
Contracts		F				
Debtors (COLLECT)			F			
Council Tax						F
Housing and Council Tax benefits						F
Housing Rents			F			
Business rates (NNDR)						F
Corporate Governance Audits						
Annual review (compliance with Cipfa/Solace requirements)		F				
Risk Management		F				

Directorate →	Authority Wide	Community Services	Regeneration & Development	Children's Services	Business Support Department
Activity ↓					
Prevention of Fraud and Corruption - overall arrangements	DR				
Whistleblowing – 2006/07 arrangements (see note 5)	F				
Other Financial Audits					
Leased Cars- Evaluate controls over the recovery from lease car holders, of ancillary charges rendered by the leasing company for fines, excessive wear & tear, mileage etc.					DR
Imprest Accounts (Social Services establishments)		AC 03/07		AC 03/07	
RAISE system payments (see note 6)		Defer to 07/08		Defer to 07/08	
Operational Audits					
Loss of Key staff Evaluate whether arrangements to identify, monitor, prevent and mitigate the loss of key staff are in place, operating and effective. This audit has been carried over from 05/06 and extended to include mitigating arrangements such as recruitment incentives and continuity planning identified in the 06/07 corporate risk assessment.			DR		
Violent abuse of staff Evaluate whether arrangements to identify, monitor, prevent and mitigate the incidence of actual and potential verbal and physical abuse against officers by customers are in place, operating and effective.	F				
Recruitment Vetting Evaluate whether arrangements provide documentary evidence that CRB disclosures have been obtained where appropriate and results appropriately evaluated, and that checks of identity, qualifications and employment references have been completed . We will also review progress on extending CRB checks to cover all school staff, as approved by Employment Matters on 25/5/06.	F				
Overtime costs Identify incidences of high overtime costs and verify appropriate operational controls are in place. Examine whether alternative options could be used to mitigate the costs incurred.	F				
Agency/consultant staffing Identify employment of external agency staff/ "consultants" and evaluate whether staff from the internal temp agency could have been used and whether alternative options such as overtime, acting up allowances and short term contracts offer better VFM.	F				

Directorate → Activity ↓	Authority Wide	Community Services	Regeneration & Development	Children's Services	Business Support Department
<p>Car Allowances</p> <p>Identify incidence of low mileage payments to essential and leased users and high mileage payments to casual users. Evaluate the viability and cost effectiveness of changed status and alternative options.</p>	DR				
<p>Non Webreq procurement</p> <p>Identify the nature and scope of non-WEBREQ ordering. Examine operational control over the use of non-WEBREQ orders and analyse the data to assess potential further scope for corporate procurement arrangements. Work to be undertaken in close liaison with that being conducted by Central Finance.</p>	F				
<p>ICT procurement</p> <p>Identify the incidence and nature of ICT procurement outside the corporate arrangements administered by ICT. Examine operational control over direct purchasing and evaluate any increased costs incurred. Evaluate whether the standing corporate arrangement maximises available bulk discounts.</p>	DR				
<p>Mobile phones</p> <p>Identify unusually high/low business usage and potential incidences of high personal use and evaluate operational controls on cost recovery. Assess viability/need for current provision and cost effectiveness of alternatives. Audit will also attempt to identify and evaluate cost impact of officers routing calls to mobiles, whilst at desk and available to answer landline.</p>	AC 03/07				
<p>Fostering</p> <p>This audit will focus on controls over discretionary and exceptional payments to foster carers. Like the above, organisational changes hindered its execution during 05/06.</p>				AC 03/07	
<p>Schools procurement</p> <p>General creditor payment data held by individual schools will be extracted when visiting schools throughout the 06/07 Schools Assurance audits and analysed to identify the nature and scope of common purchasing and the potential savings from further consortium procurement arrangements.</p>				F but full analysis deferred to 07/08 (see note 6)	
<p>Leisure Centres</p> <p>Information obtained during other audit activity indicated poor profitability at some leisure establishments. This audit seeks to establish the extent and identify the causes by examining operational control on aspects such as overtime, together with VFM examination of activities such as individual course/ programme viability, in-house catering etc.</p>		F			

Directorate →	Authority Wide	Community Services	Regeneration & Development	Children's Services	Business Support Department
Activity ↓					
Medway Renaissance Examine project, contract and partnership arrangements for monitoring and controlling expenditure and delivery of specified outputs. This audit was deferred and carried over from 05/06 to facilitate effective review of arrangements applied to Edmund Nuttall's Rochester Riverside contract.			AC 03/07		
Flood Protection Identify and evaluate effectiveness of monitoring controls and preventative measures applied to mitigate risk of significant flooding in identified vital locations.			AC 03/07		
Medway Tunnel Evaluate whether management and governance arrangements minimise the risks to the Council in maintaining the tunnel on behalf of its owners. We intend to review the agreement with the owners, arrangements covering the award and monitoring of maintenance contracts, the integrity of financial records and accurate/timely recovery of costs incurred.			DR		
Events Financing Evaluate whether events organised have been approved appropriately, based on set budgets, accounted for properly and limited the Council's financial risk exposure.		DR			
Requested Audits					
Environmental Project Grant Claims Certification of expenditure on three ODPM-funded projects, as requested by the accountable body (KCC).		AC 03/07			
Robert Bean Link Service Centre Inquiries into the cause of 2005/06 overspend.		AC 09/06			
Money Laundering	DR				
Whistleblowing Arrangements 2005/06	AC 09/06				
Disabled Facilities Grants		AC 03/07			
Social Care Financial assessment contributions (see note 5)		AC 03/07			
Follow up audits (an earlier audit had raised concerns over the control environment)					
Home to School Transport (see note 6)				Defer to 07/08	

Key

AC mm/yy = date reported to Audit Committee

F = fieldwork in progress DR = draft report issued

Notes

1. Assurance audits

These audits provide the S151 officer with an annual assurance of the operation of key controls within the main financial systems. This category also includes work carried out on behalf of the external auditor (Council Tax, NNDR, Housing Benefits and Housing Rents). Other systems in this category are audited on a cyclical basis, unless the previous year's assessment was unsatisfactory.

2. Corporate Governance

This covers the basic work required to provide the annual assurance statement, although the largest contributing factor are the results from audits on operational controls, which are listed under that specific heading.

Annual audits on the Corruption Prevention Systems and Risk Management are also deemed necessary to respectively feed into the Monitoring Officer's report to the Standards Committee and ensure the council's arrangements are sufficiently robust to achieve high CPA scores.

3. Other financial audits

This category includes audits on financial activities, which have been identified as:

- High risk by the council's risk management system and/or internal audit's own risk analysis.
- Generating specific concerns by directorates and /or internal audit.

4. Operational Audits

These audits provide assurance that appropriate controls are in place and operating to mitigate the strategic and operational risks affecting individual corporate or directorate activities. For the 2006/07 audit programme, operational risks have been identified and selected from the following sources:

- Risks identified by the corporate risk management system.
- Risks identified by internal audit's own scored audit risk analysis produced some years ago.
- Risks and areas of concern identified by recent internal audit work and local research.
- Scrutiny of the 2006/07 revenues estimates to identify potential activities to review as part of a VFM audit.

5. These audits are additions to the annual approved plan.

6. These items are deferred to 2007/08 either due to the delayed implementation of a computer system (Raise system payments and Home to School Transport) or resources unavailable to complete analysis until next year (Schools procurement).