

Audit Services Audit and Fraud Programme

Audits 2015/16	Qtr*	Area	Days	Key Risks	Proposed approach	FRS (2014/16)
Key Systems – Annual Audits (KS-A).						
These systems are subject to annual audit. The governance reviews are undertaken as key assurances for supporting the annual audit assurance. The four key system reviews have been undertaken each year due to the level of inherent risk and the fact that they are not undertaken by the external auditors.						
Council Tax	4	BSD	22	Error, delay, fraud Debts not recovered Council Tax Reduction and other discounts and exemptions not applied appropriately	Key management controls assessed and tested	Audit Assurance. Consultative work on Council Tax Reduction, discounts and exemptions. Kent Information Network. Data matching (NFI). Reactive investigations. Impact of SFIS implementation.
Housing Benefit	4	BSD	25	Error, delay, fraud Debts not recovered Overpayments not recovered Inaccurate accounting records	Key management controls assessed and tested	Audit Assurance. Consultative work on Housing Benefits including: - National Fraud Initiative (NFI), Fraud and Error Reduction Incentive Scheme (FERIS). Reactive investigations. Manage SFIS transition.
Housing Rents	4	BSD	25	Error, delay, fraud Debts not identified or pursued	Key management controls assessed and tested	Audit assurance, on-going consultative work regarding tenancy fraud. Kent Information Network. Tenancy Fraud Forum. Reactive investigations.

Local Business Rates	4	BSD	22	Error, delay, fraud Debts not recovered Subsidies not applied appropriately	Key management controls assessed and tested	Audit assurance. Consultative work on fraud resilience and fraud reporting. Reactive investigations.
Corporate Governance	4	ALL	10	Council's Annual Governance Statement not a fair representation of governance arrangements in place	Largely compliance audit	None
Risk Management	4	ALL	15	Ineffective identification and monitoring of corporate risks leading to poor decision making	Largely compliance audit	None
Data Quality – <i>Transparency Reporting</i>		ALL	16	Under reporting of fraud against the council – reputation damage and missed funding opportunities Failure to identify and investigate potential fraud	Compliance audit	Fraud Data reported in line with the Local Government Transparency Code requirements

Key Systems – Cyclical (KS-C) Internal Audit has identified key business processes where the council should receive regular assurance that they are working as intended. We have discussed these proposed audits with the external auditor to ensure that coverage of key systems between internal and external audit is not duplicated, and the assurance provision is maximised. Appendix D details the coverage of these areas over the previous three years.

General Ledger		BSD	25	Reports generated may not provide an accurate record of the council's financial position for the year-end accounts	Key management controls assessed and tested	None
Bank Account Management		BSD	25	Fraud and error	Key management controls assessed and tested	None
Debtors		ALL	20	Failure to recover debts Inaccurate financial statements Not identifying or dealing with unrecoverable debt	Key management controls assessed and tested	None
Health and Safety		ALL	25	Non-compliance Failure to protect staff and visitors Fines and legal action taken against the council	Review of procedures to ensure compliance within council buildings (excluding schools)	None
Business Continuity - Energy Resilience		RCC	25	Loss of services Not achieving VFM	Review appropriateness of arrangements for limiting power outages, back-up power provision, and tested plans for responding to power cuts	None

Risk based audit (RBA)

The key risks facing the Council have been identified by management and recorded on the Corporate Risk Register. The risk register also identifies key controls and measures for monitoring the management of the risk. Appendix E details the coverage of the corporate risks over the previous three years – these audits are not undertaken on a cyclical basis

Planning		RCC	25	Non-compliance with legislation Fraud	Governance processes for handling Planning Applications and Appeals	Audit Assurance and Reactive Work
South Thames Gateway Building Control Partnership		RCC	25	Inaccurate accounts Damage to reputation Fraud	As the council is lead partner of the project the review will look at key financial, operational and governance arrangements in place	Audit Assurance and Reactive Work
Medway Norse	1	BSD	25	Services not delivered Savings and profit sharing targets not achieved Poor governance leading to damage to the Council's reputation	Review governance and financial arrangements and contract management	Audit assurance and consultative support to management to help ensure fraud risk is fully assessed and resilience embedded as part of service delivery change
Care Act		C&A	25	Non-compliance Fraud and error Poor service delivery	Review the preparations for meeting the provisions of the Care Act	Audit Assurance and Reactive Work
Housing Maintenance		BSD	20	Poor contract management Poor service delivery Not achieving value for money Fraud and error	Full review of the contract management arrangements	Audit Assurance and Reactive Work

Adoption Services		C&A	25	Safeguarding issues Not achieving value for money Fraud and error	Key management controls assessed and tested	Audit Assurance and Reactive Work
Corn Exchange	1	RCC	25	Failure to achieve value for money Failure to maximise income Fraud and error	Review financial management arrangements following a finance-led review of the operational arrangements	Audit Assurance and Reactive Work

Probity Reviews

These are site reviews which do not contain an overall audit opinion, however at year-end an overarching report is produced which incorporates an overall audit opinion on the adequacy of controls

Local Financial Management Arrangements	1-4	RCC	140	Loss of income Not achieving value for money Assets not safeguarded Fraud	Series of probity reviews of Local Management arrangements - proposing to focus on libraries, theatres and sports centres Overarching report to summarise outcomes of individual reviews	Audit assurance and reactive work
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Consultancy Projects

These are projects agreed with management where internal audit will provide risk and control advice and independent assurance to developing systems and projects. Where internal audit involvement exceeds 10 days for a project, or there are significant concerns arising, then the Audit Committee will receive an audit report. A summary report of the consultancy projects will be provided to Audit Committee by July 2016.

Payroll electronic notification forms		BSD		Fraud and error	Liaison with management in ICT and HR	Fraud Resilience advice
Local Growth Fund - Transport Projects		RCC		Failure to deliver quality outcomes to time and budget Non-compliance with grant requirements	Terms of Reference shared with the project board Review of governance, procurement and financial management arrangements	None
Procurement Governance		BSD		Fraud	Liaison with Category Management	Fraud Resilience advice
E-Ordering		BSD		Fraud and error Failure to achieve value for money	Liaison with Finance and Category Management	Fraud Resilience advice

Troubled Families		C&A		Failure to deliver programme benefits Failure to obtain payment by results	Initial review of revised processes for Phase 2	None
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*The planned quarter for the work to be undertaken has been included for those audits where the timing is critical. The timing of the remaining audits will be discussed with senior management