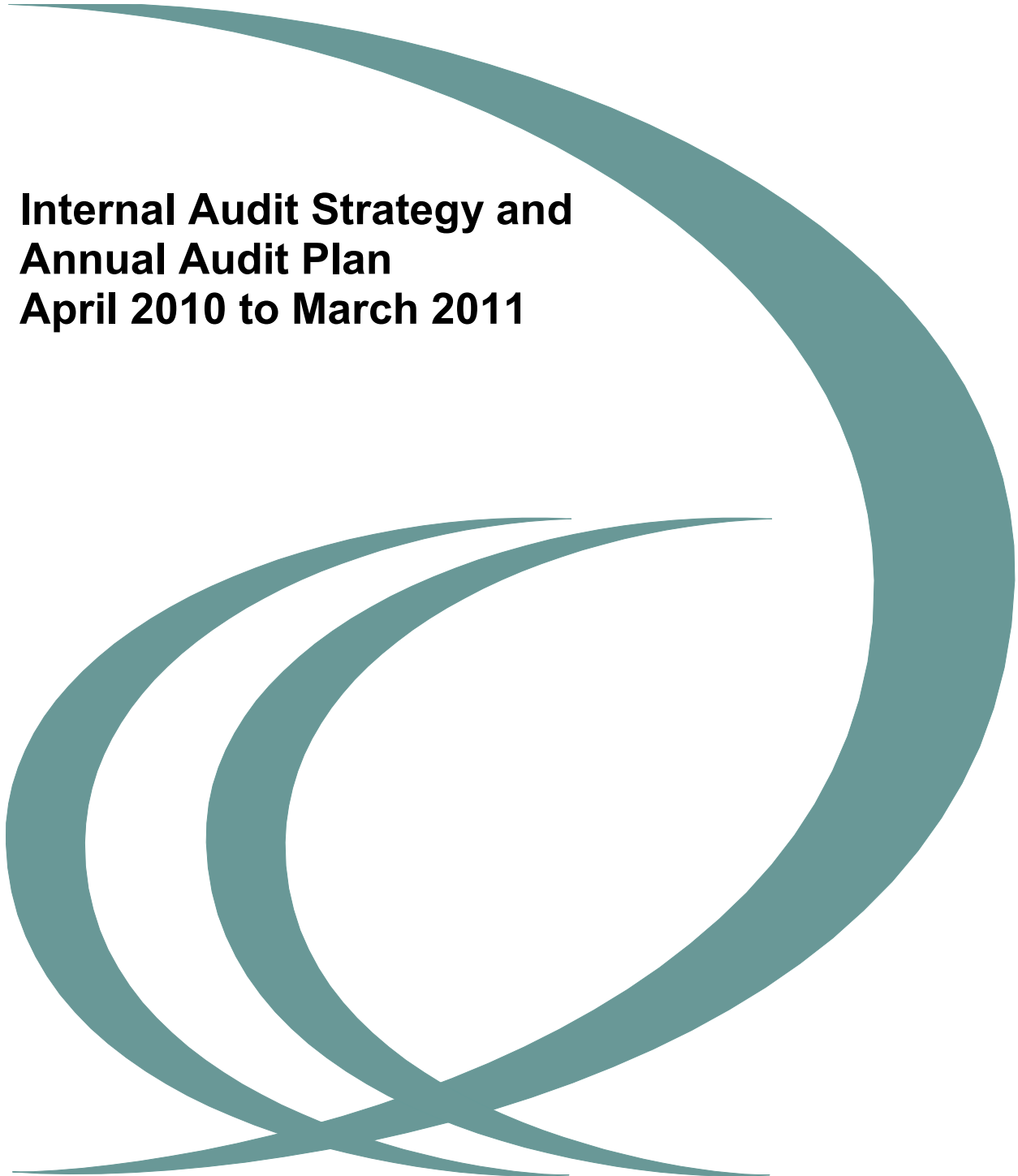




**Internal Audit Strategy and
Annual Audit Plan
April 2010 to March 2011**



Internal Audit Strategy

Introduction

1. The CiPFA¹ Code of Practice for Internal Audit in Local Government (2006) requires the Head of Audit to produce an audit strategy. The Code defines an Internal Audit Strategy as a:

“ high-level statement of how the internal audit service will be delivered and developed in accordance with the terms of reference and how it links to the organisational objectives and priorities.”
2. For the purposes of this strategy the terms of reference for the Kent Audit service are specified within its Audit Manual and Internal Audit Charter, which has been approved by the Governance and Audit Committee.
3. The Audit Manual sets out the overall objective of Internal Audit as supporting service delivery by providing an independent and objective evaluation of our clients’ ability to accomplish their business objectives and manage their risks effectively

Annual opinion to support the Annual Governance Statement

4. The Head of Audit will provide the accounting officer with an opinion on the overall adequacy and effectiveness of the Council’s risk management, internal Control and governance processes, collectively referred to as “the system of internal control”.
5. Each year we will assess the Council’s governance arrangements by comparing them with the principles described in the CIPFA SOLACE Governance Framework (Delivering Good Governance in Local Government, 2007). We will also annually assess the Council’s risk management arrangements, including risk management guidance, risk registers, risk reports and minutes of meetings for key decisions.
6. Our annual programme of work, undertaken to provide assurance to management and the Council on the operation of the internal control environment, will form a significant part of the evidence for the opinion. Audits will include recommendations that will, if implemented, further enhance the environment and the operation of the controls in practice. The implementation of these recommendations will also be monitored.
7. The internal audit work and findings will also be informed by the investigations and fraud risk management work carried out under the anti-fraud element of the plan.

Addressing Local and National Risks

8. As set out above, the adequacy and outcomes of the Council’s risk management framework will be assessed annually. Previous assessments have shown that the framework can be relied upon to identify the significant local and national risks faced by the Council. The Directorate and Strategic Risk Registers are therefore used to inform and guide the Internal Audit plan, which identified where assurance on control activity can be usefully provided.

¹ Chartered Institute of Public Finance and Accountancy

9. This work is supplemented by discussions throughout the year with senior officers who identify emerging or urgent issues and risks that will require audit attention. Depending on the timing of when these are identified they are either included in the annual plan, or added in year.

How the service will be provided

10. The provision of Internal Audit is delivered by an in-house team, supplemented by specialist IT Audit and general audit assurance work contracted from Deloitte LLP. There will be a continuing commitment to demonstrating that in-house provision represents a cost-effective means of delivering a high quality and professional service. Evidence to support this will continue to be provided from a variety of sources, including internal KPIs, external benchmarking comparisons, quality reviews and satisfaction surveys from clients and feedback from the external auditors.
11. The Internal Audit service will seek opportunities for more effective and efficient ways of working with local partners in the public sector, particularly if this avoids duplication and minimises overall costs.
12. Liaison with the County Council's external auditors will continue to ensure that they can place reliance on the work of Internal Audit meaning that the overall audit for the Council is delivered as efficiently, effectively and economically as possible.

Resources and skills required

13. In order to deliver the agreed annual audit plans, the appropriate level of resources will be made available to the audit team, to include the required mix of skills and specialisms. This will include general audit skills in respect of reviews of internal control, risk and governance arrangements, and appropriate coverage in specialist areas such as computer and contract audit and the investigation of frauds and irregularities.
14. Where audits require access to specialist expertise and knowledge that is not available within the audit team advice and input will be sought from the wide range of specialists and experts drawn from within the County Council and from outside sources.
15. A programme of training will be provided to team members to meet training needs identified through the Appraisal Scheme and feedback from quality reviews etc. This will ensure that team members are able to deliver a professional service in line with current best practice.

Annual Audit Plan

I. Authority Wide

Ref	Audit	Reason for Audit/Link to Strategic/Directorate Risk Register	Scope/Comments	Days
AW01 2011	Vetting and Barring scheme	Issue identified from Risk Based Audit Planning	To provide assurance as to compliance with the Independent Safeguarding Authority's (ISA) requirements in relation to the vetting and barring scheme.	20
AW02 2011	Employment Checks through Kent Top Temps	Issue identified from Risk Based Audit Planning	A review to ensure that appropriate pre-employment checks are carried out on staff recruited via Kent Top Temps.	15
AW03 2011	Corporate Governance	To support the Annual Governance Statement	A review of the Council's Corporate Governance Framework supplemented by a detailed assessment of one of the six themes of governance (Members expenses)	20
AW04 2011	Risk Management	To support the Annual Governance Statement	A review of the Council's risk management arrangements.	15
AW05 2011	Governance of Partnerships	To support the Annual Governance Statement.	A review of a sample of partnerships – Communities has requested that their key partnerships are included in the sample.	20
AW06 2011	Information sharing	To provide assurance on mitigating controls identified in Strategic Risk Register – Risk 5	To provide assurance as to the requirements for sharing sensitive and personal data. Also pick up sharing within directorates, with directorates and external bodies.	30
AW07 2011	Hypothecated funding	To provide assurance on mitigating controls identified in Strategic Risk Register Risk 19	Review hypothecated funding - financial control & exit strategies.	15



Ref	Audit	Reason for Audit/Link to Strategic/Directorate Risk Register	Scope/Comments	Days
AW08 2011	Performance Management Framework	To support the Annual Governance Statement and provide a basis for Internal Audit Planning	A review of the Council's performance management arrangements.	25
AW09 2011	Capital contract monitoring	Issue identified from Risk Based Audit Planning	A review of monitoring arrangements for a sample of capital programmes to ensure that timely and sufficient information is available on which to base decisions.	30
AW10 2011	Schemes of delegation and limits on approval	Findings from previous audits	To provide assurance that controls are in place to ensure decisions are made in line with the Councils intended scheme of delegation.	10
AW11 2011	Content Management (Web site (Internet))	Issue identified from Risk Based Audit Planning	To provide assurance on the adequacy of controls introduced as part of the new implementation to manage the web site and web content.	20
AW12 2011	Data Protection	Issue identified from Risk Based Audit Planning	To provide assurance that Data Protection requirements are being complied with and how this is managed across the council.	25
	Total days			245

II. Section 151

The work in this section is programmed to provide assurance to the Director of Finance with assurance that controls are in place and operating in key financial systems

Ref	Audit	Reason for Audit/Link to Strategic/Directorate Risk Register	Scope/Comments	Days
S01 2011	Year End Accounting	To provide assurance that controls are in place and operating in key financial systems.	To provide assurance that payments and income are accounted for in the correct financial year.	20
S02 2011	General Ledger	To provide assurance that controls are in place and operating in key financial systems.	To provide assurance on the adequacy of input controls including feeder system interfaces into the General ledger; and reconciliation of control and suspense accounts.	20
S03 2011	Corporate Purchase Cards (include Directorate level work)	To provide assurance that controls are in place and operating in key financial systems.	A review to provide assurance that purchase cards are used in accordance with corporate guidance, including an assessment as to the appropriateness of the types of expenditure incurred.	20
S04 2011	Accounts Payable	To provide assurance that controls are in place and operating in key financial systems.	To provide assurance that accurate and timely payments are made to bona fide creditors; for goods and services provided for the benefit of KCC.	20
S05 2011	Accounts Receivable	To provide assurance that controls are in place and operating in key financial systems.	To provide assurance that all income due is identified, invoiced, collected and recorded accurately and promptly.	15
S06 2011	KASS Income & debt management	To provide assurance that controls are in place and operating in key financial systems.	Review of the debt management process, including KASS following the transfer of responsibility.	15



Ref	Audit	Reason for Audit/Link to Strategic/Directorate Risk Register	Scope/Comments	Days
S07 2011	Treasury Management	To provide assurance that controls are in place and operating in key financial systems.	To provide assurance that all investments are properly authorised and procedures are complied with and new Governance arrangements introduced in 2009 are effective.	20
S08 2011	Payroll	To provide assurance that controls are in place and operating in key financial systems.	To provide assurance that payments are made accurately, to the correct staff and in a timely manner. This will include pension payments.	25
S09 2011	Construction Industry Scheme	To provide assurance that controls are in place and operating in key financial systems.	A review of the arrangements for the correct identification and deduction Income Tax (and NI?) under the Construction Industry Tax Scheme.	10
S10 2011	Medium Term Planning	To provide assurance that controls are in place and operating in key financial systems.	A review of the income and expenditure estimates, and the assumptions upon which they are built included in the current MTP.	15
S11 2011	Revenue Budget Monitoring	To provide assurance that controls are in place and operating in key financial systems.	Cyclical directorate revenue budget monitoring audits undertaken annually, to provide assurance that budgets are monitored and controlled.	20
S12 2011	Procurement (includes directorate work)	To provide assurance that controls are in place and operating in key financial systems.	To provide assurance that procurement is managed in accordance with KCC's 'Spending the Council's Money'. The sample will include contracts in the CFE directorate as requested by the Managing Director	30
S13 2011	Systems Mapping	To inform future audit planning including the development of a three year review programme	A review to 'map' key controls in financial systems.	30
S14 2011	Key Financial Controls in KCC 'establishments'	To provide assurance that controls are in place and operating in key financial systems.	To review compliance with financial controls in KCC's establishments/units/localities	30



Ref	Audit	Reason for Audit/Link to Strategic/Directorate Risk Register	Scope/Comments	Days
S15 2011	Pensions contributions	To provide assurance that controls are in place and operating in key financial systems.	To provide assurance that contributions for pensions are being correctly deducted and paid over to the Pension Fund. The work will be jointly delivered with Medway UA and Kent districts.	15
S16 2011	Pensions investment income	To provide assurance that controls are in place and operating in key financial systems.	To provide assurance that investment income derived from Pension Funds investments is correctly accounted for.	10
S17 2011	IFRS		To provide assurance on how IFRS requirements are being managed	5
	Total Days			320

III. Chief Executive's Department

Ref	Audit	Reason for Audit/Link to Strategic/Directorate Risk Register	Scope/Comments	Days
CED01 2011	Payroll Services contract with East Kent	Issue identified from Risk Based Audit Planning	A review of the operation of the Payroll Services contract with East Kent, to provide assurance that the service being provided meets the specified standards.	20
CED02 2011	Carbon Reduction Commitment Energy Scheme.	Management request for assurance	To provide assurance as to: (i) the accuracy of the data used for measuring carbon usage and reduction in relation the Carbon Reduction Energy Scheme (ii) the compilation of the document pack to support the Council's assertions in relation to participation in the scheme.	25
CED03 2011	Operation of Property Services Consultants Framework	Issue identified from Risk Based Audit Planning	Stage two of the review of the Property Consultants' Framework to provide assurance that individual procurement exercises undertaken are complying with the processes specified in the Framework.	20
CED04 2011	Building Maintenance contract	Issue identified from Risk Based Audit Planning	A review of payments to ensure that all payments made are for services provided, are properly authorised and are at rates agreed in the contract. .	20
CED05 2011	Schools Personnel Service	Issue identified from Risk Based Audit Planning	A review to provide assurance that the services provided by the Schools' Personnel Service meet the requirements of the Service level Agreement	15
CED06 2011	Regeneration Fund / Regeneration framework	Issue identified from Risk Based Audit Planning	To review the operation of the framework across KCC and integration with directorates.	15



Ref	Audit	Reason for Audit/Link to Strategic/Directorate Risk Register	Scope/Comments	Days
CED07 2011	Virus Protection / Spyware	Issue identified from Risk Based Audit Planning	A review of controls designed to protect KCC from computer viruses.	20
CED08 2011	Telecoms/Voice Over Internet Protocol (VOIP)	Issue identified from Risk Based Audit Planning	To provide assurance over the development of the project and deployment of the chosen solution at key stages in the life cycle of the project.	25
CED09 2011	PC End User Controls	Issue identified from Risk Based Audit Planning	A review to provide assurance that end users protect data they have access to.	35
CED10 2011	Data Backup and Data Centres	Issue identified from Risk Based Audit Planning	To provide assurance over the adequacy of backup arrangements to enable recovery of data and the physical and environmental controls over data processing.	25
CED11 2011	Oracle Modules (2) or Oracle Database Security audit	Issue identified from Risk Based Audit Planning	To provide ongoing assurance over the application controls and support arrangements.	30
	Total Days			250



IV. Commercial Services

Ref	Audit	Reason for Audit/Link to Strategic/Directorate Risk Register	Scope/Comments	Days
CS01 2011	General ledger	To provide assurance that controls are in place and operating in key financial systems.	An audit to test the adequacy of input controls including feeder system interfaces into the General ledger; and reconciliation of control and suspense accounts.	15
CS02 2011	Accounts Payable	To provide assurance that controls are in place and operating in key financial systems.	To provide assurance that accurate and timely payments are made to bona fide creditors; for goods and services provided for the benefit of KCC.	20
CS03 2011	Accounts Receivable	To provide assurance that controls are in place and operating in key financial systems.	To provide assurance that all income due is identified, invoiced, collected and recorded accurately and promptly.	20
CS04 2011	Services tender costing	To provide assurance that controls are in place and operating in key financial systems.	Review of a sample of tender bids submitted by Commercial Services to assess whether the bids have been prepared after taking into account all reasonable costs including KCC overheads. This will include a review of the overall costing process.	10
CS05 2011	Systems Mapping	To identify key controls in financial systems	A review to 'map' key controls in financial systems, to inform future audit planning including coverage of key controls on a cyclical basis.	30
	Total Days			95



V. Children, Families and Education

Ref	Audit	Reason for Audit/Link to Strategic/Directorate Risk Register	Scope/Comments	Days
CFE01 2011	Direct Payments	Issue identified from Risk Based Audit Planning	An evaluation of the effectiveness of the Direct Payments system for children. The review to include assessments, reviews and monitoring of payments.	20
CFE02 2011	Out of County Placements (social care)	Identified in the CFE Risk Register – Risk 2	An audit to examine the robustness of the planning and financial arrangements to ensure that value for money is achieved.	20
CFE03 2011	Out of County Placements (educational provision)	Identified in the CFE Risk Register – Risk 2	Linking to the audit of Out of County placements for social care, this audit to provide assurance that in meeting the educational needs of this client group the education provision is planned appropriately and budgets are managed and monitored effectively.	20
CFE04 2011	Financial control in schools	Identified in the CFE Risk Register – Risks 2 & 10	A review of the compliance visits to schools undertaken by the Directorate to enable Internal Audit to fulfil its requirement to assess the adequacy of other sources of assurance on key financial systems within the Authority.	5
CFE05 2011	ContactPoint	To support the Annual Compliance Certificate and identified in the CFE Risk Register – Risk 2	To provide assurance that compliance with the criteria specified by the Department for Children Families and Families.	20
CFE06 2011	Learning Skills Council Transfer of funds for further education	Identified in the CFE Risk Register – Risk 2	To provide assurance that the funds for 16 – 19 adult learning are managed appropriately, are used for the intended purposes and that statutory and legal requirements are met.	25



Ref	Audit	Reason for Audit/Link to Strategic/Directorate Risk Register	Scope/Comments	Days
CFE07 2011	Kent Children's Trust	Identified in the CFE Risk Register – Risk 3	To review the arrangements for the Kent Children's Trust to ensure that they are fit for purpose to deliver the objectives of the Children and Young People's Plan.	20
CFE08 2011	Adhoc Database and spreadsheet development and usage	Issue identified from Risk Based Audit Planning	To provide assurance around controls for the development and maintenance of spreadsheets and databases, that holds key/sensitive information.	20
	Total Days			150



VI. Communities

Ref	Audit	Reason for Audit/Link to Strategic/Directorate Risk Register	Scope/Comments	Days
CMY01 2011	Fee Income	Identified in the Communities Risk Register – Risk 1.2	An audit to assess the robustness of the systems in the directorate to monitor the fee income and the employment of mechanisms to vary costs in response to variations in expected income.	30
CMY02 2011	Protection of children & adults	Identified in the Communities Risk Register – Risk 8.1	To provide assurance that the Directorate is taking reasonable precautions to ensure that children, young people and vulnerable adults accessing their services are protected from harm.	25
CMY03 2011	Data Quality	Identified in the Communities Risk Register – Risk 5.1	This audit will provide assurance on the systems and controls over financial and non financial data that the Directorate relies on to manage its services and inform decision making.	25
CMY04 2011	Careworks Application	Issue identified from Risk Based Audit Planning	To provide assurance on the application controls.	20
CMY05 2011	Business Continuity	Issue identified from Risk Based Audit Planning	To review progress on the adoption of the Corporate Process	15
	Total Days			115

VII. Kent Adult Social Services

Ref	Audit	Reason for Audit/Link to Strategic/Directorate Risk Register	Scope/Comments	Days
KASS01 2011	Transaction Data Matching	Identified in the KASS Risk Register – Risk 11	Evaluation of the controls within the Transaction Data Matching system, following the implementation of changes to the process.	25
KASS02 2011	Flexible and Mobile Engagement (FAME)	Identified in the KASS Risk Register – Risk 3	Evaluation of the controls for the FAME project against the expected benefits of the scheme, specifically that electronic data capture is more efficient and reduces errors, thereby providing a more efficient service to clients.	25
KASS03 2011	Self Directed Support	Identified in the KASS Risk Register – Risk 8	A review of processes within the Directorate to include work on Personal Budgets.	25
KASS04 2011	Kent Card	Identified in the KASS Risk Register – Risk 8	A review of the usage of the Kent Card, identifying the controls for the usage and effectiveness of using the card.	10
KASS05 2011	Learning Disability transfer	Identified in the Strategic & KASS Risk Register	To provide assurance on the ongoing arrangements with Health for LD clients.	15
KASS06 2011	Quality of care in Residential Homes	Identified in the KASS Risk Register – Risk 7	An audit to provide assurance that arrangements are established and operating to ensure that the quality of care in residential homes is being maintained.	30
KASS07 2011	Client Billing	Identified in the KASS risk Register – risk 11 and deferred from 2009/10	To provide assurance on the accuracy and validity of charges to clients and other relevant parties.	25
KASS08 2011	Swift Application Controls	Issue identified from Risk Based Audit Planning	To provide assurance on the application controls.	25
	Total Days			180



VIII. Environment, Highways and Waste

Ref	Audit	Reason for Audit/Link to Strategic/Directorate Risk Register	Scope/Comments	Days
EHW01 2011	Roadworks Permits	Issue identified from Risk Based Audit Planning	Review of the Road Works permit scheme, to provide assurance that the scheme is operating as expected.	25
EHW02 2011	Over 60s travel passes	Issue identified from Risk Based Audit Planning '	Examination of the transfer process from district councils to KCC, particularly relating to the transfer of data and the quality of this data	20
EHW03 2011	Review of KHS	Identified in the EHW Risk Register – Risk KHS 18	To provide assurance on the effectiveness of contractual.	30
EHW04 2011	Highways Maintenance Programme	Identified in the EHW Risk Register - Risk KHS 4a,	A review to provide assurance that the KHS maintenance programme is consistent with the County's obligations under the Highways Act(s) etc.	25
EHW05 2011	Business Continuity	Adoption of Corporate Process	To review progress on the adoption of the Corporate Process	15
	Total Days			115

IX Work to minimise potential Fraud and Corruption

Description	Reason/Scope/Comments	Days
Planning & scoping future pro active fraud work	To identify any areas of potential fraud	10
Procurement fraud (part of the programme for next 3 years)	Identified as a potential area for fraud	35
Assessment against best practice frameworks	A review of Council's anti fraud and corruption arrangements against those recommended by CiPFA (Red Book) and the Audit Commission (Protecting the Public Purse).	15
Training / awareness raising includes publication of Risky Business the joint Internal Audit & Risk newsletter	To help raise fraud awareness in KCC, provide:- fraud awareness training, publication of 'Risky Business' joint Audit & Risk publication.	12
National Fraud Initiative	Participation in the Audit Commission's National Fraud Initiative (NFI) to identify and investigate any 'matches' in data sets.	30
Policy review (Whistle blowing etc)	A review of the anti fraud strategy for KCC	5
Payments to PSL	This issue was identified through Audit Intelligence during the year. A review will be carried out of the controls in place to prevent incorrect payment being made to PSL.	10
KTT timesheet authorisation	Review to assess the effectiveness of the automatic authorisation process of the Kent Top Temps timesheets	10
Irregularities and other investigations	Based on previous experience dealing with investigations of irregularities.	100
Total days		227

X Summary

Audit	Days
Authority Wide	245
Section 151 reviews	320
Chief Executive's Department	250
Commercial Services	95
Children, Families and Education	150
Communities	115
Kent Adult Social Services	180
Environment, Highways and Waste	115
Pro Active Fraud Work	127
Re active fraud work	100
Follow ups, liaison and Advice & Information	125
Grant Claims	70
Total	1,892