



Internal Audit Service

Internal Audit  
&  
Assurance Plan  
2008 - 2009

## 2008 - 2009 Internal Audit & Assurance Plan

The Internal Audit & Assurance Plan for the period August 2008 to July 2009 has been prepared in accordance with best practice as contained in the 2006 CIPFA Code of Practice for Internal Audit.

The Code requires that Internal Audit provide an opinion on the overall adequacy and effectiveness of the Council's internal control environment and that the opinion should inform the Annual Statement of Assurance on Corporate Governance.

The plan has been developed to take account of this requirement and provides the opportunity for reviews of corporate governance, risk management and operational controls to be undertaken as well as the more traditional financial areas.

All the risks present in the risk register as at 31 May 2008 have been included within the four year strategic audit plan. Reviews that have clear links to risks within the risk register ( identified by an extract of the register) will consider the effectiveness of the controls that are in place to manage the risks identified. They will also consider the assurance opinion that has been included in the register.

A summary of the audits planned for the period are listed on the following pages, together with the name of the Liaison Officer responsible for dealing with any audit report or other issue that arises from an audit review.

The annual assurance opinion that I provide will be based upon the findings of the reviews carried out.

In addition to undertaking the audits detailed in the plan, the review of fraud related risk areas will continue. Internal audit are also likely to be involved in providing advice and assistance to managers, advising on new project developments and dealing with any whistleblowing allegations received. Days allocated to these areas is shown at the end of the plan.

Whilst it is envisaged that all the audits contained in the plan will be undertaken, the identification of any new risks or significant changes in residual risk scores, may require audits to be substituted so as to ensure that reviews are undertaken of areas identified as being of greatest risk to the achievement of Council objectives. Chief Officers and Heads of Service will be informed of any changes before they are introduced.

**David Harwood**  
**Audit & Risk Manager**  
**31 May 2008**

## Corporate Systems

### Purchasing : S Couper

Risk: 39	<i>Inherent</i>	<b>High</b>	<i>Residual</i>	<b>High</b>
Risk: 65	<i>Inherent</i>	<b>High</b>	<i>Residual</i>	<b>Low</b>
Risk: 92	<i>Inherent</i>	<b>High</b>	<i>Residual</i>	<b>High</b>

20

39 The Code of Procurement is not followed correctly, leading to accusations of irregular practices, the challenging of award decisions and increased procurement costs.

65 Council employees make poor procurement decisions on a daily basis resulting in increased costs of goods and services.

92 Change to EU Procurement Legislation

The risks associated with purchasing/procurement appear on three separate occasions in the risk register. This review will consider general compliance with the Code of Procurement and examine the reasons behind the decisions taken. The review will also consider how to improve value for money in general day to day purchasing.

### Staff Development: P Duerden

Risk: 2	<i>Inherent</i>	<b>Very High</b>	<i>Residual</i>	<b>High</b>
Risk: 3	<i>Inherent</i>	<b>High</b>	<i>Residual</i>	<b>High</b>

15

2 COMT The Council does not invest in or develop its staff leading to motivational problems and few service developments being delivered on time or budget.

3 COMT The Council has difficulties in recruiting or retaining skilled staff due to its reputation or failure to provide appropriate support to staff.

This review will examine the processes and procedures that allow managers to identify their staff's training requirements, the support offered to staff, the development of the corporate training programme and that the training offered is appropriate to both staff's personal development and the current and future needs of the service. This area was last reviewed in July 2003 and received a limited assurance opinion.

### Management of Vacancies: P Duerden

This review will examine how managers are controlling staff vacancies within their Service areas. The audit will seek to establish how vacancies are managed, the provision of services when vacancies occur, the Human Resources Service role, and the affect upon service budgets. This area was last reviewed in April 2003 and received a limited assurance opinion.

15

### Delivery of MTP Bids: T Parker

Achievement of the Council's objectives relies upon the efficient and effective use of resources. The audit will review a sample of MTP bids approved in 2006/07 and 2007/08 considering such issues as the setting of targets / aims, achievement of aims, completion within timescales, post implementation review and compliance with the project management methodology. This area was last reviewed in October 2005 and received a limited assurance opinion.

5

### Holiday Leave: P Duerden

A review of the take up of the annual leave entitlement by key officers who maintain or have access to financial records or are key decision takers. Instances have been found elsewhere where key officers have been involved in fraudulent activity which was only uncovered when annual leave was taken. This area was last reviewed in June 2002.

3

**Local Strategic Partnership: I Leatherbarrow**

20

Developing and delivering action plans that meet the aims of the Local Community Strategy are a key aim for the Council. This review will examine the steps that are being taken to manage those plans. This audit will commence in the latter part of the year. Scoping of the work will be agreed with the Head of Service prior to the audit commencing.

**Discrimination & Social Exclusion: I Leatherbarrow**

10

Risk: 54

*Inherent*

**High**

*Residual*

**Medium**

54 Managers discriminate against certain service users by not considering the needs of all service users when delivering or developing services.

The Council has achieved Level 2 of the Equality Standard. This review will consider the work that has been undertaken across the Council to ensure that there is fair and equal access to services for all. This area was last reviewed in August 2005 and received an adequate assurance opinion.

**Work/Life Balance: P Duerden**

10

The Council's People Strategy includes as one of its objectives "... balancing the needs of work with the needs of employees". To meet this objective the Council agreed to "implement work/life balance policies, practices and flexible working". This audit will examine how these policies have been introduced and the effect that the scheme has had on service delivery. *This area has not been reviewed previously.*

**Local Transport Issues : P Jose / S Ingram**

8

Risk: 8

*Inherent*

**Very High**

*Residual*

**Very High**

Risk: 59

*Inherent*

**High**

*Residual*

**Medium**

8 COMT Staff are unwilling to change their mode of transport and the aims of Corporate Travel Plan are not met, resulting in the loss of car parking spaces for shoppers and other workers within Huntingdon town centre and damage to the Huntingdon economy.

59 The Council does not react to local transport issues, developments, and needs, leading to increased chance of adverse economic impact on the District.

This area has not been reviewed previously. The audit will examine how the market town and local transport plan are being delivered.

**Discretionary Service Charges: S Couper**

10

The Local Government Act 2003 introduced new devolved powers, both to trade and charge for non statutory services. This review will examine the use made of the discretionary charging powers.

Total Allocation 116

**Financial Systems**

**National Non Domestic Rates: J Barber** 10

To review on an annual basis a particular aspect of the NNDR system. This year's review will examine liability and billing procedures.

**Housing Benefits: J Barber** 15

Risk: 27 *Inherent* **High** *Residual* **Medium**

27 An interruption in the benefit system service or inadequate numbers of trained/skilled staff may lead to benefits not being paid correctly or on time.

To review on an annual basis the administration of the Housing Benefit systems. This year's areas will be agreed with the Head of Service prior to commencement. Areas considered to be key operational and financial controls identified within Housing Benefit & Council Tax Performance Standards appropriate to this area will also be considered. The review will also consider the BACS payment system that has recently been introduced.

**Creditors: S Couper** 15

To review on a cyclical basis specific areas of the creditors system. This years review will concentrate on the controls within the purchase ledger. Issues identified from the fraud and corruption plan will also be considered.

**Council Tax: J Barber** 15

Risk: 67 *Inherent* **High** *Residual* **Low**

67 Council Tax direct debits are not collected on time (collected twice) leading to an increase (reduction) in the cost of borrowing and local reputation damage.

To review on a cyclical basis specific areas of the Council Tax system. This year's review will examine liability and billing. Areas identified in the anti-fraud plan will also be reviewed.

**Integrated Payroll & Personnel System: P Duerden** 25

Elements of the payroll/HR system are reviewed on an annual basis. The audit will examine the appointment process for variable hours, temporary and casual employees, the monitoring and review of temporary contracts, and include a limited probity review to ensure that no ghost employees exist. In addition the procedures followed to manage other variable and permanent pay variations (overtime, weekly payroll, grade changes etc) will be reviewed. This area was last reviewed in April 2005 and received a limited assurance opinion. The audit will also consider if the benefits that were expected from the purchase of the integrated software have been realised.

**Main Accounting System: S Couper** 10

The e-financial management system is a key system that is reviewed every other year. The system was last reviewed in March 2007 and received a substantial assurance opinion.

**Loans & Investments: S Couper**

Risk: 47

*Inherent* **High**

*Residual* **High**

6

47 Council's funds not invested appropriately leading to losses or poor returns resulting in unexpected Council Tax increases or service cuts.

This audit will review the management of loans and investments against the Treasury Management Strategy. The implementation of previously agreed audit actions will also be reviewed. This area was last reviewed in July 2006 and received a substantial assurance opinion.

**Debtors: S Couper**

15

To review on a cyclical basis specific areas of the debtors system. The audit will review amongst others, the payment of accounts, their receipt and processing, management of credit balances, reconciliation and controls and a review of the controls introduced to address key fraud related areas.

**Payment Cards: J Barber**

2

This review will examine the controls introduced to manage the new payment card process including income reconciliation.

**Value Added Tax: S Couper**

15

A review of the systems used to administer VAT within the authority. This will include the controls in place to ensure that input and output tax is being accounted for correctly, the accuracy of the monthly returns and monitoring of the partial exemption position. This area was last reviewed in August 2004 and received a limited assurance opinion.

**Staff Allowances: P Duerden**

15

This review will examine the controls within the systems for the payment of all staff allowances except travel allowances. This area was last reviewed in November 2004 and received a limited assurance opinion.

Total Allocation 143

**Central Services**

**Commercial Rents & Estate Management: C Meadowcroft**

8

Risk: 50

*Inherent* **High**

*Residual* **Medium**

50 Poor management of Council owned industrial/commercial properties leading to the loss of development opportunities and reducing financial returns.

This review will examine the controls that are in place to manager the industrial & commercial property portfolio, including financial returns, termination of agreements, financial viability checks on potential lessee's and development/disposal opportunities. The area was last reviewed in January 2004 and received a substantial assurance opinion.

**IT Procurement Process: C Hall / C Meadowcroft**

Risk: 72

*Inherent* **High**

*Residual* **High**

5

72 Insufficient consideration given to contract terms & conditions or system users' needs prior to IT solutions being sought, leading to delays in procurement process.

This audit will consider the procedures followed by managers when contemplating IT purchases and the information that is presented to Legal Services. This area has not been audited previously, although audits dealing with Legal Services role in the procurement process have been undertaken.

Total Allocation 13

**ICT Audit**

**Telecoms/VOIP: C Hall**

10

Telecoms have historically been an important tool for the Councils, it allows the Council to communicate internally between staff, with its constituents, and allows constituents to contact the Council. In recent years Technology has developed which allows telephone calls traditionally made through the phone system to be made over data lines; this technology is Voice over Internet Protocol (VOIP). This Audit will look at the Councils Telecoms Infrastructure, whether the traditional telecoms solution or VOIP infrastructure (Dependent on the Councils chosen technology at the time of the Audit).

**E-Payments: C Hall / J Barber**

8

E-Payments is the process by which payments can be taken over the internet, or via a web browser. The review will cover Website maintenance, access control, account validation, system accounting, interfaces, security, Audit trails and disaster recovery.

**Network Infrastructure: C Hall**

12

The network infrastructure enables users to connect to servers and equipment which is not directly connected to their own physical PC or workstation. This could be on the next desk (as in printers), other rooms, other buildings or even other countries depending on the type of network. A review of the Network infrastructure will look at how the Councils network is accessed, how it is supported and monitored and how the network is secured against unauthorised access.

Total Allocation 30

**Environmental and Community Services**

**Historic Building Grants: S Ingram**

8

This area was last audited in May 2004 and received a limited assurance opinion. The audit will examine the controls surrounding the award and payments of grants.

**Choice Based Lettings: S Plant**

6

To review the arrangements for the administration of the CBL scheme. This area has not been reviewed previously.

**Event Management: R Ward**

Risk: 23      *Inherent* **Very High**      *Residual* **Medium**

5

23 The procedures for the management of Special Events organised by the Leisure Centres may not be robust and result in customer complaints.

Whilst the risk has been identified in relation to Leisure Centre events, the audit will examine the controls in place to manage all special events that the Council organises, including Fairs and Christmas Markets etc.

**Site Security : R Ward / R Preston**

Risk: 32      *Inherent* **Very High**      *Residual* **High**

5

32 Ineffective site security arrangements at Eastfield House leads to the theft and/or loss of assets' and employees being concerned for their safety.

Whilst the risk refers specifically to Eastfield House, the audit will examine the public access arrangements to all the main Council buildings, including Leisure Centres.

**Emergency Planning: R Ward**

Risk: 7      *Inherent* **High**      *Residual* **High**  
Risk: 9      *Inherent* **Very High**      *Residual* **Very High**

8

7 COMT Localised flooding occurs after periods of heavy rainfall and due to inadequate planning and/or funding, property damage occurs and the economic life in the District is disrupted.

9 COMT A civil emergency occurs that affects more than 2000 people leading to the Council's rest centre provision and support proving inadequate.

A review based upon the Audit Commission self assessment framework will be completed on the procedures and controls introduced and followed that allow the Council to assess, plan, advise and manage an emergency. This area was last reviewed in May 2006 and received a limited assurance opinion.

Total Allocation 32

In addition to undertaking the audits in the plan, time has also been set aside to provide advice and assistance to managers, advising on new project developments and dealing with any whistleblowing allegations received and manage and develop the service. Days allocated to these areas is as follows.

Providing systems & project development advice	50
Dealing with whistleblowing allegations & review of policy/procedure	7
Follow up reviews on audit actions introduced	12
Development of data extraction & analysis software	10
Internal quality control & review	25
Section management	12