

## **Internal Audit Plan 2007/08**

### **Introduction**

The 2006 CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom (CIPFA Code) recommends that Internal Audit sections produce a plan of work that they propose to carry out during the financial year. The purpose of the plan is to ensure that the available audit resources are used effectively and are targeted towards the key and high risk areas of the Council's activities.

The CIPFA Code also recommends that the audit plan is fixed for a period of time that is no longer than twelve months, and is sufficiently flexible to accommodate changes in risks and priorities that arise during the period covered by the plan.

### **Methodology**

In compiling the 2007/08 activity plan Internal Audit have taken into consideration a number of factors. These include:-

- The Corporate, Directorate and Service risk registers
- The risk categories used in compiling the risk registers and Internal Audit's own assessment of risk in the operational areas
- The adequacy of the risk management, performance management and other assurance processes within the Council
- The requirements of the external auditors and their ability to place reliance on the work of Internal Audit in forming their opinion on the Council's Financial Statements
- The extent and scope of audit activity in previous years
- Previous audit reports and recommendations made to strengthen controls or enhance systems
- External factors such as the Financial Management Standards in Schools (FMSIS) and grant conditions,
- The requirements of regulations and legislation
- The views of the Directorates

### **Delivery**

The plan will be delivered by a mix of in house and external resources. The majority of the resources will be provided by the Council's Internal Audit service with the specialist IT audit being provided by Deloitte.

## Appendix 1

Audits Planned	Priority	Days	Objective	Type
<b>RESOURCES</b>				
Main Accounting System / General Ledger	M	15	A review of the main accounting system. This may include the monthly management accounts process and controls to ensure that all expenditure is accrued for/correctly stated; the suspense accounts to ensure they are being managed effectively; controls around the use of journal transfers; set up and amendment of accounting codes; and the key account reconciliations between the feeder systems and the General Ledger. The key controls and information flows will be documented as per ISA315	Fundamental
Fixed Assets	H	10	A review of the system for operating and maintaining the Council's fixed asset register, accounting for fixed assets and the mechanisms for valuing and depreciating fixed assets. The key controls and information flows will be documented as per ISA315	Fundamental
Treasury Management / Investments and loans	M	8	An extended implementation audit to include the documentation of the key controls and information flows as per ISA315	Fundamental
Capital Programme and Expenditure	M	15	Accuracy of forecasting to produce capital plan, whether sales being generated to fund it, and whether monitoring reports to the performance review groups are identifying slippage and cost over-runs promptly. Project outcomes and feedback are documented and lessons learnt inform future projects. Key controls and documentation of key information flows as per ISA315	Fundamental
Bank Accounts	H	10	Review of the system for the setting up, closing, monitoring and reconciliation of bank accounts	System
Debtors	H	15	Review the processes for raising debtor accounts, the effectiveness of the debt recovery process, and the implementation of the recommendations from the Best Value Review and the previous audit. Key controls and information flows will be documented in accordance with ISA315	Fundamental
Creditors - duplicate payments testing	H	12	Testing of the Accounts Payable system, using IDEA, to identify potential duplicate payments and areas where preventative controls are needed or not functioning as intended. Any duplicate payments identified will be reported to management to commence the recovery process	Fundamental

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<b>Audits Planned</b>	<b>Priority</b>	<b>Days</b>	<b>Objective</b>	<b>Type</b>
Payroll	M	12	As the payroll system is scheduled for replacement this financial year, the scope of this review will concentrate on the implementation of the previous recommendations, the recovery of salary overpayments, and overtime claims. Key controls and information flows will be documented in accordance with ISA315	Fundamental
Pension fund	M	10	This review will concentrate on the implementation of previous recommendations, transfers into and out of the scheme, and the management, performance and monitoring of the fund. Key controls and information flows will be documented in accordance with ISA315	Fundamental
Health and Safety	H	8	As the previous audit has identified a number of issues that need to be addressed and made several recommendations, and the function is high profile and still has a red classification on the corporate risk register, this scope of this review will primarily be an extended implementation check	Corporate Governance
Risk management	H	10	This review will cover the implementation of recommendations made in previous reports and the key controls and information flows will be documented in accordance with ISA315.	Corporate Governance
Budget setting and control	M	15	This review will concentrate on the budget setting and monitoring process to ensure that it is robust. The review will include the way the budgets have been constructed, the profiling and forecasting models used, virements, and the alignment of budgets with the current service plans and activity levels. Key controls and information flows will be documented in accordance with ISA315	Fundamental
Insurance	M	8	Review of the insurance system to ensure system controls are adequate and effective. Key controls and information flows will be documented in accordance with ISA315	System
Mobile Phones	M	10	Review of the system for monitoring and managing the mobile phone contract, monitoring and controlling the usage of handsets, and the collection of income from staff for personal calls.	System/VFM
VAT	M	10	Review the system for managing VAT, including the submission of returns, reimbursement of claims from schools, guidance and training, and the handling of partial exemptions. Key controls and information flows will be documented in accordance with ISA315.	System / Compliance

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Construction Industry Scheme (CIS) of taxation	M	10	Review the system for managing the construction industry scheme (CIS) for the deduction of tax, and in particular the application of the changes made to the scheme that came into effect on 1st April. Key controls and information flows will be documented in accordance with ISA315.	System / Compliance
Procure to pay	H	12	This review will look at the procurement through to payment process and will focus on the controls within the electronic and manual ordering and invoicing systems, the monitoring of the use (and non use) of the electronic ordering system, and the scope and strategy for expanding e-procurement. Key controls and information flows will be documented in accordance with ISA315. (This review will be undertaken in conjunction with the review of the IT controls in the Oracle I -procurement module).	Fundamental
Oracle - Financials	H	20	Focus on the setup and operation of the I-Procurement module of Oracle Financials, including system controls, authorisation levels and interfaces. (This review will be carried out in conjunction with the e-procurement audit)	IT
Best Value Performance Monitoring System	M	15	Review of the implementation of the Performance Plus application for the performance monitoring and risk management	IT
Infrastructure Audit	H	25	Review of the IT infrastructure to include Active Directory (AD), Network Controls, Email Exchange / Outlook Security, IPSec, SAN, Wireless LAN & Cisco VPN	IT
IT Security Policy	H	20	Full ISO27001 IT Security gap analysis review	IT
Document Management Work Flow system	L	15	Review of the implementation of the document management system with particular focus on Meridio	IT
<b>Resources total</b>		<b>285</b>		

### CUSTOMER SERVICES

Housing Benefits	H	25	Adequate controls exist over the payment and reconciliation of housing and council tax benefit, following the recent migration to a new system. The review will examine the interfaces between HB system and the general ledger, the reconciliation process, and the Implementation of recommendations from the previous audit. Key controls and information flows will be documented in accordance with ISA315	Fundamental
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<b>Audits Planned</b>	<b>Priority</b>	<b>Days</b>	<b>Objective</b>	<b>Type</b>
Council Tax	M	18	Controls over charging, billing, collection, single person discounts and enforcement following the recent migration to a new system. Key controls and information flows will be documented in accordance with ISA315	Fundamental
NNDR	M	18	Controls over charging, billing, collection and enforcement following the recent migration to a new system. Key controls and information flows will be documented in accordance with ISA315	Fundamental
Cash collection and banking	H	15	Adequate controls exist over the collection, recording and posting of income, including income received through MOTO and web based collections, and the Accounting Officer System, including the monitoring and resolution of over & under banking. Key controls and information flows will be documented in accordance with ISA315	Fundamental
Civil Contingencies Act	H	8	This review will cover the adequacy and testing of the emergency plans, including the process for revising plans following the tests, maintenance of staff contact details, staff awareness of their responsibilities and the review of the business continuity plans and the implementation of BS25999	Corporate Governance
Homelessness	H	10	Extended implementation check to cover recommendations made following the previous audit and changes to operational procedures	Implementation
Relationship between Housing Services / the Council & Lewisham Homes	H	10	Review of the client management arrangements of Lewisham homes	Corporate Governance
Academy post Implementation Audit	H	10	Post implementation audit of the Academy suite of applications	IT
Housing renovation / improvement grants	M	10	Review of the system for the assessment, determination and payment of home improvement grants.	System
Waste collection, disposal and recycling.	M	10	This review will look at the system for the collection and disposal of domestic waste and recycling with particular focus on the disposal arrangements The review will also include the management of LATS permits.	System
<b>Customer total</b>		<b>134</b>		

### **COMMUNITY SERVICES**

Supporting people grant claim 06/07	H	5	Verification of the cost elements included in the supporting people grant claim.	Fundamental / substantive
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## Appendix 1

<b>Audits Planned</b>	<b>Priority</b>	<b>Days</b>	<b>Objective</b>	<b>Type</b>
Client contributions for residential and domiciliary care services	H	15	Review of the system for assessing clients ability to contribute towards the cost of care services received, including the processes used for raising charges and recovering overdue accounts. Effectiveness of the system for recovery of fees from residents assessed as having means to pay. Key controls and information flows will be documented in accordance with ISA315.	System
Payments to residential and domiciliary care providers	H	12	Review process for paying residential and domiciliary care service providers, monitoring payments and comparison of costs to agreed prices	System
Direct Payments	M	10	Review of controls over direct payments to adults and the arrangements in place to ensure the continuity of the service.	System
Modernisation of Adult Services	M	10	Provision of time to review the impact of modernising care services provided to adults. The area to be reviewed to be determined in consultation with management during the year	Operational
Client Financial Affairs	M	10	Review of the system to ensure arrangements are in place for the management, safeguarding and protection of client's property and financial affairs where the Council has taken on this responsibility. This audit will encompass a review of key controls and document key information flows	System
Libraries	M	15	Review of the operating costs of the Council's libraries with particular focus on the Libraries estate	VFM
CRSA for Day Centres	L	5	Review of the control risk self assessment returns submitted by day centres, including follow up visits where necessary.	Establishment
Commissioning and monitoring of care service contracts	M	15	Review of the system(s) for commissioning care services contracts, including adherence to contract regulations, the assessment of service providers, and the on going monitoring of the service providers performance. The review will also include the processes for monitoring the usage of beds under block contracts and the management of spare capacity.	Procurement
<b>Community total</b>		<b>97</b>		

### **CHILDREN AND YOUNG PEOPLE**

Lewisham Information Sharing and Assessment (LISA)	H	5	Extended implementation check to monitor progress on the action plan following the Audit Commission's review of LISA in 06/07	Implementation
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<b>Audits Planned</b>	<b>Priority</b>	<b>Days</b>	<b>Objective</b>	<b>Type</b>
Early years and pre-school funding	M	12	Review of the systems for funding arrangements for early years and pre school children. To include a comparison of current systems with proposals set out in the DFES consultation to assess any changes required	System
Direct payments for children	M	8	Review system for setting up and making direct payments to children to determine if adequate and robust controls are in place to ensure funds are recorded accurately and used for the correct purpose; staff and clients are not being exposed to avoidable and unnecessary risks; and opportunities to improve economy, efficiency and effectiveness are being identified and exploited. The review will also include the tendering process for the new contract.	System
Free school meals	L	5	Extended implementation check to review progress on the implementation of recommendations from previous audits and the effectiveness of changes made to the system by CYP.	Implementation
School audits - primary, nursery and special schools.	H	135	Review of school financial and governance systems, and compliance with the Financial Management Standards In Schools (FMSIS) The Department for Education and Skills requires 100% of schools to be accredited as compliant with its new financial standards by 31 March 2010, with at least 40% reaching the standard by 31 March 2008. The new standards are an enhancement to the previous guidelines. Once a school has been assessed as achieving the standard, the certificate lasts for three years, after which the school has to be reassessed.	Establishment
CRSA for Youth clubs	L	5	Review of the control risk self assessment returns submitted by youth clubs, including follow up visits where necessary.	Establishment
CRSA for childrens centres	L	5	Review of the control risk self assessment returns submitted by children's centres including follow up visits where necessary.	Establishment
School catering	L	8	Review of the arrangements in place for the re-tendering of the schools catering contract	Procurement / Contract
Education EMS & Tribal Foundation SEN	H	15	This IT audit review will cover the Education Management System and the Tribal Foundation Special Education System, and will focus on the quality of the data within these systems, with particular reference to the Data Quality KLOE which is due for release in 2006/07	IT
<b>CYP total</b>		<b>198</b>		

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Audits Planned	Priority	Days	Objective	Type
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### REGENERATION

Corporate Estate - Property Asset Management	H	20	Review of the controls in place on the corporate estate to ensure the assets are safeguarded, maintained in good order, comply with property related legislation including access for disabled people, and operated in an efficient and effective way. Review will include schools and will also cover the contract process to ensure sufficient time given to tender and organise work, property condition surveys and the prioritisation of schemes	Fundamental
Planning Section 106 agreements	L	8	This review will be an extended implementation check focussing on the recommendations from previous audits, and the processes for monitoring Section 106 agreements to ensure compliance with the agreements and the benefits do not become time barred	System
Transport Coordination Unit	L	15	Review the systems and processes in operation within the Transport Coordination Unit including tendering for services, risk management, service level agreements, planning and performance monitoring.	Operational
Parking	M	10	Review the system for operating and managing on and off street parking. This will include a review of the contract management arrangements, performance monitoring, compliance with contract conditions, revenue collection and sharing, and recovery of penalty charge notices.	System / Compliance
Highways Maintenance	M	10	This review will include the contract management arrangements, performance monitoring and compliance with contract conditions for highways maintenance.	System
Parking System	M	18	This review will focus on the procurement and pre-implementation phases of a new IT system for on and off street parking. (Phase I end of qtr 2 and Phase II mid Qtr 4)	IT
<b>Regeneration total</b>		<b>81</b>		

### CROSS CUTTING

LAA Grant claim 06/07	H	8	Department of Communities and Local Government requirement for Internal audit to examine the grant claim for 06/07 and substantiate the items claimed prior to its submission to DCLG	Fundamental / Substantive
LAA system	H	10	Review of the system controls, reporting mechanisms, accountability and governance arrangements around the Local Area Agreements	Fundamental / System



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<b>Audits Planned</b>	<b>Priority</b>	<b>Days</b>	<b>Objective</b>	<b>Type</b>
Project Management	M	12	Review of the project management processes and procedures, training and guidance for staff, monitoring of project progress and reporting, and post implementation reviews	Corporate Governance
Strategic Partnerships	H	10	Review of the arrangements for establishing, monitoring and managing partnerships, including assessing and monitoring outcomes and the processes for assessing and managing risk	Fundamental / Corporate Governance
Performance Indicators	M	10	Review of the system(s) for collecting data, monitoring performance and gathering evidence, and will focus on the data used for compiling the monthly monitoring report	Fundamental
Corporate contracts	H	15	Review of the corporate contracts to ensure they are being used as directed. This will include the recent corporate contract for agency personnel and the arrangements for identifying and monitoring non compliance with the contracts.	Procurement / Contract
Consultant Procurement	H	10	Review of the system for procuring the services of consultants to ensure compliance with the new guidance on appointment of consultants, verification of self employed status and compliance with Inland Revenue requirements	Procurement / Contract
<b>Cross cutting total</b>		<b>75</b>		

### LEWISHAM HOMES

Planned audits for Lewisham Homes	H	68	Provision of audit services to Lewisham Homes as per the SLA	External
Threshold - Housing management, rents & voids system	H	10	Provisional review of the Threshold IT system (this is outside the scope of the SLA and subject to confirmation from Lewisham Homes)	IT
Leasehold Service Charges	M	80	Verification of leasehold service charges for 06/07, to ensure that they are complete and accurate, prior to the issue of accounts to leaseholders	Substantive
<b>Lewisham Homes total</b>		<b>158</b>		

### NON DIRECTORATE SPECIFIC

Advice and support to Directorates	M	50	Provision for advice and information support to Directorates.	Advice & Info
Implementation checks	H	30	Follow up reviews to assess progress on the implementation of recommendations, particularly where limited or nil assurance opinions have been issued.	Implementation
Carry over from 06/07	H	100	Contingency to cover work required to bring reviews started in 2006/07 to a conclusion	System
<b>Non directorate specific total</b>		<b>180</b>		

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Audits Planned	Priority	Days	Objective	Type
<b>DEVELOPMENT AND MANAGEMENT</b>				
Quality file reviews	H	100	Review of audit working files by the Audit Manager and Senior Auditors prior to the issue of draft audit reports to ensure that the work has been carried out to an acceptable standard and quality; the correct conclusions have been reached; Internal Audit's processes and procedures have been applied, and the file has been constructed in a logical and methodical way and is in accordance with the guidance issued to auditors	Management / Quality
Control Risk Self Assessment	H	5	Development of a control risk self assessment methodology primarily for Council establishments	Development
System Documentation	H	12	Converting system and operational flow diagrams into 'soft' copy using MS Visio	Development
Development of Team Mate	H	30	Development and implementation of the Team Mate audit software application	Development
General management and control	M	118	General management issues that are not easily attributed to specific audits, attendance at meetings and working parties, liaison with external review bodies	Management
<b>Development and Management total</b>		<b>265</b>		
<b>STAFF DEVELOPMENT AND TRAINING</b>				
Shadowing Delloite ICT Audits	M	15	Designated auditors shadowing Deloitte on IT audits to increase their knowledge and skills	Staff Development
Training	H	80	Continued professional development of auditors, (includes short courses and professional or relevant qualifications)	Staff Development
<b>Staff development and training total</b>		<b>95</b>		
<b>NON PRODUCTIVE</b>				
General Admin	N/A	120	Allowance for general admin, filing, photo copying, scanning, completion of time sheets, etc	Admin
<b>Non productive total</b>		<b>120</b>		
<b>CONTINGENCY</b>				
Contingency	N/A	<b>152</b>	For any additional unplanned audits, extensions to planned audits, increased productive and non productive elements arising during the course of the year, sickness and medical appointments.	Contingency

**Plan Total**

**1,840**