INTERNAL AUDIT
STRATEGIC AUDIT PLAN
2008 - 2011
&
ANNUAL PLAN
2008 - 2009
22 February 2008

Draft for Audit Committee Approval

APPENDIX 1

Contents

APPENDIX 1

1. Strategic Audit Plan 2008 – 2011

This strategic audit plan provides a framework within which Internal Audit work will be carried out over the next 3 years and ensures that resources are effectively planned and controlled. It should be seen as a flexible management tool, which meets the following objectives and provides:

- a clear view of the workload of the internal audit team;

- a base for assessment of the adequacy and future deployment of internal audit resources;

- a yardstick against which progress and performance can be measured;

- the authority to act once it is approved by the Audit Committee; and

- a permanent record of the factors considered and judgements made.

The strategic audit plan has been compiled in accordance with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom ('the Code'). This requires the Internal Audit section to provide an objective assessment of the adequacy, reliability and effectiveness of the Council's internal control system. This strategic audit plan also takes into account the Internal Audit Mission Statement and Terms of Reference both of which have previously been approved by the Audit Committee. The plan has also been agreed by the Council's external auditors Grant Thornton UK LLP.

Included within the strategic audit plan is the 2008 - 2009 annual audit plan set out below in Tables 1 to 5. Section 6, on pages 11 to 17, gives a summary of audit day usage and provides further detail of Internal Audit resource allocation for 2008 - 2011.

2. Internal Audit Responsibilities

In preparing this strategic audit plan Internal Audit has taken consideration of the following:

Section 95 Officer

Internal Audit has a responsibility to inform the Section 95 Officer, the Head of Strategic Finance, of the effectiveness of the system of internal control operated within the Council. To date an Internal Financial Control Statement (IFCS) has been prepared for the Section 95 Officer by Internal Audit for inclusion in the Council's Annual Accounts. In June 2007, Grant Thornton UK LLP recommended that in future Internal Audit prepare an Internal Control Statement (ICS) for the Section 95 Officer. The new statement will comment on both financial and wider controls operated within the Council.

Audit Committee

Internal Audit has a responsibility to the Audit Committee to report on the progress of the audit programme in terms of planned time against actual time, and provide extract summary reports plus action plans from audits. Action plan recommendations made by external and internal audit are followed up and progress regarding implementation by local management is reported to the Audit Committee. At the culmination of each year's audit work an annual report is prepared by Internal Audit and presented to the Audit Committee along with an ICS in future.

External Audit

Internal Audit has a responsibility to co-ordinate its activities with Grant Thornton UK LLP. The relationship operated by Internal Audit with the Council's external auditor, is one of joint working. We try to avoid areas of duplication and in other instances work jointly on large system control issues. Consultations are held on a regular and informal basis to co-ordinate work and where appropriate develop audit programmes and methodology to assist in the carrying out of our systems audit work.

3. Core Financial Audits 2008 – 2011

Internal Audit has a responsibility to evaluate and test financial and management information systems in order to provide an opinion as to the adequacy of control within the Council. As a result of this work departmental management receive audit reports with recommendations offering advice to enable rectification of system weaknesses, improve compliance and control and reduce risk.

Gaining Assurance

Internal Audit in agreement with Grant Thornton UK LLP will adopt the CIPFA systems based audit (SBA) control matrices. This is a methodology developed by CIPFA for identifying weaknesses and risks in systems and evaluating the controls management have established, and for testing the controls to check they are working effectively in order to provide assurance to management.

The SBA control matrices cover the main fundamental financial systems such as creditors, debtors, payroll, etc. The adoption of the CIPFA control matrices will help the section further develop its quality standards, compliance with the Code and enable departments to gain from participating in the audit methodology. The introduction and use of CIPFA SBAs also complements a medium term goal set out in the 'Corporate Plan 2007 – 2011 and beyond' that of introducing self assessment tools to strengthen the drive for continuous improvement.

Using the systems based auditing methodology will provide a co-ordinated approach that will meet the objectives of both external and internal audit. The adoption of the methodology will enable the following:

- A co-ordinated and efficient audit approach;
- External audit can place reliance on internal audit work; and
- Audit effort can be focused more effectively.

The adoption of the CIPFA SBAs will assist our overall aim to maintain and strengthen our good working relationship with external audit and stakeholders within a quality framework. A description of how the new SBAs are to be used in co-operation with departments is provided in Appendix 2.

Council Financial Systems

In order to provide an opinion on the Council's internal controls, Internal Audit is required to take cognisance of the Council's main financial systems and their support systems. The main financial systems are as follows:

- Payroll Systems;
- Council Tax and Non-Domestic Rates;
- Main Accounting Systems;
- Creditor Payments Systems;
- Debtors;
- Unified Benefits; and
- Asset Management.

Core Financial Audit Assessment

In order to identify and rank the main financial systems that will require to be audited over the next 3 years, Internal Audit makes use of 3 assessments. These are set out as headings in Table 1, page 5. They are:

- *materiality factors* – an assessment of the financial size of the system;

- *inherent risk* - the risk associated with a particular activity due to its very nature, and the level of sensitivity attached to a possible breakdown in the effective operation of that system; and

- *controls effectiveness* - an assessment based on audit report recommendations regarding the degree of control management currently has over the inherent risks.

Each of the assessments was given a best practice weighting. Materiality was rated X 3, Inherent Risk X 5, and Controls X 2. This enabled Internal Audit to reflect the emphasis given to these criteria in relation to audit needs. A ranking of between one and 5 was given for both Inherent Risk and Materiality and a ranking of between one and 3 for Controls. For Inherent Risk a score of 5 was given for highest risk and the same ranking was used for Materiality and for Controls effectiveness a score of 3 where they are judged poor. The calculation of all three elements together provided a range of total scores for Financial Systems of between 10 and 46. Total scores were then evaluated and allocated a 'total risk' score for each system with the highest scoring areas ranked one reducing to nine.

Table 1 – Calculation of Audit Risk (Core Financial Systems)

	Materiality factors	Inherent risk	Control rating	Total audit risk score	Ranking
Core financial systems *(Weighting)*	(x3)	(x5)	(x2)	(max 46)	-
Budgetary preparation and control	5	5	2	44	1
Capital accounting	5	5	2	44	1
Capital contracts	5	5	2	44	1
Cash income and banking	4	5	2	41	2
Car Allowances	4	5	2	41	2
Contract hire and operating leases	5	4	2	39	2
Council tax and non-domestic rates	5	5	1	42	2
Creditor payments	5	5	1	42	2
Debtor accounts	5	5	1	42	2
Purchasing	5	5	1	42	2
Unified benefits system	5	5	1	42	2
Asset Management					
General ledger operations	5	5	1	42	2
Government & European grants	5	5	3	46	1
Payroll	5	5	1	42	2
Treasury management	5	5	1	42	2
Tendering procedures	5	5	2	44	1
Payments to voluntary bodies (following the public pound)	5	5	1	42	2
Stock taking / Work in progress	5	5	1	42	2
Major Capital Audit	5	5	2	44	1

Materiality ranking – 1 (low) to 5 (high)
Inherent risk scores – 1 (low) to 5 (high)
Control effectiveness scores – 1 (good) to 3 (poor)

Table 2 – Assessment of Audit Days: 2008 – 2011

	Risk ranking	Last audited	2008-09	2009-10	2010-11
Core financial systems					
Budgetary preparation and control	1	2007	15	40	15
Capital accounting	1	2007	15	15	-
Capital contracts	1	2007	15	15	-
Cash income and banking	2	2007	40	15	15
Car Allowances	2	2007	15	40	15
Contract hire and operating leases	2	2007	15	40	15
Council tax and non-domestic rates	2	2007	40	15	15
Creditor payments	2	2007	15	40	25
Debtor accounts	2	2007	15	15	40
Purchasing	2	2007	15	15	40
Unified benefits system	2	2007	40	15	15
Asset management	1	2007	40	15	-
General ledger operations	2	2007	15	15	40
Government & European Grants	1	2007	35	35	35
Payroll	2	2007	40	15	15
Treasury management	2	2007	15	15	-
Tendering procedures	1	2007	15	15	-
Payments to voluntary bodies (following the public pound)	2	2007	15	40	15
Stock taking / Work in Progress	2	2007	25	25	25
Major capital audit	1	2007	-	-	115
Subtotal core financial systems			**440**	**440**	**440**

4. Non- Financial Audits 2008 – 2011

The Code requires that Internal Audit not only audit financial systems controls but also other systems of management control used. This is to ensure the Council's objectives are being properly managed and that control arrangements have been established and operate within the Council to ensure that the Council's core values are being addressed.

Internal Audit, in complying with the Code, has prepared this section of the report incorporating gross high risk areas extracted from the Council Risk Register. These will be reviewed in order to provide assurance to management that control is extant. The audit plan has also taken into account the objectives set out in the Council Corporate Plan. The Council faces internal challenges to improve the efficiency and effectiveness of its operations.

The significance of Information Computer Technology (ICT) for controlling Council activities and the provision of management information is recognised in the audit plan. Internal Audit is required to review general ICT controls as well as the Council's ICT Security Strategy. In previous years a specific number of direct audit days have been provided by a partner. An assessment will be required to be undertaken in order to determine any required partner involvement in this activity. If the outcome of the assessment results in a partner being the preferred option then a tendering process would be initiated and the Audit Committee informed. At present Internal Audit will follow the CIPFA Computer Audit SBAs.

Discussions were held with Directors and Heads of Service at their Departmental Management Team meetings. This provided senior management with the opportunity, to identify specific audit areas or new developments where Internal Audit could assist.

The non-financial section of the strategic audit plan also recognises activities that require to be reviewed on an annual basis. These include corporate governance, computer audit, risk management, business continuity and statutory performance indicators. As outlined above under core financial systems the same audit approach will be operated with the majority of the non financial audits. CIPFA has developed a number of systems based audit (SBA) control matrices for non financial control areas, and these will be adopted by Internal Audit.

Non-Financial Audit Assessment

In order to identify and rank non-financial areas to be covered over the next 3 years, Internal Audit used 3 assessments and these are set out as headings in Table 3, page 9. They are:

- *Inherent risk* - the risk associated with a particular activity due to its very nature, and the level of sensitivity attached to a possible breakdown in the effective operation of that activity;

- *Controls effectiveness* - an assessment based on audit report recommendations regarding the degree of control management currently has over the inherent risks; and

- *Management risk* - from the Risk Register and meetings held with Departmental Management Teams (DMTs) where comment was received on areas of concern from the Directors and Heads of Service.

The calculation of all 3 elements together gave a scoring for Non-Financial audit areas of up to 46. Total scores were then evaluated and allocated a 'total risk' score for each audit area with the highest scoring areas ranked one reducing to 9. This analysis identified broad audit areas and through meeting with Departmental Management Teams management was asked to identify specific audit areas and these are reflected in Table 3 along with their 'total risk' score over the 3 years. Internal Audit will discuss these specific audit areas with departmental management in years 2 and 3 to ensure ongoing objectivity. In addition the Table 4 sets out the number of direct audit days allocated to each specific audit area.

In addition direct audit days have been allocated for Corporate Governance, Business Continuity, Risk Management and national Statutory Performance Indicators (SPIs) work, which are annual tasks. Statutory Performance Indicators are currently being replaced by a Single Outcome Agreement (SOA) for reporting 2008 – 2009 council performance. Audit Scotland has indicated that more direct audit days should be set aside in the audit plan; for years 2009 – 2010 and 2010 – 2011 to allow the new process to bed in. Therefore additional days have been provided within the audit plan for years 2 and 3. If subsequently the additional direct audit days are not required this will be adjusted in the respective annual audit plan.

Table 3 – Assessment of Audit Days: 2008 - 2011

Non Financial Audit Areas	Total audit risk score	Risk ranking	Last audited	2008-09	2009-10	2010-11
CHIEF EXECUTIVES						
Policy & Strategy – Best Value	44	1	2006	30	-	30
Health and Safety	46	1	-	30	-	30
Single Outcome Agreement	46	1	-		30	-
CORPORATE SERVICES						
Stress Management Exercise	44		-	30	-	30
ICT	38	2	2007	-	30	-
Business Continuity Management	44	1	2007		30	-
COMMUNITY SERVICES						
Pre-school Education Provision	44	1	-	30	-	30
SW Commissioning & Contracting	41	2	-	30	-	30
Adult Services Assessment & Care Management Processes	44	1	-	-	30	-
Foster Care Service	39	2	-	-	30	-
DEVELOPMENT SERVICES						
Transport & Infrastructure Grant Funding	44	1	2007	30	-	30
Partnership Project Funding	39	2	2007	-	30	-
Tourism	42	2	2007	-	-	30
OPERATIONAL SERVICES						
Payroll processes for catering.	42	2	-	30	-	30
Procurement for fleet.	46	1	2005	30	-	30
Commodity procurement for catering.	46	1	-	-	30	-
Stock control – systems leisure	42	2	-	-	30	-
ALL DEPARTMENTS						
Department Risk Plan Testing	44	1	-	30	30	30
Recruitment & Retention of Staff	44	1	2006	20	20	20
Computer Audit	38	2		28	28	28
Department Business Continuity Plan Testing	46	1	2007	30	30	30
New Legislation	44	1	2007	30	30	30
Corporate Governance ICS	46	1	2007	30	30	30
Performance Indicators / Single Outcome Agreement	46	1	2007	52	86	84
Subtotal non-financial				**460**	**494**	**522**

5.   Contingency Days 2008 – 2011

Audit days have been included within the strategic audit plan for contingency. This is audit time for unforeseen events which, by their nature, cannot be planned for, e.g.:

- notification of frauds, significant weaknesses or loss;

- consideration of controls for new or amended systems; and

- reviews of significant breakdown of internal control that cannot be accommodated within planned audits.

Clearly, the extent to which any contingency requirement will arise depends on the soundness of the Council's systems of control and the incidence of fraud or irregularity. In the year 2007 – 2008 the direct audit day estimate for Special Investigations was exceeded and as a result an additional 20 days have been allocated.

Internal Audit reports on a quarterly basis to the Audit Committee detailing management progress in implementing agreed audit report recommendations and a number of days have been allocated within the plan for this task. Internal Audit as well as other sections within the Council will be participating in PYRAMID, a performance management system. To reflect this change an additional 25 days have been provided within the audit plan. Days have also been allocated for ongoing risk assessment over the 3 years and the updating of annual audit plans.

If the level of direct audit day input diminishes in any of the areas detailed below, either throughout 2008 – 2009 or in subsequent years, an adjustment will be made and the Audit Committee informed.

Table 4 – Assessment of Audit Days: 2008 - 2011

	2008-09	2009-10	2010-11
Contingency days			
Special investigations contingency	100	100	100
Follow-up external & internal audit management letter points	85	85	85
Risk assessment, strategic plan, annual plans	20	20	20
Sub Total	**205**	**205**	**205**

6.   Internal Audit Resource 2008 – 2011

Tables 6.1 and 6.2, on pages 12 & 13 set out the resources and number of days available for 2008 - 2009. There are 3 elements to the tables:

- total working days available;
- non-direct audit days; and
- direct audit days.

In arriving at the number of working days for 2008 - 2009 cognisance has been taken of the fact that 3 members of staff will be involved in professional training. After deductions for annual leave and sickness provision a total of 1,388 working days are available for direct and non-direct audit work.

The non-direct audit day allocation covers tasks such as internal audit management, professional training to ensure that staff is supported in their work and general administration issues. The total days allocated to non-direct audit for 2008 - 2009 is 283 and are set out in Tables 6.1 and 6.2.

Direct audit days are the allocation of days to both core financial and non-financial audits. The audit days assigned to both these audit areas includes time for Planning, Fieldwork, Report Writing and Management Review. In addition a number of days have been included for Contingency, see Section 5 above. The total number of days allocated to direct audits for 2008 - 2009 is 1,105 and represents 80% of total working days available.

Tables 6.3, 6.4, 6.5 and 6.6 on pages 14 to 17 show the estimated number of available direct audit days and are set out for years 2009 – 2010 and 2010 – 2011. All subsequent variations will as usual be reported to the Audit Committee.

In 2009 – 2010 there is a total of 1,388 working days available after deductions for annual leave and sickness provision. The total days for non-direct audit days has been reduced from 283 days in 2008 - 2009 to 249 days. The reduction is due to less time being allocated to professional training. A total of 1,139 days will therefore be available for direct audit work and represents 82% of all working days.

In 2010 – 2011 there is a total of 1,388 working days available after deductions for annual leave and sickness provision. The total days for non-direct audit days has been reduced from 249 days in 2009 - 2010 to 221 days. The reduction is due to less time being allocated to professional training. A total of 1,167 days will therefore be available for direct audit work and represents 84% of all working days.

Table 6.1 – Internal Audit Resources 2008 - 2009

	Audit Manager	Audit Manager	Trainee Accountant	Trainee Accountant	Senior Audit Assistant	Computer Audit	Contract Auditors	Total
Number of Days in full year	261	261	261	261	261	28	264	1, 597
Less: Public Holidays	8	8	8	8	8	-		40
Annual Leave	32	32	24	24	32	-		144
Sickness Provision	5	5	5	5	5	-		25
Working Days Available	216	216	224	224	216	28	264	1,388
Non-Direct Audit Work								
IA Management	30	15	-	-	-	-	-	45
Planning and Reporting	25	15	-	-	-	-	-	40
Training, Development & Audit Internal	10	10	38	54	28	-	-	140
Meetings	10	10	6	6	6	-	-	38
Advisory	10	10	-	-	-	-	-	20
Total for Non-Direct Audit Support Work	85	60	44	60	34	-	-	**283**
Time Available for Direct Audit Work	131	156	180	164	182	28	264	**1,105**

Table 6.2 – Internal Audit Resource Days 2008 - 2009

	Audit Manager	Audit Manager	Trainee Accountant	Trainee Accountant	Senior Audit Assistant	Contract Auditor	Total	Computer Audit	Total
Direct Audit Work									
Core Financial Audits & regularity work	31	41	86	77	72	133	**440**	-	**440**
Non-Financial Audits including Computer Audit Input from External Partner	30	40	84	77	70	131	**432**	28	**460**
Sub Total	61	81	170	154	142	264	**872**	28	**900**
Contingency									
Special Investigations	35	35	10	10	10	-	**100**	-	**100**
Follow Up Reviews	25	30	-	-	30	-	**85**	-	**85**
Risk Analysis	10	10	-	-	-	-	**20**	-	**20**
Sub Total	70	75	10	10	40	-	**205**	-	**205**
Total for Direct Audit Work	131	156	180	164	182	264	**1,077**	28	**1,105**

Table 6.3 – Internal Audit Resources 2009 – 2010

	Audit Manager	Audit Manager	Trainee Accountant	Trainee Accountant	Senior Audit Assistant	Computer Audit	Contract Auditors	Total
Number of Days in full year	261	261	261	261	261	28	264	1, 597
Less: Public Holidays	8	8	8	8	8	-	-	40
Annual Leave	32	32	24	24	32	-	-	144
Sickness Provision	5	5	5	5	5	-	-	25
Working Days Available	216	216	224	224	216	28	264	1,388
Non-Direct Audit Work								
IA Management	30	15	-	-	-	-	-	45
Planning and Reporting	25	15	-	-	-	-	-	40
Training, Development &	10	10	38	38	10	-	-	106
Audit Internal Meetings	10	10	6	6	6	-	-	38
Advisory	10	10	-	-	-	-	-	20
Total for Non-Direct Audit Support Work	85	60	44	44	16	-	-	**249**
Time Available for Direct Audit Work	131	156	180	180	200	28	264	**1,139**

Table 6.4 – Internal Audit Resource Days 2009 – 2010

	Audit Manager	Audit Manager	Trainee Accountant	Trainee Accountant	Senior Audit Assistant	Contract Auditor	Sub Total	Computer Audit	Total
Direct Audit Work									
Core Financial Audits & regularity work	29	39	83	83	78	128	440	-	**440**
Non-Financial Audits including Computer Audit Input from External Partner	32	42	87	87	82	136	466	28	**494**
Sub Total	61	81	170	170	160	264	906	28	**934**
Contingency									
Special Investigations	35	35	10	10	10	-	100	-	**100**
Follow Up Reviews	25	30	-	-	30	-	85	-	**85**
Risk Analysis	10	10	-	-	-	-	20	-	**20**
Sub Total	70	75	10	10	40	-	205	-	**205**
Total for Direct Audit Work	131	156	180	180	200	264	1,111	28	**1,139**

Table 6.5 – Internal Audit Resources 2010 – 2011

	Audit Manager	Audit Manager	Trainee Accountant	Trainee Accountant	Senior Audit Assistant	Computer Audit	Contract Auditors	Total
Number of Days in full year	261	261	261	261	261	28	264	**1, 597**
Less: Public Holidays	8	8	8	8	8	-		40
Annual Leave	32	32	24	24	32	-		144
Sickness Provision	5	5	5	5	5	-		25
Working Days Available	216	216	224	224	216	28	264	**1,388**
Non-Direct Audit Work								
IA Management	30	15	-	-	-	-	-	45
Planning and Reporting	25	15	-	-	-	-	-	40
Training, Development &	10	10	24	24	10	-	-	78
Audit Internal Meetings	10	10	6	6	6	-	-	38
Advisory	10	10	-	-	-	-	-	20
Total for Non-Direct Audit Support Work	85	60	30	30	16	-	-	**221**
Time Available for Direct Audit Work	131	156	194	194	200	28	264	**1,167**

Table 6.6 – Internal Audit Resource Days 2010 – 2011

	Audit Manager	Audit Manager	Trainee Accountant	Trainee Accountant	Senior Audit Assistant	Contract Auditor	Sub Total	Computer Audit	Total
Direct Audit Work									
Core Financial Audits & regularity work	29	38	87	87	75	124	440	-	**440**
Non-Financial Audits including Computer Audit Input from External Partner	32	43	97	97	85	140	494	28	**522**
Sub Total	61	81	184	184	160	264	934	28	**962**
Contingency									
Special Investigations	35	35	10	10	10	-	100	-	**100**
Follow Up Reviews	25	30	-	-	30	-	85	-	**85**
Risk Analysis	10	10	-	-	-	-	20	-	**20**
Sub Total	70	75	10	10	40	-	205	-	**205**
Total for Direct Audit Work	131	156	194	194	200	264	1,139	28	**1,167**

The New Audit Approach

Internal Audit in agreement with Grant Thornton UK LLP will adopt the CIPFA systems based audit (SBA) control matrices. This is a methodology developed by CIPFA for identifying weaknesses and risks in systems and evaluating the controls management have established, and for testing the controls to check they are working effectively in order to provide assurance to management.

CIPFA Systems Based Auditing

Within each system audit there are 3 elements of control matrices:

- Hazard Identification Document (HID)

- Internal Control Questionnaire (ICQ)

- Compliance Test Papers (TCP)

Hazard Identification Document (HID)

This document provides a structured approach for:

- Documenting likely hazards affecting systems;

- Identifying possible consequences; and

- Determining controls and countermeasures that are expected to be in place in order to minimise risks.

Each expected control and countermeasure on the HID is cross-referenced to the relevant part of the ICQ.

Internal Control Questionnaire (ICQ)

The ICQ is cross-referenced to the "Expected controls and countermeasures" column in the HID and broken down into the various sub-systems or procedures in order to enhance risk assessment. The ICQ provides a means of establishing whether the expected controls and countermeasures are in place.

Compliance Test Papers (TCP)

Each compliance test is cross-referenced to the relevant ICQ and broken down into the same sub-systems or procedures to aid risk assessment. The control tests seek to provide evidence that the internal control identified as being in place is operating in the manner intended by management.

The New Approach – How it will work

Over the 3 years to 2011 internal audit will undertake both interim and full audits for the systems outlined in Table 2. All of the audits set out with the exception of 2 audits Government/European Grants and Stock Taking, will be subject to an interim and full audit over the 3 years of the audit plan. An interim audit will require the departmental responsible officer to complete an ICQ and return this with evidence in support of their recorded responses. Thereafter Internal Audit will prepare a report based on the responses and evidence received. Where a full audit is carried out the responsible officer will complete and return the ICQ with

supporting evidence and the auditor will then carry out compliance testing. Thereafter a report will be generated to conclude the audit. The same process will be carried out for a full audit where ICQs will be issued for all sub-systems for completion by the responsible officer.

The Council is currently developing PYRAMID a performance management system and it is envisaged that when ICQs are issued they will be assigned to the responsible officer and be recorded on PYRAMID. Similarly, when action plans from audit reports are agreed with management the recommendations will be assigned on PYRAMID to the appointed responsible officer.

CIPFA SYSTEMS BASED AUDIT MATRICES

Hazard Identification Document:
Cash and Bank

Sub-system: Ref: **CASHHID**

HAZARDS	POSSIBLE CONSEQUENCES	EXPECTED CONTROLS/ COUNTERMEASURES	ICQ
AUTHORITY			
A1 Procedures do not comply with legislation and the organisation's policies and procedures	• Confusion over responsibilities • Duties duplicated or not undertaken • Inconsistencies in treatment • Adverse publicity	A1.1 The organisation's constitution and financial regulations/rules specify cash/income receipt and banking procedures and responsibilities A1.2 Written cash and banking procedures have been established	1
OCCURRENCE			
B.1 There is no documentary evidence to support transactions	• No records to refer to in case of query • Unrecorded income is misappropriated • Income cannot be allocated to the correct payee or account • Unable to identify who was responsible for receiving income • Bankings cannot be reconciled • Overs and unders cannot be identified	B1.1 All transactions are recorded including the payers and reference numbers B1.2 Cashiers are required to sign for all internal transactions B1.3 Receipts are required to be issued by the collectors responsible for banking income	2
COMPLETENESS			
C.1 Transactions are not recorded	• Income is lost or misappropriated • Income is unidentifiable • Unnecessary recovery action taken • Adverse customer and media criticism • Embarrassment to the organisation	C1.1 Financial regulations require that all income is recorded C1.2 Regular reconciliations are undertaken to ensure transactions are bona fide	2 - 4
C.2 All transactions are not processed	• Income is lost or misappropriated • Lesser sums are banked than collected • Adverse customer and media criticism • Embarrassment to the organisation	C2.1 Controls ensure that all income received is processed and banked in full C2.2 Regular independent reconciliations are undertaken	2 - 4
C.3 All relevant records and accounts are not updated	• Account balances do not agree to the financial information system (FIS) • Different information held on systems • Incorrect and duplicate amounts shown • Financial records are incorrect • Adverse publicity	C3.1 All accounts issued have a unique reference number and show the financial code to which income is to be allocated C3.2 Controls ensure that the cashiering system and the FIS are correctly updated	2 4

Internal Control Questionnaire:
Cash and Bank

Sub-system: Ref: **CASHICQ**

■

HID REF	ICQ REF	CONTROL	Answer Y	N	COMMENTS AND NOTES	CT
	1	*Policies and procedures*				
A	1.1	Do the organisation's constitution and financial regulations/rules cover cash/income receipt and banking responsibilities?				1.1 - 1.4
	1.2	Has the organisation established: • written cash and banking procedures • an office manual?				1.1 1.4
	2	*Transactions*				
B C D	2.1	Do financial regulations and/or procedures require that transactions must comply with its constitution, financial regulations, policies and procedures?				2.1 - 2.7
F	2.2	Are payers advised how and where to pay?				2.2
	2.3	Are financial stationery and records controlled and stored securely?				2.3 - 2.6
	2.4	Have separation of duties been established in the cash and banking process?				2.7 2.8
	3	*Postal remittances*				
C E	3.1	Is all general post required to be opened on the day it is received and in the presence of two or more staff?				3.1
F	3.2	Do controls ensure that unidentified remittances and suspense items are promptly recorded and managed?				3.2 3.3
	3.3	Are independent checks undertaken to assess the effectiveness of procedures?				3.4
	4	*Income reconciliation*				
C	4.1	Are cashiers required to balance their takings at least daily?				4.1 - 4.4

Compliance Tests Papers:
Cash and Bank

Sub-system: Ref: **CASHCTP**

ICQ REF	CT REF	COMPLIANCE TEST	WORKING PAPERS
	1	*Policies and procedures*	
1.1 1.2	1.1	Review the organisation's constitution, financial regulations/rules, procedures, and office manual and check that they specify clearly the responsibilities and procedures for cash/income collection and banking	
1.1	1.2	By computer enquiry obtain a listing of all users who have access to the cashiers computer system and check that: • each is a current employee • the facility to input is restricted to cashiers • only senior cashiers are able to make adjustments to make the tills balance • other access levels are appropriate to the individual's duties • the receipt recording part of the system is not accessible to cashiers • all other terminals have ancillary access only	
1.1	1.3	By enquiry with the cashiers system administrator check that there are adequate procedures in place to ensure that: a user access rights and levels are regularly reviewed (eg every six months) b when users change jobs or leave, the notification process ensures the administrator is immediately notified so that access rights are: • removed for leavers • changed for transferees as appropriate	
1.1 1.2	1.4	Select a sample of employees from the listing obtained at CT 1.2 above and by enquiry with them check that they are aware of and have copies of the organisation's constitution, financial regulations/rules, written procedures and office manual	
	2	*Transactions*	
2.1	2.1	Review a sample of: • internal and bank paying-in slips • manual and electronically produced receipts and check that they: a are in the organisation's approved format d the transaction numbers are re-set to zero each day independently of the cashier e transaction numbers run consecutively	