

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date **14 March 2016**

Report of: **Head of Finance and Audit**

Subject: **INTERNAL ANNUAL AUDIT PLAN 2016/17**

SUMMARY

This report presents a draft plan of Internal Audit Work for delivery in 2016/17, for approval.

RECOMMENDATION

That the draft plan for 2016/17, as attached as [Appendix A](#) be approved.

INTRODUCTION

1. In March 2015, the Audit and Governance Committee approved a new Internal Audit Strategy which set out the principles to be used to set the Annual Plan of Internal Audit work.
2. In particular these included:
 - a) **Sources of Assurance:** The Annual Head of Audit's Opinion will take into account the findings from a) individual audit opinion work, b) wider audit work and c) assurance available from other providers. The proportion of time spent on wider work will increase to get allow more time to be spent getting to the root cause of problems and helping develop a solution.
 - b) **Minimum Audit Level:** The amount of individual audit opinion work carried out is not to fall below 173 days a year, and at least 20 discrete pieces of opinion or wider work will be delivered a year.
 - c) **High Risk Audits:** The opinion on all fundamental financial systems will be refreshed every 3 years. Audit areas that are considered to be inherently High Risk will be given an audit opinion at least every 5 years. The plan each year will also include computer audit work and corporate level audit work.
3. A draft plan of Internal Audit Work for 2016/17 has been collated using these principles, and following discussions with the service managers of the Council.

DRAFT PLAN FOR 2016/17

4. The draft plan prepared for 2016/17 is shown in [Appendix A](#). The following should be noted:
 - (a) **Level of Opinion Audit:** There is provision in the plan for 200 days of individual audit opinion work plus an additional contingency of 50 days for the in-house team to support these audits.
 - (b) **Number of Assignments:** There are 21 discrete pieces of work included in the plan covering a variety of audit types and departments in the Council. This represents approximately 13% of the Audit Universe. There will also be reactive pieces of work completed in the year which will be used to support the Annual Audit Opinion.
 - (c) **Vanguard Reviews:** One of the areas of work in the plan relates to a service that has recently been the subject of a vanguard intervention.
5. The plan will be delivered by a mixture of in-house audit resource and bought-in resource from an external contractor and a neighbouring Council. The bought-in resource will particularly focus on the Opinion work to strengthen the independence of the assurance provided.
6. Two of the audits in the plan will also be providing assurance for Gosport Borough Council as part of their annual plan. The Gosport and Fareham Internal Audit teams will therefore be carrying out one of these audits each and providing their conclusions to the other audit team, in order to reduce the costs to each Council.

RISK ASSESSMENT

7. There are no significant risk considerations in relation to this report

Background Papers: None

Reference Papers:

Chartered Institute of Public Finance and Accountancy (CIPFA) 2013 – Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards.

Report to Audit and Governance Committee on the Public Sector Internal Audit Standards and Internal Audit Charter on 25th November 2013

Report to Audit and Governance Committee on the Internal Audit Strategy and Annual Plan on 16th March 2015

Enquiries:

For further information on this report please contact Elaine Hammell. (Ext 4344)

Draft Internal Audit Plan for 2016/17

	Type	Title	Days
	OPINION WORK		
1	Fundamental System	Payroll and Employee Expenses	10
2	Fundamental System	Accounts Payable	10
3	Fundamental System	Treasury Management	10
4	Fundamental System	Banking	10
5	Fundamental System	Housing Rents	15
6	Computer	Technology Forge (Estates IT system)	15
7	Computer	Cloud Based Computing	15
8	Services and Systems - High Risk	Building Control	15
9	Services and Systems - High Risk	Sheltered Housing	15
10	Services and Systems - High Risk	Trade Waste & Recycling	15
11	Services and Systems - High Risk	Outdoor Sport and Recreation	15
12	Services and Systems – High Risk	The Daedalus Project	12
13	Services and Systems - Other	Air Quality & Pollution (V)	15
14	Services and Systems - Other	Neighbourhood Working, Public Relations & Consultation	10
15	Services and Systems - Other	Countryside Management	8
	Contingency		10
	In-house support		50
	Total Opinion Work		250

Reason for Inclusion in Plan
Annual Audit under agreement with External Audit
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Fundamental System - Cyclical Coverage. Last opinion given in 2013/14.
Fundamental System with system changes in 2015/16.
Fundamental System - Cyclical Coverage. Last opinion given in 2013/14.
Significant IT system for Cyclical Coverage. Last opinion given in 2009/10.
Change in IT Strategy in 2015/16. Early audit needed to give assurance on the arrangements in place for the security of the Council's data.
High risk on basis of Gross Expenditure and Gross Income for Partnership. Last audited 2010/11. Joint Assurance for Gosport BC and Portsmouth BC.
High risk on basis of Higher Risk Expenditure and Higher Risk Income. Last opinion given 2006/7.
High risk on basis of Gross Income. Also system changes to income collection using direct debits.
High risk on basis of Higher Risk expenditure (including capital spend). Last opinion given 2007/08.
New high risk audit on basis of Higher Risk expenditure (including capital spend) and reputation risks. Focus to be on the management contracts.
No previous audit opinion given. Service has undergone a Vanguard intervention. Reciprocal audit for Gosport BC
Key system for the Annual Governance Statement. No previous audit opinion and very little other coverage.
No previous audit opinion and very little other coverage of this service in previous audit plans.

	WIDER WORK		
16	Joint Working Project	Leaseholders Charges	
17	Joint Working Project – Corporate System	Employee Performance Management	
18	Joint Working Project	Data Protection	
19	New process	Risk Management Approach	
20	Thematic Review	Effectiveness of Ethics related activities (Part 2)	
21	Follow Up / Joint Working Project	Building Health and Safety Risks	

Joint project with service to confirm that the system is still appropriate and transparent after a number of system changes to responsive repairs service.
Joint project with service to carry out a post implementation review of the revised process. Action for the Annual Governance Statement.
Annual coverage of key governance system to support the Information Governance Opinion.
Work to develop a new Risk Management approach for the Council
Annual coverage to support the Ethics Opinion.
To assist with implementing outstanding audit recommendations in relation to reporting arrangements on the work done to manage these risks.