

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date **13 March 2017**

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

Subject: **INTERNAL AUDIT ANNUAL PLAN 2017/18**

SUMMARY

This report presents a draft plan of Internal Audit Work for delivery in 2017/18, for approval.

RECOMMENDATION

That the draft plan for 2017/18, 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 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. It should be noted that as from 2017/18 the external auditors no longer require annual coverage of the Payroll system and Accounts Payable system. 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 or contract audit work.
3. A draft plan of Internal Audit Work for 2017/18 has been collated using these principles, and following discussions with the service managers of the Council.

DRAFT PLAN FOR 2017/18

4. The draft plan prepared for 2017/18 is shown in [Appendix A](#). The following should be noted:
 - (a) **Level of Opinion Audit:** There is provision in the plan for 192 days of individual audit opinion work plus an additional contingency of 35 days for the in-house team to support these audits. This contingency is lower than in previous years as a result of the partnership arrangements proposed.
 - (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 14% 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.

RESOURCING THE PLAN

5. The plan will be delivered by a mixture of in-house audit and finance resources and partnership resources from a neighbouring Council. This arrangement is the subject of a separate report. The partnership resource will particularly focus on the Opinion work to strengthen the independence of the assurance provided.

6. One 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 delivering this work jointly to reduce the costs to each Council.

RISK ASSESSMENT

7. The Council has a statutory requirement to carry out internal audits of services and systems. Delivery of this plan will therefore mitigate the risk of non-compliance.

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)

Appendix A - Draft Internal Audit Plan for 2017/18

	Type	Title	Days
	OPINION WORK		
1	Fundamental System	Main Accounting System and Budgetary Control	11
2	Fundamental System	Accounts Receivable	15
3	Fundamental System	Housing Benefits	10
4	Fundamental System	Income Management	12
5	Corporate / Contract	Leisure Centre Contracts	10
6	Computer – application review	Chipside (Parking Management System)	12
7	Computer – data analytics	Multiple Parking Permits at Single Person Discount Properties	3
8	Services and Systems - High Risk Computer – application review	Ferneham Hall including Databox	20
9	Services and Systems - High Risk	Commercial Estates	15
10	Services and Systems - High Risk	Property Maintenance and Inspections - Council Buildings (Non Housing)	15
11	Services and Systems - High Risk	Developers Contributions	15
12	Services and Systems – High Risk	Homelessness (V)	15
13	Services and Systems - Other	Dog and Pest Control	12
14	Services and Systems - Other	Street Furniture	5
15	Services and Systems - Other	Pensions	10
	Contingency		15
	In-house support		35
	Total Opinion Work		230

Reason for Inclusion in Plan
Fundamental system last audited in 2013/14. It was not included in the plan last year to make way for the Banking audit; there had been more fundamental changes to the banking system so that was made the priority.
Fundamental system last audited 2014/15.
Fundamental system last audited 2014/15.
Fundamental system last audited 2014/15.
Holly Hill Leisure Centre now open, so need to give assurance on the contract and actual arrangements for the operation of the centre. The contract also covers Fareham Leisure Centre so both will be covered.
Significant IT system for Cyclical Coverage. No previous opinion given.
Pilot audit to include more proactive fraud work and computer data analytics into the audit plan.
High Risk on basis of gross expenditure and gross income. Last audited 2013/14.
High risk on basis of gross income. New income streams to be covered including Daedalus and investment properties. Last opinion given 2012/13.
High Risk audit on basis of gross expenditure and capital expenditure. Last audited 2012/13.
High Risk audit on basis of reputation risk and penalties that can be incurred.
High Risk audit on basis of gross expenditure and gross income. Last audited 2013/14. Has undergone a vanguard intervention.
Manager request to update assurance opinion following changes to the service and to carry out some analyses to help inform the future decisions. Last audited 2012/13. No opinion for dog control. Joint Assurance for Gosport BC.
Low risk audit chosen as no previous audit opinion.
No previous audit opinion and very little other coverage of this process in previous audit plans. Coverage will be the FBC role as an employer.

	WIDER WORK		
16	Thematic Review	IT Procurement and budgets	
17	Joint Working Project – Corporate System	Employee Performance Management	
18	Joint Working Project	Data Protection	
19	Joint Working Project – Corporate System	Contract Procedure Rules	
20	Thematic Review	Risk Inspections of Public Areas	
21	Joint Working Project	Use of depot storage areas and security of plant, equipment and materials.	

Targeted review of how budgets for IT costs are allocated in the accounts, plus a review of how procurement decisions are made and implemented.
Joint project with service to carry out a post implementation review of the revised process. Action for the Annual Governance Statement. Audit postponed from 2016/17.
Annual coverage of key governance system to support the Information Governance Opinion.
Overdue update of policy, which needs to be developed to reflect new culture and way of working.
Manager request for cross cutting work to review ownership of public areas and the inspection regimes in place
Manager request for joint work to review the hazards and security risks associated with storage at the depot