

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date **16 March 2015**

Report of: **Director of Finance and Resources**

Subject: **INTERNAL AUDIT STRATEGY AND ANNUAL PLAN**

SUMMARY

This report presents a revised Internal Audit Strategy for approval. This document sets out the proposed nature and the extent of work that the Internal Audit Service will deliver in order to support the Annual Head of Audit Opinion.

A draft plan of Audit work for 2015/16 has also been prepared using the principles set out in the Strategy.

RECOMMENDATION

That the Internal Audit Strategy and draft plan for 2015/16, as attached as [Appendix A](#) and [Appendix B](#) be approved.

INTRODUCTION

1. The Public Sector Internal Audit Standards (PSIAS) came into effect on 1 April 2013. They are recognised as the professional standards for Local Government Internal Audit Services. The Standards require us to set out the nature of assurance services that will be provided to the Council in order to support the Annual Audit Opinion and how the work will be resourced.
2. This report therefore presents an Internal Audit Strategy for approval, which sets out this information and a draft plan of work for 2015/16 using the principles in the Strategy. The Strategy supplements the Internal Audit Charter which sets out the purpose, authority and responsibilities of the service.

INTERNAL AUDIT STRATEGY

3. The proposed new Strategy is attached as [Appendix B](#). It seeks to deliver the maximum assurance and value added work within current budget constraints. The headline proposals contained in the Strategy are as follows:
 - (a) The Strategy gives more transparency to the assurances being provided by the In-house audit team as well as the Audit Contractor.
 - (b) **3 Groups of Assurance Work** – The Annual Head of Audit's Opinion will now take into account the findings from: 1) individual audit opinion work, 2) wider audit work and, 3) the assurances available from other providers.
 - (c) **Increasing Wider Audit Work** – More resources will be allocated to *wider audit work* which seeks to get to the root cause of issues and help develop a solution.
 - (d) **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.
 - (e) **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.
 - (f) **Resourcing** – Bought in resources will be used to deliver the individual opinion work to maintain independence. However, the in-house team will support the delivery of this work. In-house resources will also be used to deliver the wider audit work.

PROVISIONAL PLAN FOR 2015/16

4. A provisional plan has been prepared for 2015/16 using the principles in the Strategy, and is attached as [Appendix A](#). The following should be noted:
 - (a) **Level of Opinion Audit** – There is provision in the plan for 190 days of individual audit opinion work plus an additional contingency of 50 days for the in-house team to support the work and provide the wider service requested by managers.
 - (b) **Number of Assignments** – There are 20 discrete pieces of work included in the plan covering a variety of audit types and departments in the Council. There will also be reactive pieces of work completed in the year which will also be used to support the Annual Audit Opinion.

- (c) **Vanguard Reviews** - Two of the areas of work in the plan relate to services or systems that have recently been the subject of an audit intervention.

RISK ASSESSMENT

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

CONCLUSION

6. The proposed Internal Audit Strategy should address the requirements of both the Public Sector Internal Audit Standards and the managers of this Council.

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

Appendices:

Appendix A – [Draft Internal Audit Plan for 2015/16](#)

Appendix B – [Draft Internal Audit Strategy](#) (separate attachment)

Enquiries:

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

Draft Internal Audit Plan for 2015/16

Part A – Level and Source of Resources

	No of days		Bought In	In-House
OPINION WORK				
Fundamental Systems	55		55	
Corporate Specialist, Governance , Risk	15		15	
Computer	30		30	
Services and Systems - High Risk	45		45	
Services and Systems - Other	25		25	
Contingency	20		20	
In-House Support	50			50
TOTAL	240		190	50
WIDER WORK SUPPORTING ANNUAL REPORT				
Themed Assignments	30		15	15
Follow Ups	15			15
Other Recommendation Work	35			35
Horizon Scanning	5			5
Reactive Work	40			40
TOTAL	125		15	110
COMPILATION OF OTHER SOURCES OF ASSURANCE	10			10
TOTAL AUDIT PLAN	375		205	170

Part B – Proposed Lists of Audit Assignments in the Plan

	Type	Title	Days	Reason for Inclusion in Plan
	OPINION WORK			
1	Fundamental Systems	Payroll and Employee Expenses	10	Annual Audit under agreement with External Audit
2	Fundamental Systems	Accounts Payable	10	Annual Audit under agreement with External Audit
3	Fundamental Systems	Capital Expenditure & Accounting	10	Fundamental System - Cyclical Coverage. Last opinion given in 2012/13
4	Fundamental Systems	Fixed Assets	10	Fundamental System - Cyclical Coverage
5	Fundamental Systems	Local Tax Collection	15	Fundamental System - Cyclical Coverage
6	Corporate, Specialist, Governance, Risk	Recruitment and Selection	15	Fraud risk area last audited 2007/8 and has been the subject of a Vanguard intervention.
7	Computer	Disaster Recovery	15	Significant system for governance with some outstanding recommendations. Change of approach being taken in our arrangements.
8	Computer	Express Application	5	Significant application not reviewed since 2004/5. Changes due to the introduction of Individual Electoral Registration.
9	Computer	Software Control	10	Last audited 2003/04 with recommendations that are awaiting audit sign off.
10	Services and Systems - High Risk	Parking Enforcement	15	High Risk Service on the basis of expenditure. Has been the subject of a Vanguard intervention.
11	Services and Systems - High Risk	Recycling	10	High Risk Service on the basis of income. Last audited 2011/12
12	Services and Systems - High Risk	Household Waste Collection	10	High Risk Service on the basis of that it is a critical service with high reputation risk. Last audited 2011/12.
13	Services and Systems - High Risk	Land Charges	10	High Risk Service on the basis on the high level of High risk income. Last audited 2011/12
14	Services and Systems - Other	Right to Buy	10	Managers Preference as no audit coverage of the enhanced scheme.
15	Services and Systems - Other	Protection of Trees	8	Achieves some coverage of the Planning and Development department - no previous audit opinion given.
16	Services and Systems - Other	Individual Electoral Registration	7	Significant change to the service provision in 2014/15.
	Contingency		20	
	In-house support		50	
	Total Opinion Work			240
	WIDER WORK			
17	Thematic Review	Contract Deeds Management	15	Policy compliance testing of aspect of Contract Procurement Rules.
18	Thematic Review	Effectiveness of Ethics related activities	15	Audit standards stipulate that internal audit provide a specific opinion on this
19	Follow Up	Data Protection Part 3	7	Significant system for governance which warrants greater coverage.
20	Follow Up	Vehicle Repairs Procurement	8	Change of responsibility in 2015/16 and recommendations waiting sign off.