

# FAREHAM

## BOROUGH COUNCIL

### **Report to Audit and Governance Committee**

**Date**                    **12 March 2018**

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

**Subject:**            **INTERNAL AUDIT PLAN 2018/19**

#### **SUMMARY**

This report presents a draft plan of Internal Audit Work proposed for delivery in 2018/19.

#### **RECOMMENDATION**

It is recommended that the Committee approved the draft plan for 2018/19 as attached as Appendix A.

## 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 sources. The proportion of time spent on wider work was increased 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 12 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. There are 23 of these arising from the latest risk assessment, indicating that at least 4 need to be covered each year.
  - d) **Mix of Audit Types:** The plan each year will also include computer audit work (including an application review of a fundamental ICT system) and corporate level audit work or contract audit work on top of the usual audits of services and systems.
3. A draft plan of Internal Audit work for 2018/19 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 2018/19 is shown in [Appendix A](#). The following should be noted:
  - (a) **Level of Opinion Audit:** There is provision in the plan for 195 days of individual audit opinion work plus an additional contingency of 35 days for the in-house team to support these audits.
  - (b) **Number of Assignments:** There are 23 discrete pieces of work included in the plan covering a variety of audit types and departments in the Council. The subjects covered represent approximately 12% 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 (planning applications) relates to a service that has been the subject of a vanguard intervention.
  - (d) **Recommendation follow:** There has been a focus in the plan to follow up actions arising from previous pieces of audit work so that an updated status can be added to all actions on the recommendation management database.

## **RESOURCING THE PLAN**

5. Resources available through the partnership with Portsmouth City Council will be used primarily to deliver the Opinion work to ensure independence. Where possible, reciprocal work with Gosport Borough Council's audit team will be used to cover audits of shared services.
6. The wider work will be delivered by a mixture of in-house audit and finance resources and by collaborative working with other teams in the 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:**

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## APPENDIX A – Draft Internal Audit Plan 2018/19

	Type	Title	Dept-Lead Service	Days	Reason for Inclusion in Plan
	<b>OPINION WORK</b>				
1	Fundamental Systems	<b>Accounts Payable</b>	F-Operational Finance	10	Fundamental system - last opinion given 2016/17
2	Fundamental Systems	<b>Capital Expenditure &amp; Accounting</b>	F-Strategic Finance	10	Fundamental system - last opinion given 2015/16
3	Fundamental Systems	<b>Fixed Assets</b>	F-Strategic Finance & Property Services	10	Fundamental system - last opinion given 2015/16
4	Fundamental Systems	<b>Council Tax &amp; NNDR</b>	F-Local Tax	15	Fundamental system - last opinion given 2015/16
5	Services and Systems - High Risk	<b>Parking Strategy &amp; Income</b>	P-Parking & Enforcement & P-Planning Strategy	15	High risk audit - last opinion given 2013/14
6	Services and Systems - High Risk	<b>Planning Applications</b>	P-Development Management	15	High risk audit - last opinion given 2013/14. Process changes flowing from vanguard intervention since last opinion.
7	Services and Systems - High Risk	<b>Housing Communal Services</b>	H-Housing	10	New High risk audit since 2017/18 due to service charge income exceeding £250k. Last opinion given in 2002/03.
8	Services and Systems - High Risk	<b>Cemeteries &amp; Closed Churchyards</b>	T-Street Scene	15	New High risk audit since 2017/18 on basis of higher risk expenditure including capital works. Last opinion given in 2007/08.
9	Services and Systems - High Risk	<b>Vehicle Management</b>	T-Street Scene	15	New High risk audit since 2017/18 on basis of capital expenditure. Last opinion given in 2006/7.
10	Services and Systems - High Risk	<b>Housing Grants and Home Improvements</b>	P-Environmental Health & F-Property	10	High risk audit - last opinion given 2012/13. Changes of process following partnership with Portsmouth CC.
11	Limited Opinion Follow Up	<b>Ferneham Hall follow up</b>	F-Leisure	10	Follow up of High risk audit to give an updated opinion following the 'limited assurance' opinion in 2017/18.
12	Computer - system review	<b>Orchard (Housing Rents IT system)</b>	H-Housing	15	Fundamental IT system - last opinion given 2007/08
13	Limited Opinion Follow Up	<b>Software Control Follow up</b>	F-ICT	8	Follow up to give an updated opinion following the 'limited assurance' opinion in 2015/16.
14	Services and Systems - Other	<b>Markets Contract</b>	P-Environmental Health	5	New contract arrangements in place to deliver service.
15	Services and Systems - Other	<b>Out of hours service</b>	Various	12	No previous audit coverage. Review to cover Corporate Standby, Housing Maintenance and Environmental Health.
16	Limited Opinion Follow Up	<b>Dog Control Follow up</b>	P-Environmental Health	5	Follow up to give an updated opinion following the 'limited assurance' opinion in 2017/18.
	Contingency			15	
	In-house support			35	
	<b>Total Opinion Work</b>			<b>230</b>	

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	Type	Title	Dept-Lead Service	Days	Reason for Inclusion in Plan
	<b>WIDER WORK</b>				
17	Computer - data analytics	<b>Insurance claimants who have been the subject of fraud investigations</b>	F-Strategic Finance		Data match of current insurance claim database to fraud investigation database to identify any claimants at a higher risk of being fraudulent.
18	Corporate / Contract - joint working	<b>Contract Management</b>	F-Democratic Services		Following on from Contract Procurement Rules work in 2017/18 to work collaboratively to explore some of the issues arising from the vanguard review of procurement and issues leading to a limited audit opinion in 2009/10.
19	Corporate - joint working	<b>General Data Protection Regulations - Responding to database search requests</b>	F-Democratic Services		Collaborative work supporting the new General Data Protection Regulation which comes into force in 2018. Review will look at security, efficiency and accuracy of the Council's response to requests to search our databases.
20	Thematic review	<b>Write Offs History Analysis &amp; Interest charges</b>	F-Operational Finance & F-Local tax & H-Housing		Thematic review of different debt themes in the Council looking at when a) interest is added to the debt and b) any lessons learnt from debts that have had to be written off.
21	Post investigation systems work	<b>Housing Maintenance invoicing and stock control - part 2</b>	H-Housing		Follow up of the issues arising from the work carried out in 2016/17 and reviewing the impact of the housing department restructure. Completion of testing of areas not completed in first review.
22	Thematic review	<b>Deceased persons list</b>	F-Corporate Services		Follow up of the issues raised in 2015/16 about how the council manages notifications of deceased persons.
23	Joint Working Project	<b>Use of depot storage areas and security of plant, equipment and materials.</b>	T-Street Scene, T-Building Services		Manager request for joint work to review the hazards and security risks associated with storage at the depot. Low priority audit carried forward from 2017/18 plan.
	Follow Up	<b>Review of all outstanding IT audit recommendations</b>			
	Follow Up	<b>Review of all other outstanding audit recommendations</b>			