

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date: 11 March 2019

Report of: Director of Finance and Resources

Subject: INTERNAL AUDIT ANNUAL PLAN 2019/20

SUMMARY

This report presents a draft plan of Internal Audit Work proposed for delivery in 2019/20.

The Audit and Governance Committee's areas of responsibility for Internal Audit include: -

- a) *to approve the internal audit plan, including internal audit's resource requirements, the use of external suppliers of audit services, and the approach to using other sources of assurance.*
- b) *to approve significant interim changes to internal audit plan and resource requirements.*
- c) *to make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.*

RECOMMENDATION

It is recommended that the Committee approves the draft plan for 2019/20 as attached as Appendix A.

INTRODUCTION

- a) A requirement of Internal Audit Standard 2010 is that *'a risk-based plan is established to determine the priorities of internal audit activity, consistent with the organisation's goals'. 'It must take into account the requirement to produce an annual internal audit opinion and the assurance framework'*.
- b) At the meeting in March 2019, the Audit and Governance Committee will be asked to approve the latest Internal Audit Charter which sets out the latest information on the role and purpose of internal audit:

Internal audit role:

'an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.

Internal audit purpose:

'Fareham Borough Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements.

Internal Audit plays a vital role in assisting officers and members in the effective discharge of their responsibilities, by advising the Council whether these arrangements are in place and operating effectively. '

This is achieved through the Internal Audit service providing a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary.

The Council's response to internal audit activity should lead to a strengthening of the control environment and, therefore contribute to the achievement of the organisation's objectives.

- c) At the meeting in March 2019, the Audit and Governance Committee will also be asked to approve the latest Internal Audit Strategy which sets out the principles to be used to set the Annual Plan of Internal Audit work and how the purposes set out in the Charter will be met.
- d) The annual audit plan provides a mechanism in which the Head of Audit and Assurance can ensure the most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements.
- e) A draft plan of Internal Audit work for 2019/20 has been collated using these principles and giving consideration to the following:
 - (a) The Council's Corporate Strategy and key priorities; including the objective to adopt a Vanguard approach to the delivery of services.
 - (b) Initiatives, changes and risks being highlighted through the Risk Management process and Medium Term Financial Strategy; including the budgets proposed for 2019/20.
 - (c) On-going liaison with the senior and service managers of the Council.

DRAFT PLAN FOR 2019/20

- f) The draft plan prepared for 2019/20 is shown in [Appendix A](#). The following should be noted:
- (a) **Level of Opinion Audit:** There is provision in the plan for 198 days of individual audit opinion work plus an additional contingency of 32 days for the in-house team to support these audits. This exceeds the Strategy minimum of 180 days.
 - (b) **Number of Assignments:** There are 23 discrete pieces of work included in the plan covering a variety of departments in the Council. The subjects covered represent 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. This exceeds the minimum of 20 audits.
 - (c) **Type of Audits:** The plan includes the breakdown of the types of audit set out in the Strategy including 4 Fundamental Systems and 5 High Risk Audits.
 - (d) **Vanguard Reviews:** One of the areas of work in the plan (Dog Control) relates to a service that has been the subject of a short vanguard intervention to address the weaknesses found in previous audits.

RESOURCING THE PLAN

- g) Resources available through the partnership with Portsmouth City Council will be used to deliver the majority of the Opinion work to ensure independence and will also be used for one of the Wider pieces of work (Assurance on Partnership Governance). They may also assist on some of the procurement testing. Two audits cover shared services with Gosport Borough Council; their audit team will therefore be delivering one of the audits (CCTV Control Centre) and Fareham Borough Council's audit of Dog Control will also provide assurance to Gosport Borough Council.
- h) The rest of 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

- i) 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.

Appendices

Appendix A – Draft Audit Plan 2019/20

Background Papers: None

Reference Papers:

Chartered Institute of Public Finance and Accountancy (CIPFA) 2017 – Public Sector Internal Audit Standards.

Report to Audit and Governance Committee on the Internal Audit Strategy and Internal Audit Charter March 2019

Enquiries:

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

APPENDIX A - Draft Internal Audit Plan 2019/20

	Type	Title	Dept-Lead Service	Days	Reason for Inclusion in Plan
	OPINION WORK				
1	Fundamental Systems	Payroll and Employee Expenses	F-Operational Finance	15	Fundamental system - last opinion given 2016/17. Will include the data analytics work for the year.
2	Fundamental Systems	Housing Rents	H-Housing	15	Fundamental system - last opinion given 2016/17
3	Fundamental Systems	Banking	F-Strategic Finance	5	Fundamental system - last opinion given 2016/17
4	Fundamental Systems	Treasury Management	F-Strategic Finance	10	Fundamental system - last opinion given 2016/17
5	Services and Systems - High Risk	Tenancy Management	H-Housing	15	High risk audit - last opinion given 2014/15
6	Services and Systems - High Risk	Parks and Open Spaces	T-Street Scene	15	High risk audit - last opinion given 2014/15
7	Services and Systems - High Risk	Street Cleansing	T-Street Scene	10	New high-risk audit based on Gross Expenditure - last opinion given 2007/08
8	High Risk / Contract Audit	Property Maintenance - Council Housing Voids	H-Housing Planned Maintenance	15	High risk audit - system change with procurement of new contractor
9	Services and Systems - High Risk	Local Plan	P-Planning Strategy	10	High risk audit - No previous opinion
10	Computer - system change	Fuel System	T-Street Scene	10	New IT system with inherent risk of fraud
11	Computer - system change	BACS processing through Bottomline	F-Strategic Finance	10	Change in Fundamental IT Process
12	Corporate/Computer	Recording of Sickness through the HR 21 system	F-Human Resources & ICT	10	Change in IT system supporting a corporate process with financial implications.
13	Services and Systems - Other	Safeguarding	P-Environmental Health	10	Manager request to review the systems which feed into the annual self-assessment - last opinion given in 2012/13
14	Services and Systems - Other	Planning advice	P-Development Management	5	To review the system behind the new charges introduced in 2019/20
15	Services and Systems - Other	Land Charges	H-Housing	10	Change in personnel administering the system. Additional testing to help clear an old audit.
16	Limited Opinion Follow Up	Dog Control Follow Up	P-Environmental Health	8	Follow up to give an updated opinion following the 'limited assurance' opinion in 2018/19. New vanguard review of approach to the service. Joint audit for Gosport BC.
17	Services and Systems - Other	CCTV Control Centre	F-ICT	10	Review of adherence to the Code of Practice for CCTV. Work to support Opportunities Plan project. Joint audit to be delivered by Gosport BC.
	Contingency			15	
	In-house support			32	
	Total Opinion Work			230	

WIDER WORK				
18	Corporate Assurance Work	Annual Testing of Procurement Decisions	Cross Cutting	New requirement in the Procurement and Contract Procedure Rules to carry out testing on spend above and below the significant value threshold to feed into the annual assurance to the Chief Executives Assurance Group. Will also include invoice testing following some findings from 2018/19 work.
19	Corporate / Contract - joint working	Contract Management	F-Democratic Services	Audit brought forward from 2018/19 to assist with the review of contract management arrangements and the rules in the requirements in the Procurement and Contract Procedure Rules
20	Certification	Disabled Facilities Grants - grant certification 2018/19	P-Environmental Health	Certification request from Ministry of Housing, Communities and Local Government
21	Thematic review	Deceased persons list	F-Corporate Services	Audit brought forward from 2018/19 to follow up of the issues raised in 2015/16 about how the council manages notifications of deceased persons.
22	Corporate Assurance Work	Assurance on Partnership Governance	F-Corporate Services	To address recommendation in the Effectiveness of the Audit Committee review in 2018/19 to clarify how the committee receives assurances on partnership governance. A new requirement in the Code of practice for Audit Committees.
23	Corporate Assurance Work	Anti-Bribery Policy	Cross Cutting	To review and update the Councils Anti Bribery Policy and test arrangements in place in support of the Policy. The Policy was scheduled for next review in 2019/20.