

# FAREHAM

## BOROUGH COUNCIL

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

**Date**                    **10 March 2014**

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

**Subject:**              **CONTRACTOR INTERNAL AUDIT PLAN 2014/15 (Quarter 1)**

#### **SUMMARY**

This report summarises the internal audit coverage proposed for the Audit Contractor (Mazars Public Sector Internal Audit Ltd.) to deliver in the first quarter of 2014/15.

#### **RECOMMENDATION**

That the Contractor Audit Plan for Quarter 1 of 2014/15, attached as Appendix A, be approved.

## **INTRODUCTION**

1. The Internal Audit Service provides an objective assessment of the Council's framework of governance, risk management and control. Key to this assessment is the delivery of a plan of audits which is set at the start of the year. This plan is the pure "internal audit" assurance process that forms the majority of the Head of Audit's annual opinion.
2. The full Audit and Assurance service is currently provided jointly by a small in-house team and an external contractor which leads on the delivery of the risk based plan for the year. Deloitte and Touche have delivered the contract for the last 4 years. However, the public sector internal audit team have now transferred to Mazars Public Sector Internal Audit Ltd and they will be delivering the 2014/15 plan for the last year under the current contract.
3. This report summarises the approach being taken to set the contractor plan for 2014/15 and proposes a set of audits for delivery in the first quarter.

## **AUDIT NEEDS ASSESSMENT**

4. We are currently updating our audit needs assessment to produce a fully documented risk assessment which meets the requirements of the Public Sector Internal Audit Standards 2012.
5. Officers are also reviewing the content of our annual plans and the way they are executed in line with the current organisational culture with a view to seeing if there is scope to make better use of the resources available and improve the value of the end product of each assignment to the organisation.
6. A full plan for the year will therefore not be ready until June 2014. However, a provisional plan is being set now for delivery in the first 3 months (quarter) of the year.

## **PROPOSED PLAN FOR QUARTER 1**

7. Appendix A shows the plan proposed for the first quarter of 2014/15. This consists of 6 audits and will take approximately 22% of the available audit time for the year. The audits have been selected by taking into consideration the following:
  - The need to deliver different types of audit (e.g. computer, contract, service) and cover different work groups in order to be able to form an annual opinion across the Council's framework of governance, risk management and control.
  - The audits that had already been selected in the draft 2014/15 audit plan produced following the 2013/14 audit needs assessment.
  - The audits which will be least affected by the current structural reorganisation.

## **RISK ASSESSMENT**

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

## **CONCLUSION**

9. The quarter 1 plan for 2014/15, outlines a range of work which will appropriately support the Council's Governance Assurance Framework.

**Appendices:**

**Appendix A** - Contractor Operational Audit Plan 2014/15 – Quarter 1

**Background Papers:** None

**Reference Papers:** Report by the Director of Finance and Resources to the Audit and Governance Committee on 11 March 2013 on the Contractor Annual Audit Plan 2013/14

**Enquiries:**

For further information on this report please contact Elaine Hammell, Head of Audit and Assurance (Ext 4344 )

## Contractor Operational Audit Plan 2014/15 – Quarter 1

Audit Title	Type of Audit	Days	Reason for Inclusion	Draft Coverage
<b>Contract Completion (Final Accounts)</b>	Contract Audit	10	Contract audit selected in the draft 3-year plan for coverage in 2014/15. Top level audit covering more than one department. Last audited 2006-7.	Council policy on staged payments. Central payments register. Accuracy and documentation of payments to contractors. Variation Orders. Expense claims. Accuracy of Final Account and release of retention sums.
<b>Payroll and Personnel System (Chris 21)</b>	Computer Audit	10	Computer audit selected in the draft 3-year plan for coverage in 2014/15. Relates to a fundamental system. All IT systems supporting fundamental systems are being covered during the current external audit appointment. Last audited 2007-8	System administration, access controls, data input controls, data processing controls, interface controls, output controls, management trail, backup and recovery.
<b>Foreshore and Beach Huts</b>	Service Audit	4	Service audit selected in the draft 3-year plan for coverage in 2014/15. Increasing income stream. No audit coverage in last 10 years.	Beach Hut allocations and rental income. Sailing Club licences and leases.
<b>Tenancy Management</b>	Service Audit	7	Cyclical audit now due as last audited 2009-10. Previous recommendations to be signed off. Specific testing to be included to feed into the Tenancy Fraud risk assessment.	New tenant checks and agreements. Key management. Tenancy audits. Tenancy termination and transfer. Control over recharges.
<b>Parks and Open Spaces</b>	Service Audit	6	Service audit selected in the draft 3-year plan for coverage in 2014/15. Income stream. No audit coverage in last 10 years.	Maintenance and inspections. Expenditure control. Roundabout sponsorship. Memorial seats. Other rents and leases.
<b>Legionella and Gas Safety Risks Follow Up</b>	Follow Up	5	A number of recommendations made in the 2009/10 audit have been reported as implemented and are awaiting audit sign off.	Follow up of 15 recommendations previously reported as implemented, awaiting official sign off.
Audit Needs Assessment		4		
Audit Management		4		
<b>Total Audit Days</b>		<b>50</b>		