

INTERNAL AUDIT – AUDIT PLAN

Overview:

This report is to set out the annual plan for 2018/19.

Action required:

Members are required to:

- Agree to the annual plan, which will be monitored and updated on a rolling quarterly basis.

1 Introduction

- 1.1 The overall purpose of the Internal Audit work plan is to provide the framework for the use of audit resources. It is a yardstick for measuring audit performance ensuring that resources are focused on activity that will make the most difference to securing the objectives of the council.

2 Mission of Internal Audit

- 2.1 Internal Audit aims to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. This is achieved through Internal Audit 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.
- 2.2 The role of internal audit is defined within the Public Sector Internal Audit Standards, as an: *'independent, objective assurance and consulting activity designed to add value and improve an organisations 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'*.

3 Basis of Audit Opinion

- 3.1 Internal Audit is required to provide an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance. With the exception of consultancy work, all audit reports issued include an assurance rating based on the definitions shown below. Individual assurance ratings help determine the overall audit opinion at the end of the financial year.

Definitions of audit assurance

- **Full** – A comprehensive system of internal controls is in place designed to achieve the system/function/process objectives. These controls are operating effectively and are being consistently applied.
- **Substantial** – Key controls designed to achieve the system/function/process objectives, are in place. There are opportunities to enhance/strengthen these controls.
- **Reasonable** – Basic controls designed to achieve the system/function/process objectives, are in place. Improvements are required if key controls are to be established.
- **Limited** – Minimal controls designed to achieve the system/function/process objectives, are in place. Significant improvements are required if key controls are to be established.
- **No assurance** – No controls that achieve the system/function/process objectives, are in place.

3.2 The annual audit opinion provided by the Audit Manager for 2018-19 will be based upon:

- Reviews undertaken during 2018-19.
- Follow up of actions against audit recommendations made.
- Management responses to findings and recommendations.
- Effects of significant changes to the financial systems.
- Assurances received from other sources.
- The extent of resources available to deliver the audit plan.

3.3 The annual opinion will be reported to this Committee following the end of the financial year.

3.4 All internal audit work is undertaken in accordance with the Public Sector Internal Audit Standards.

4 Methodology for compiling audit coverage

Risk Universe and Criteria

4.1 The risk universe has been updated to show auditable areas as at January 2018. This will be reviewed as appropriate.

4.2 The risk criteria have been to ensure they capture all relevant areas to be considered in determining the level of risk exposure within an auditable area.

4.3 The risk criteria includes the following areas:

- **Corporate priority**

This looks at the Council's corporate plan and assesses to what level the auditable area contributes to the corporate plan. This is included so that areas of high corporate priority are considered more highly than areas of low corporate importance, which are not deemed to risk the Council achieving its overall objectives.
- **Impact on reputation**

This looks at the potential impact on the Council's reputation if a risk within the auditable area was to transpire. This is included so that areas of high reputational impact are considered more highly for a review to ensure that the reputation of the Council is maintained.
- **Assurance from others**

This considers whether another body either externally (e.g. external audit) or internally (e.g. systems thinking) have reviewed the area. This is included so that if assurance can be provided by others then Internal Audit would not need to also review the same area.
- **Concerns raised**

This looks at any concerns raised by Managers or employees, any previous frauds identified and any previous poor controls identified by Internal Audit. This is included as if concerns are raised then this could highlight control weaknesses impacting on the Council in various ways.
- **Laws or Regulations**

This looks at if the auditable area is enshrined by Laws or regulations or not. A requirement for high levels of compliance with Laws and Regulations will result in a higher risk to the Council if these are not adhered to.
- **Financial transactions total**

This looks at the financial value of transactions in the auditable area, as the higher the value of the transactions the more risk of financial loss to the Council. This also looks at the number of transactions, as a small financial value but high frequency of transactions opens the auditable area up to a bigger risk of fraud and error.
- **Vulnerability**

This looks at whether the area is completely new to the Council or not or if it's a constantly evolving area e.g. IT. New and evolving areas will present a higher vulnerability than an area that has not changed.

Developing the Audit Plan

- 4.4 Internal Audit strategy is to review key financial systems on a 3-year rolling basis adjusted for any significant system developments or identified weaknesses. Additionally, all other areas of coverage are based on various risk factors developed by Internal Audit described in section 4 of this report.
- 4.5 The Council's approach to risk management has been identified as an area where improvement is required. Once robust systems are operating effectively, then this will enable audit focus to be aligned to key strategic and significant operational risks.
- 4.6 The first 6 months of work will be established based on the auditable areas with a view to risk, suitability of timing and availability of audit resource. This will be agreed with CLT and the Licencing & General Purpose Committee. The work for the following quarters will be established at subsequent CLT and Committee meetings, as laid out in 4.5 table 1 below. This will allow Internal Audit to react more effectively to the needs of the Council when required throughout the year.
- 4.7 Cyclical coverage of key financial systems has been discussed with External Audit who expressed no concerns providing that coverage is reviewed should identified concerns warrant it.

Communication and monitoring of the plan

Table 1

Date	Meeting	Details
16 th January 2018	CLT	<ul style="list-style-type: none">Set the work for quarter 1 & quarter 2 (subject to change if required for the needs of the organisation.)
29 th January 2018	L&GP Committee	
8 th May 2018	CLT	<ul style="list-style-type: none">Present the audit opinion for 2017/18.Give an overview of the work completed in 2017/18.
24 th May 2018	L&GP Committee	
10 th July 2018	CLT	<ul style="list-style-type: none">Report on the work carried out to date for quarter 1.Report any changes required for the rest of quarter 1 or quarter 2 and the reason for these changes.Set the work for quarter 3.
30 th July 2018	L&GP Committee	
13 th November 2018	CLT	<ul style="list-style-type: none">Report on the work carried out to date for outstanding work in quarter 1, and quarter 2.Report any changes required for the rest of quarter 3 and the reason for these changes.Set the work for quarter 4.
26 th November 2018	L&GP Committee	

January 2019	CLT	<ul style="list-style-type: none"> • Report on the work carried out to date for quarter 3, and outstanding work for quarter 4. • Report any changes required for the rest of quarter 4 or for quarter 3 and the reason for these changes.
January 2019	L&GP Committee	

4.8 A rolling programme means that the plan can be set for each quarter allowing for greater flexibility of audit coverage to meet the changing environments faced by the Council.

5 Resources

5.1 Internal Audit resourcing requirements will be reviewed on an annual basis as part of the audit strategy that will match the audit needs assessment against available internal audit resource. Where there is a significant imbalance, the Committee will be informed and appropriate solutions agreed.

5.2 The 2018/19 plan will be undertaken by the Audit Manager and bought in contractor resource and is sufficient to enable a meaningful annual audit opinion on the control and risk environment.

6 2018/19 audit plan

6.1 The first 6 months work, as set out in Appendix A, has been selected from the higher risk areas detailed in Appendix B. The list of audits is subject to review due to the changing needs of the organisation or resource availability. An update will be provided at the committee meeting in July.

Gavin Jones
Interim Audit Manager

Contact Details: 01252 398596
gavin.jones@rushmoor.gov.uk

References:

- *Public Sector Internal Audit Standards (2017)*
<http://www.cipfa.org/policy-and-guidance/standards/public-sector-internal-audit-standards>

Table of Audits expected deliverables for Quarters 1 & 2

CLT	Corporate governance
Community	Weekly refuse and recycling contract
CLT	Improvement programme
CLT	Capital programme management
IT & Facilities	IT application access control
Environmental, Health & Housing	Disabled facilities grants

Follow up of previous audit reviews

Legal/Various	Follow Up - Contract letting & tendering
CLT	Follow Up – Transparency code
IT & Facilities	Follow Up – Cyber security
Community	Follow Up – Card payments

Provisional forward programme of audit work

Legal	General Data Protection Regulation (GDPR)
CLT	Risk management
Finance	Key Financial System - Benefits overpayments (Quarter 3/4)
Finance	Key Financial System – Sales ledger (Quarter 3/4)
Finance	Key Financial System – NNDR & council tax recovery (Quarter 3/4)
CLT	Regeneration programme - consultancy
Legal/Various	Contract management & monitoring
Planning	Planning applications
Finance	Financial borrowing
Various	Follow Up of previous Internal Audit reports

RISK UNIVERSE SCORING - JANUARY 2018

Appendix B

AUDIT AREA	Total risk score	Notes
Capital programme and accounting	29	Capital programme management 2018/19 plan
Purchase of property and land	29	2017/18 Audit Plan – follow up 2018/19
Contract letting and tendering	28	2017/18 Audit Plan – follow up 2018/19
Improvement programme	27	2018/19 Audit Plan
Contract management/monitoring	26	2017/18 Audit Plan
General Data Protection Regulation (GDPR)	26	2018/19 Audit Plan
Transparency code	26	2017/18 Audit Plan – follow up 2018/19
Risk management	25	2018/19 Audit Plan
Benefits overpayments	24	2018/19 Audit Plan - Key financial system
HMRC requirements	24	2017/18 Audit Plan
NNDR billing and collection	24	2017/18 Audit Plan – Key financial system
Planning enforcement	24	Covered by Investigation Team
Sundry debtor recovery	24	2018/19 Audit Plan - Key financial system (sales ledger)
Taxation and returns	24	See HMRC requirements – 2016/17 Audit Plan
Aldershot and Farnborough Markets	23	2016/17 Audit Plan
Car boot sales	23	2015/16 Audit Plan
Corporate governance	23	2018/19 Audit Plan
Council tax billing and collection	23	Key financial system next due 2019/20 Audit Plan
Council tax recovery	23	2018/19 Key financial system
Ethical governance	23	2018/19 Audit Plan (may cover as part of corporate governance)
Disabled facility grants	23	2018/19 Audit Plan
Financial borrowing	23	Slipped from 2017/18 plan
NNDR recovery	23	2018/19 Key financial system
Planning applications	23	Slipped from 2017/18 plan

AUDIT AREA	Total risk score	Notes
Sale of property and land	23	2019/20 – related issues property acquisitions
Weekly refuse and recycling collection contract	23	2018/19 Audit Plan (slipped from 2017/18 plan)
Application access control	22	2018/19 Audit Plan
Constitution	22	Included in corporate governance at a high level
Cyber security	22	2017/18 Audit Plan – follow up 2018/19
Performance management	22	
Digital advertising boards	22	
Payroll/ Pay	22	2017/18 Audit Plan – Key Financial System
Regeneration projects	22	2018/19 Audit Plan
SANGS	22	
S106	22	

Key

	Significant governance issue per AGS 2017/18
	Inclusion in 2018/19 plan
	Possible inclusion in 2018/19 plan