

INTERNAL AUDIT – AUDIT PLAN

SUMMARY:

This report is to set out the annual plan for 2019/20.

RECOMMENDATIONS:

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 audit plan is produced annually to provide a framework for the use of audit resources. To ensure that resources are focused on activities that will enable the Audit Manager to provide the organisation with an overall assurance of the internal control environment.

2 Purpose of Internal Audit

- 2.1 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'*.
- 2.2 Internal Audit provides the organisation with 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.

3 Methodology for compiling audit coverage

Risk Universe and Criteria

- 3.1 The risk universe has been updated to show auditable areas as at January 2018. This will be reviewed as appropriate.
- 3.2 The risk criteria has been developed to ensure they capture all relevant areas to be considered in determining the level of risk exposure within an auditable area. The Corporate Risk register and the details within the Annual Governance Statement are also taken into account when reviewing the risk universe and developing the audit plan.
- 3.3 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.

Input from Heads of Service

- 3.4 Heads of Service were consulted on the areas, which were high risk on the audit universe, to ensure that these were appropriate to be reviewed within the financial year and highlight any areas of concern within their service.

Developing the Audit Plan

- 3.5 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 and input from Heads of Service.
- 3.6 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, Audit & General Purpose Committee. The work for the following quarters will be established at subsequent CLT and Committee meetings, as laid out in table 1 below. This will allow Internal Audit to react more effectively to the needs of the Council when required throughout the year.

Communication and monitoring of the plan

Table 1

Date	Meeting	Details
28 th May 2019	ELT	<ul style="list-style-type: none"> • Present the audit plan for 2019/20 • Present the audit opinion for 2018/19. • Present the annual governance statement and update to the Local Code of Corporate Governance • Give an overview of the work completed in 2018/19. • Set the work for quarter 1 & quarter 2 (subject to change if required for the needs of the organisation.)
6 th June 2019	LA&GP Committee	
16 th July 2019	CLT	<ul style="list-style-type: none"> • Report on the work carried out to date for quarter 1. • Report any changes required for quarter 2 and the reason for these changes. • Set the work for quarter 3.
29 th July 2019	LA&GP Committee	
5 th November 2019	CLT	<ul style="list-style-type: none"> • Report on the work carried out to date for quarter 3 and outstanding work for quarter 1 and 2. • Report any changes required for the rest of quarter 3 and the reason for these changes. • Set the work for quarter 4.
25 th November 2019	LA&GP Committee	

14 th January 2020	CLT	<ul style="list-style-type: none"> • Report on the work carried out to date for quarter 3 and outstanding work for quarter 2. • Report any changes required for the rest of quarter 4 and the reason for these changes.
27 th January 2020	LA&GP Committee	
10 th March 2020	CLT	<ul style="list-style-type: none"> • Report on the work carried out to date for quarter 4 and outstanding work for quarter 3. • Set the work for quarter 1 & quarter 2 (subject to change if required for the needs of the organisation.)
23 rd March 2020	LA&GP Committee	

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

4 Resources

4.1 There is currently a vacant full time auditor post. The work of this post was carried out by contract auditors in 2018/19. This vacant post is currently being reviewed therefore contract auditors will continue to be utilised during 2019/20 to enable the audit plan, as detailed within Appendix A, to be delivered. Some of the planned work will be carried out by the Corporate Investigation Officers.

5 2018/19 audit plan

5.1 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.

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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

Economy, Planning & Strategic Housing	SANGS - consultancy work
Economy, Planning & Strategic Housing	Building Control Partnership
Regeneration & Property	Estates Management and Commercial Letting
Finance/ CLT	Risk Management consultancy work
Operations	Community Safety Partnership
Operations	Housing allocation list
Finance	Procurement
Finance	Financial borrowing
Operations	Car park income reconciliation – consultancy work

Follow up of previous audit reviews

Various	General follow up on high priority recommendations from previous audits.
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Provisional forward programme of audit work

Finance	Council Tax Billing & Collection – Key Financial System
Finance	Capital Project – Ivy road sports pavilion
Finance	Cash Receipting – Key Financial System
Finance	Treasury Management – Key Financial System
Operations	PCNs
ELT	Ethical Governance – Petty cash
Finance/ IT	PCI DSS
Finance/ ELT	RDP/ Housing company
Democracy, Strategy and Partnership	Performance Management
Economy, Planning & Strategic Housing	SANGS

RISK UNIVERSE SCORING - JANUARY 2019

Appendix B

AUDIT AREA	Total risk score	Notes
Purchase of property and land	30	Reviewed in 2017/18. Follow up carried out in 18/19
Capital programme and accounting	29	In the plan for 2019/20
General Data Protection Regulation/ RIPA/ FOI	28	Follow up to be carried out 2019/20
Housing company	28	In the plan for 2019/20
RDP	28	In the plan for 2019/20
Contract letting and tendering	27	Reviewed in 2017/18. Follow up carried out in 18/19
Sundry debtor recovery	26	Reviewed in 2018/19 – Key Financial System part of 3 year cycle
Contract management & monitoring	25	Follow up to be carried out 2019/20
Taxation and returns	25	Reviewed within all relevant audits
Corporate Governance	25	Follow up to be carried out 2019/20
Risk Management	24	Consultancy work to be carried out 2019/20
Council tax billing and collection	24	In the plan for 2019/20 – Key Financial System part of 3 year cycle
Estates Management & Commercial Letting	24	In the plan for 2019/20
Financial Borrowing	24	In the plan for 2019/20
Performance Management	23	In the plan for 2019/20
HMRC requirements	23	Recently reviewed
NNDR billing and collection	23	Reviewed in 2017/18 – Key Financial System part of 3 year cycle
Weekly refuse and recycling collection contract	23	Follow up to be carried out 2019/20
PCI DSS	23	In the plan for 2019/20
Cyber security	23	Reviewed in 2017/18. Follow up carried out in 18/19
Farnborough regeneration (civic quarter)	23	Work is only just beginning on this so will be reviewed in 20/21
Transparency code	22	Reviewed in 2017/18. Follow up carried out in 18/19
Planning enforcement	22	Recently reviewed
Ethical Governance	22	In the plan for 2019/20
Council tax recovery	22	Reviewed in 2018/19 – Key Financial System part of 3 year cycle

RISK UNIVERSE SCORING - JANUARY 2019

Appendix B

AUDIT AREA	Total risk score	Notes
Planning applications	22	Follow up to be carried out 2019/20
Disabled facility grants	22	Follow up to be carried out 2019/20
SANGS	22	In the plan for 2019/20
Car park machine income off street parking	22	Reviewed in 2017/18. Follow up carried out in 18/19
Building Control Partnership	22	In the plan for 2019/20
Benefits overpayments	21	Reviewed in 2018/19 – Key Financial System part of 3 year cycle
NNDR recovery	21	Reviewed in 2018/19 – Key Financial System part of 3 year cycle
Application access control	21	Follow up to be carried out 2019/20
Payroll/ Pay	21	Reviewed in 2017/18 – Key Financial System part of 3 year cycle
Council tax reliefs, reductions and exemptions	21	In the plan for 2019/20 – part of key financial system
NNDR hardship, reliefs and exemptions	21	Reviewed in 2017/18 – Key Financial System part of 3 year cycle
Treasury Management	21	In the plan for 2019/20 - Key Financial System part of 3 year cycle
Purchase ledger	21	Reviewed in 2017/18 – Key Financial System part of 3 year cycle
Constitution	21	Reviewed as part of the corporate governance audit carried out in 18/19
CCTV	21	Currently going out to tender & being reviewed to be carried out in 20/21
Licensing – Taxi	21	Currently the process is changing –to be reviewed in 20/21
Council property/ investment property improvements & maintenance	21	
S106 agreements/Community Infrastructure Levy	21	
External tenants	21	
Corporate policy/ strategic objectives/ corporate planning	21	
Grants to organisations	21	
External funding applications	21	

Key

	Inclusion in 2019/20 plan
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