

**Body:** AUDIT & GOVERNANCE COMMITTEE

**Date:** 13 MARCH 2013

**Subject:** Draft Internal Audit Plan for 2013/14

**Report Of:** Internal Audit Manager

**Ward(s)** All

**Purpose** To propose an internal audit plan for 2013/14

**Recommendation(s):** To consider and adopt the proposed plan.

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## **1.0 Introduction**

- 1.1 The internal audit function contributes to the Council's overall governance arrangements through the audits carried out in the annual internal audit plan.
- 1.2 The annual audit plan includes a number of managed audits which are required to be carried out by the external auditors and upon which they place reliance for the work of internal audit.

## **2.0 Production of the draft audit plan for 2013/14**

- 2.1 The internal audit plan for each year begins by calculating the number of audit days available.
- 2.2 There are twelve "managed" audits which have to be undertaken every year in order to satisfy the external auditors. One extra has been added to the eleven that were previously carried out, this was specifically requested by PKF and is a review of Theatres reconciliations. These are:-

- Benefits
- Cash and Bank
- Council Tax
- Creditors
- Debtors
- Housing Rents
- Main Accounting (Financial Ledger)
- NNDR
- Payroll
- Treasury Management
- IT
- Theatres

- 2.3 As well as these core audits, work is carried out annually on verifying the NNDR 3 and Benefits Subsidy Claim and time must also be set aside in the audit plan for unplanned work (contingency), advice, special investigations, follow ups, work on the National Fraud Initiative etc.
- 2.4 Once the days necessary to carry out the work listed above are calculated the figure can be taken from the "auditor time available" and the remaining figure is the number of days available for carrying out other audits specifically for the Council. These calculations can be seen as part of Appendix A
- 2.5 The "Audit Universe" is a list of all the areas and systems across the Council which can be audited.
- 2.6 In order to produce the annual internal audit plan a risk assessment of the areas listed in the audit universe is carried out by the Internal Audit Manager. Weighting factors used are :-

The number of transactions in the system;  
System changes;  
Internal control score (evaluated from last review);  
Length of time since last review.

- 2.7 The completed risk assessment can be found at Appendix B. This has been sorted by level of risk and then by the date the last audit review was undertaken.
- 2.8 The high risk audits are all included in the audit plan as a matter of course. The remainder of the audit time available can then be used to cover medium risk audits, special requests for specific pieces of work and consultancy work.
- 2.9 Housing was assessed as a high risk for the year. In discussion with the Senior Head of Community it was agreed that four separate reviews of Housing be carried out in the financial year.
- 2.10 It should be pointed out that any medium risk reviews that have been audited recently have not been included in the plan. Consideration will also be given during the year to the list of systems in the audit universe and any changes that are needed to reflect the working practices of the Future Model. Currently it has been decided to continue to audit systems and processes and their controls as listed in the audit universe even though the teams that deliver them have changed.
- 2.11 The draft audit plan for the new year which was drawn up using the process described above was taken to CMT for discussion on the 12<sup>th</sup> February 2013. No changes were proposed. This plan can be seen at Appendix C

### **3.0 Consultation**

- 3.1 Corporate Management Team

### **4.0 Resource Implications**

- 4.1 Financial – Delivered within the approved budget for Internal Audit

4.2 Staffing – None directly as a result of this report, staff are engaged in risk matters on an ongoing basis.

## **5.0 Other Implications**

5.1 None

## **6.0 Summary of Options**

6.1 None

## **7.0 Recommendation**

7.1 To consider and adopt the proposed plan.

**Jackie Humphrey**  
**Internal Audit Manager**

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### **Background Papers:**

The Background Papers used in compiling this report were as follows:

*Internal Audit risk assessment of the audit universe for the Council.*