

Body: AUDIT AND GOVERNANCE COMMITTEE

Date: 12 MARCH 2014

Subject: Draft internal audit plan for 2014/15

Report Of: Internal Audit Manager

Ward(s) All

Purpose To propose an internal audit plan for 2014/15

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 Reviewing the Audit Universe

- 2.1 The Audit Universe is the list of all areas around the Council which can be reviewed. With the work on the Future Model progressing it was considered timely to fully review the list to ensure that it was still fit for purpose.
- 2.2 Meetings were therefore held with Heads of Service to discuss the areas listed which fell within their departments. Each was considered for its relevance and any new areas to be added to the list were also discussed.
- 2.3 The opportunity was also taken to discuss any specific pieces of work that Heads of Service required for consideration in the annual audit plan.

3.0 Production of the draft audit plan for 2014/15

- 3.1 The internal audit plan for each year begins by calculating the number of audit days available.
- 3.2 There are twelve "managed" audits which have to be undertaken every year in order to satisfy the external auditors. These are:-

- Benefits
- Cash and Bank
- Council Tax
- Creditors

Debtors
Housing Rents
Main Accounting (Financial Ledger)
NNDR
Payroll
Treasury Management
IT
Theatres

- 3.3 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.
- 3.4 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
- 3.5 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.
- 3.6 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.
- 3.7 As a general rule high risk areas will always be included in the annual plan. However this year this is not the case. A review of Catering was only carried out toward the end of the last financial year and is still subject to Follow up reviews. The review of the Redoubt was carried out in February 2012 but when last followed up there were still recommendations outstanding. It is considered appropriate to carry out a follow up of the outstanding recommendations to see where they currently stand and a decision on whether further work needs to be carried out can be considered at that point.
- 3.8 The majority of medium and low risk areas which were last audited before 2010 have been included in the plan in order to ensure that their last evaluated risk level is still appropriate.
- 3.9 During the discussions held with Heads of Service certain areas for review were suggested/requested and have also been included in the plan.
- 3.10 One other audit has been included in the plan which does not fit any of the above criteria. This is Risk Management and has been included as it is considered best practice to review this area regularly as it is an important part of the whole Corporate Governance process.
- 3.11 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 4th February 2014. No changes were proposed. This plan can be seen at Appendix C

4.0 Consultation

4.1 Heads of Service separately and the Corporate Management Team.

5.0 Resource Implications

5.1 Financial – Delivered within the approved budget for Internal Audit

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

6.0 Other Implications

6.1 None

7.0 Summary of Options

7.1 None

8.0 Recommendation

8.1 To consider and adopt the proposed plan.

Jackie Humphrey
Internal Audit Manager

Background Papers:

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

None