

**Body:** AUDIT COMMITTEE

**Date:** 11 MARCH 2015

**Subject:** Draft internal audit plan for 2015/16

**Report Of:** Internal Audit Manager

**Ward(s)** All

**Purpose** To propose an internal audit plan for 2015/16

**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 The Audit Universe**

- 2.1 The Audit Universe is the list of all areas around the Council which can be reviewed.
- 2.2 The universe was completely reviewed in discussion with Heads of Service ahead of the 2014/15 plan.

## **3.0 Production of the draft audit plan for 2015/16**

- 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 The draft audit plan is then produced using the risk assessment to select areas for review up to the amount of time available.

#### **4.0 Draft audit plan for 2015/16**

- 4.1 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 17<sup>th</sup> February 2015. No changes were proposed. This plan can be seen at Appendix C
- 4.2 There are three high risk areas identified in the risk assessment. Two of these are still subject to follow up reviews after an earlier audit. These have therefore not been included in the draft plan.
- 4.3 There are two reviews due to be carried out in Planning. One is for the actual process and the other for the Planning computer system. It is proposed to carry out the one for the computer system this year and other in the next financial year. This is so that one area is not over-audited in the year.
- 4.4 All the reviews from the last financial year that were not started have been put into the plan for 15/16. For those that were started in 14/15 but will be completed in 15/16, time has been allocated within contingency.
- 4.5 More time has been given to the review of Procurement. This will allow time for a review of contract monitoring and enable the audit team to capture information from across the Council about all contracts and set up a list which can then be kept up to date and published under the Transparency agenda.

## **5.0 Eastbourne Homes Ltd**

- 5.1 The Internal Audit team has been asked to take on the Internal Audit work for Eastbourne Homes Ltd from 1<sup>st</sup> April 2015.
- 5.2 In order to cover the extra work the part time auditor has been asked to take on extra hours. These will be completely funded by Eastbourne Homes Ltd.

## **6.0 Consultation**

- 6.1 The Corporate Management Team.

## **7.0 Resource Implications**

- 7.1 Financial – Delivered within the approved budget for Internal Audit
- 7.2 Staffing – None directly as a result of this report, staff are engaged in risk matters on an ongoing basis.

## **8.0 Other Implications**

- 8.1 None

## **9.0 Summary of Options**

- 9.1 None

## **10.0 Recommendation**

- 10.1 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:

*None*