

8. INTERNAL AUDIT – ANNUAL INTERNAL AUDIT PLAN 2014/2015

REPORT OF: Head of Finance, ICT and HR
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Wards Affected: All
Key Decision: No
Report to: Audit Committee 18th March 2014

Purpose of Report

1. The purpose of this report is to inform the Committee of the detailed work proposed for 2014/15

Summary

2. The 2014/154 annual audit plan allows for examination of the main financial areas from a 'systems' and an ICT perspective, key to ensuring the Council's finances remain properly controlled, whilst also undertaking strategic and service based work each with a varying risk to the organisation.
3. The plan also includes some specific reviews from previous audit work; this is to ensure that the Council are being consistent in their approach to these areas year on year.
4. The plan continues to include coverage of specific key controls identified by Ernst & Young in support of their year-end work.
5. The scope of each audit will be agreed between the Head of Finance, ICT and HR and the Audit Manager and details will be provided to this Committee in June 2014.

Recommendation

6. **The Committee is asked to receive and approve the detailed Internal Audit Plan for 2014/15 (Appendix A).**
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Background

7. The work of Internal Audit is managed through a risk-based planning process which this year comprises a detailed one-year plan.
8. The purpose of this report is for the Committee to consider the proposed Internal Audit plan.

Internal Audit Plan

Preparation

9. The preparation process for the detailed one-year operational plan included engagement with management, consideration of findings of previous audit work by the Head of Finance, ICT and HR and inclusion of the fundamental systems as prescribed by External Audit.

10. The detailed Plan for 2014/15 is shown in Appendix A. This plan differentiates audits between fundamental systems, risk-based and corporate audits, ICT computer audits and the time necessary to support the plan and the internal audit function.

Fundamental Systems

11. These are the main financial systems, adequate control of which is key to the proper operation of the Council's financial affairs. The External Auditor also requires an adequate coverage of these systems in forming the view that the council is being properly managed. Those systems are required to be examined each year and a total of 84 days is allocated for this work for 2014/15, which represents 34% of the total.
12. Reviews of the Revenues and Benefits service are now shared between the three CenSus partners with each key element (Council Tax, NNDR and Housing Benefits) rotated between the partners on an annual basis.

Computer Audit

13. This category deals with examining the control of the Council's main computer systems and infrastructure. The work provides for a total of 20 days to take account of the changing arrangements of the ICT function within Mid Sussex District Council and will be focused on areas of greatest impact.

Follow ups

14. It is important for the effectiveness of Internal Audit that there should be a process of following up previously agreed recommendations to ensure they are implemented. This provides continuity between time periods and between audits. A total of 10 days is allocated for this work this year.

Management and Planning

15. In addition to undertaking the discrete audits referred to above, Internal Audit also carries out a number of support and planning activities including; liaison with the Council's External Auditors to ensure the work of the two functions are complimentary; liaising with management to agree the audit programmes to ensure that each piece of work is scoped to deliver the intended outcomes and adds value; allocation of appropriately skilled resources; and finally preparation for, and attendance at the Audit Committee.

Value for Money (VFM)

16. This element of the plan focuses on specific elements of the Council's operations to assess their effectiveness and efficiency in achieving Council objectives. The scope of this work will be agreed between the Head of Finance, ICT and HR and the Audit Manager and will be reported to this Committee in June 2014.

Resources

17. The Internal Audit Service for the forthcoming year will be managed by Gillian Edwards, Audit and Risk Manager at Crawley Borough Council, as part of a shared service arrangement. She will be acting in the capacity of the Chief Internal Auditor, and will be supported by a range of experienced staff employed by Crawley Borough Council.

Policy Context

18. This report explains how the Internal Audit function will contribute to the work of the Council, which is in accordance with the Corporate Plan. Internal Audit is a statutory function required under section 6 of the Accounts and Audit Regulations 2011.

Financial Implications

19. The detailed 2014/15 Internal Audit plan has been compiled to ensure it remains within the budget for that financial year.

Risk Management Implications

20. This plan has been produced after engaging with the Head of Finance, ICT and HR, who has engaged with stakeholders to determining the priorities for the forthcoming year. Whilst it is often the case that there is a need for more resources for Internal Audit, a judgement needs to be made as to the minimum that is required to ensure the proper operation of the Council's business.
21. The effectiveness of this approach continues to be kept under review and at the end of each year External Audit will also form their own opinion.

Background Papers

Mid Sussex District Council – Internal Audit Plan 2014/2015

	Systems	IT	Total	Comments
<i>Fundamentals</i>				
NNDR	20		20	Work to cover 3 CenSus Councils
Payroll	8		8	Compliance with Ernst and
Income Collection (Cashiers)	10		10	Young's requirements plus
Treasury Management	5		5	a review to confirm that key
Payments (Creditors)	5		5	controls are present in the
Sundry Debtors	5		5	fundamental financial
Capital Accounting & Asset Management	7		7	systems and that they are
Budgetary Control	4		4	operating in a satisfactory
FMS	5		5	manner.
Ernst and Young – top up testing	15		15	
<i>Risk Based and Corporate</i>				
Leisure Centre Contract Award Review	15		15	
Procurement	10		10	
Anti Fraud Work	8		8	
<i>ICT Audits</i>				
To be allocated		20	20	
<i>Value for Money</i>				
To be allocated	20		20	
Sub Total	137	20	157	

Follow Ups	10		10
Contingency	35		35
Sub Total	182	20	202

Management and Planning

Committees	12		12
Operational Management	24		24
Head of Audit Time	12		12
Total Days	230	20	250