

## 6. THREE YEAR INTERNAL AUDIT PLAN

Report from: Audit Manager  
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Tel:~(01444) 477241  
Wards Affected: All  
Key Decision: No  
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### 1. PURPOSE OF REPORT

To inform the Committee of the detailed work proposed for 2015/16 and the overall Internal Audit Plan, for the three years 2015/2016, 2016/2017, and 2017/2018.

### 2. SUMMARY

- 2.1 The three year internal audit plan has been compiled to respond to the changes within the organisation, its structure and how its services are delivered, whilst also ensuring that key controls are effective.
- 2.2 The plan allows for examination of the main financial areas from a systems and ICT perspective, which is 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.
- 2.3 The plan also includes some specific reviews from previous audit work, designed to ensure that agreed actions have been satisfactorily implemented and that the Council is being consistent in its approach year on year.
- 2.4 The plan continues to include coverage of specific key controls agreed with the External Auditor to support their year-end work as required.
- 2.5 It should be noted that the coverage in years 2 and 3, and indeed the first year of the plan may be subject to amendment, based upon changing situations, risks identified, and priorities.

### 3. RECOMMENDATIONS

**The Committee is asked to comment on the detailed Internal Audit Plan for 2015/2016 (Appendix A) and the 3 Year Internal Audit Plan (Appendix B).**

### 4. INTRODUCTION AND BACKGROUND

- 4.1 The work of Internal Audit is managed through a risk-based planning process which this year comprises detailed one year and three year plans.
- 4.2 The purpose of this report is for the Committee to consider the proposed Internal Audit Plans.

## **5.0 INTERNAL AUDIT PLANS**

### **Preparation**

- 5.1 The preparation process for the detailed one year and three year plans included engagement with management, consideration of findings of previous audit work and the inclusion of fundamental systems, including the major financial systems.
- 5.2 The detailed plan for 2015/2016 is shown in Appendix A, with the three year plan in Appendix B.

### **Fundamental Systems**

- 5.3 These are the main financial systems and as such, adequate control is key to the proper operation of the Council's financial affairs. The External Auditor also relies upon the work of Internal Audit partially in formulating their audit opinion. These systems are examined annually and a total of 88 days is allocated for this work in 2015/2016, which represents 40% of the total available audit days. This time also includes liaison with the External Auditor, Ernst & Young.

### **Computer Audit**

- 5.4 This category deals with examining the control of the Council's main computer systems and infrastructure. An ICT risk assessment is undertaken at the beginning of each financial year, to determine how the resources allocated to this area can be best utilised.

### **Risk Based and Corporate Audits**

- 5.5 This area relates to work requested and/or having been identified by Internal or External audit as a key risk to the Council.

### **Follow Ups**

- 5.6 It is important for the effectiveness of Internal Audit that there should be a process of following up previously agreed actions to ensure they are implemented satisfactorily and in a timely manner. A total of 10 days have been allocated for this work each year.

### **Management and Planning**

- 5.7 In addition to undertaking the audits referred to above, Internal Audit also carry out a number of support and planning activities. These include liaison with the External Auditor to ensure the two functions complement each other and avoid duplication. In addition, I liaise with management to agree the audit programmes and scope, allocate appropriately skilled resources, provide guidance to management on internal issues and present to the Audit Committee.

## **Resources**

- 5.8 The Internal Audit Service for the following three years has a total of 220 days allocated per annum. This work will be managed by Gillian Edwards, Audit and Risk Manager at Crawley Borough Council, as part of the shared service arrangement. Specialists, including computer auditors, will be brought in as required.

## **6.0 Risk Assessment**

- 6.1 This plan has been produced after engaging with stakeholders, consideration of the findings of Internal and External Audit and review of relevant documentation. There is scope for additional resources to be allocated to the plan, to cover unexpected eventualities and unforeseen risks, by agreement with the Head of Finance, IT and HR and the Audit Manager.
- 6.2 The three year plan is intended to focus on the strategic direction of the Council. Management Team are committed to Heads of Service taking responsibility for ensuring that controls are maintained within their areas of responsibility. If there are concerns over any issues, these can be discussed with Internal Audit for advice and there is sufficient flexibility in the plan to allow for this. Additionally, Heads of Service can ask Internal Audit to undertake examinations on a one off basis, subject to agreement by the Head of Finance, IT and HR.

## **7. Policy Context**

This report explains how the Internal Audit function will contribute to the work of the Council Internal Audit is a statutory function required under section 6 of the Accounts and Audit Regulations 2003.

## **8. Financial Implications**

- 8.1 The detailed 2015/2016 Internal Audit Plan has been compiled to ensure it remains within the budget for the three years.

## Appendix A

### Mid Sussex District Council Internal Audit Plan 2015/2016

	Systems	IT	Total	Comments
<b><i>Fundamentals</i></b>				
Housing Benefits	23		23	<b>Work to cover 3 CenSus Councils</b>
Payroll	8		8	This work will ensure compliance
Income Collection (Cashiers)	10		10	with Ernst & Young's requirements
Treasury Management	5		5	
Payments (Creditors)	8		8	It will also include reviews to confirm
Sundry Debtors	8		8	that key controls are present in the
Capital Accounting & Asset Management	7		7	fundamental financial systems and
Budgetary Control	4		4	and assess whether they are
FMS	5		5	operating in a satisfactory manner.
Ernst & Young – top up testing	10		10	
<b><i>Risk Based and Corporate</i></b>				
Procurement	10		10	
Anti-Fraud Work including NFI	25		25	
<b><i>ICT Audits</i></b>				
To be allocated		20	20	
<b>Sub Total</b>	<b>123</b>	<b>20</b>	<b>143</b>	
Follow Ups	10		10	
Contingency	15		15	
<b>Sub Total</b>	<b>148</b>	<b>20</b>	<b>168</b>	

	Systems	IT	Total	Comments
<b>Management and Planning</b>				
Committees	12		12	
Operational Management	24		24	
Head of Audit Time	16		16	To include preparation of Head of Audit Annual Report
<b>Total Days</b>	<b>200</b>	<b>20</b>	<b>220</b>	

## Appendix B

### Mid Sussex District Council – 3 Year Internal Audit Plan

	2015/2016 Year 1	2016/2017 Year 2	2017/2018 Year 3
<b><i>Fundamentals</i></b>			
Housing Benefits	23		
Council Tax		20	
NNDR			20
Payroll	8	8	8
Income Collection (Cashiers)	10	10	10
Treasury Management	5	5	5
Payments (Creditors)	8	8	8
Sundry Debtors	8	8	8
Capital Accounting & Asset Management	7	7	7
Budgetary Control	4	4	4
FMS	5	5	5
Ernst & Young – top up testing	10	10	10
<b><i>Risk Based and Corporate</i></b>	<b>88</b>	<b>85</b>	<b>85</b>
Procurement	10	10	10
Anti-Fraud Work including NFI	25	25	25
<b><i>ICT Audits</i></b>			
To be allocated	20	20	20
Follow Ups	10	10	10
Contingency	15	18	18
<b><i>Management and Planning</i></b>			
Committees	12	12	12
Operational Management	24	24	24
Head of Audit Time	16	16	16
<b><i>Total Days</i></b>	<b>220</b>	<b>220</b>	<b>220</b>