

## THREE YEAR INTERNAL AUDIT PLAN

Report from: Audit and Risk Manager  
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Tel: (01444) 477241  
Wards Affected: All  
Key Decision: No  
Report to: Audit Committee  
25<sup>th</sup> February 2018

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### 1. PURPOSE OF REPORT

To inform the Committee of the detailed work proposed for 2019/2020 and the overall Internal Audit Plan, for the three years 2019/2020, 2020/2021, and 2021/2022.

### 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 year 3 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 2019/2020 (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 2019/2020 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 no longer relies upon the work of Internal Audit in formulating their audit opinion, and test the systems themselves to gain assurance. These systems are still examined annually by internal audit and a total of 99 days is allocated for this work in 2019/2020, which represents 42% of the total available audit days.

### **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.

### **Contingency**

- 5.7 After consultation with the Head of Corporate Resources, the number of audit days have been increased from 220 last year, to 236 days to allow coverage of areas identified as being necessary to include comprehensive coverage of areas where it is deemed the risk is sufficient to require this. There is no time allocated to contingency at present, however, if any additional resources were required, they would be agreed with the Head of Corporate Resources, and provided by Crawley Borough Council.

## **Management and Planning**

- 5.8 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, we 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**

- 5.9 The Internal Audit Service for the forthcoming financial year has a total of 236 allocated to it, with 220 days per annum in years two and three. This will be kept under constant review and any changes will be discussed and agreed with the Head of Corporate Resources. 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 Corporate Resources and the Audit and Risk 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 Corporate Resources.

## **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 the Accounts and Audit Regulations 2015.

## **8. Financial Implications**

- 8.1 The detailed 2019/2020 Internal Audit Plan has been compiled to ensure it remains within the budget agreed with the Head of Corporate Resources.

## Appendix A

### Mid Sussex District Council Internal Audit Plan 2019/2020

	Systems	IT	Total	Comments
<b><i>Fundamentals</i></b>				
Housing Benefits	20		20	This work will ensure compliance
Council Tax	12		12	
NNDR	12		12	with Ernst &Young's requirements
Payroll	10		10	It will also include reviews to confirm
Income Collection (Cashiers)	8		8	
Treasury Management	5		5	that key controls are present in the
Payments (Creditors)	8		8	fundamental financial systems and
Sundry Debtors	8		8	
Capital Accounting & Asset Management	7		7	and assess whether they are
Budgetary Control	4		4	operating in a satisfactory manner.
FMS	5		5	
<b>Sub Total</b>	<b>99</b>	<b>0</b>	<b>99</b>	
<b><i>Risk Based and Corporate</i></b>				
Commercial Properties	8		8	
FMS Project Group Attend and Advise	5		5	
Housing Allocations	8		8	
Temporary Accommodation	8		8	
Refuse Collection – Contract Monitoring	8		8	
<b>Anti-Fraud Work including NFI</b>	<b>30</b>		<b>30</b>	
<b><i>ICT Audits</i></b>				
To be allocated		20	20	
<b>Sub Total</b>	<b>166</b>	<b>20</b>	<b>186</b>	
Follow Ups	10		10	
Contingency				
<b>Sub Total</b>	<b>176</b>	<b>20</b>	<b>196</b>	

	<b>Systems</b>	<b>IT</b>	<b>Total</b>	<b>Comments</b>
<b><i>Management and Planning</i></b>				
Committees	10		10	
Operational Management	15		15	
Head of Audit Time	15		15	To include preparation of Head of Audit Annual Report
<b><i>Total Days</i></b>	<b>216</b>	<b>20</b>	<b>236</b>	

## Appendix B

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

	2018/2019 Year 1	2019/2020 Year 2	2020/2021 Year 3
<b><i>Fundamentals</i></b>			
Housing Benefits	20	20	20
Council Tax	12	12	12
NNDR	12	12	12
Payroll	10	10	10
Income Collection (Cashiers)	8	8	8
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
<b><i>Risk Based and Corporate</i></b>	<b>99</b>	<b>99</b>	<b>99</b>
Commercial Properties	8	0	0
FMS Project Group Attend and Advise	5	0	0
Housing Allocations	8		0
Temporary Accommodation	8		0
Refuse Collection – Contract Monitoring	8		
Anti-Fraud Work including NFI	30	30	30
<b><i>ICT Audits</i></b>	<b>20</b>	<b>20</b>	<b>20</b>
<b><i>Follow Ups</i></b>	<b>10</b>	<b>10</b>	<b>10</b>
<b><i>Contingency</i></b>		<b>16</b>	<b>16</b>
<b><i>Management and Planning</i></b>			
Committees	10	10	10
Operational Management	15	15	15
Head of Audit Time	15	15	15
<b><i>Total Days</i></b>	<b>236</b>	<b>220</b>	<b>220</b>