

Body:	AUDIT AND GOVERNANCE COMMITTEE
Date:	6 TH MARCH 2019
Subject:	Draft internal audit plan for 2019/20
Report Of:	Audit Manager
Ward(s)	All
Purpose	To propose an interim internal audit plan for 2019/20
Recommendation(s):	To consider the proposed plan.
Contact:	Jackie Humphrey, Audit Manager, Telephone 01323 415925 or internally on extension 5925. E-mail address jackie.humphrey@lewes-eastbourne.gov.uk

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. This year it has been updated to include areas across both Eastbourne Borough and Lewes District Councils so that a full joint audit plan can be produced.
- 2.2 This revised universe has been used to develop a risk assessment of these areas and the risk assessment itself has been revised to reflect the levels of risk identified at both authorities.

3.0 Production of the draft audit plan for 2019/20.

- 3.1 The draft audit plan for the new year has to be produced before the end of the previous audit year. A judgement therefore has to be made as to whether any outstanding reviews are likely to be completed and to carry forwards to the new plan those that are unlikely to be started within the financial year.
- 3.2 As already mentioned the plan for 2019-20 now covers both authorities and there has also been a restructure to reflect that the service is now one team across the councils. The draft audit plan has been based on this new structure though some posts need to be filled.

- 3.3 The internal audit plan for each year begins by calculating the number of audit days available. As this is to be a joint plan all the audit days available across the two authorities has been taken into account.
- 3.4 There are twelve "managed" audits which have to be undertaken every year in order to satisfy the external auditors. Some of these can be undertaken as one audit across the two authorities where one system is used, while others will still require two audits to be undertaken. The relevant numbers have been put beside each. Also, only Eastbourne has theatres so this is only completed for Eastbourne.

- Benefits x2
- Cash and Bank x1
- Council Tax x2
- Creditors x1
- Debtors x1
- Housing Rents x1
- Main Accounting (Financial Ledger) x1
- NNDR x2
- Payroll x1
- Treasury Management x1
- IT x1
- Theatres x1

The time allowed for any joint audits has been increased slightly as extra time will be required as staff learn who they need to talk to at each authority and to learn any systems that they are unfamiliar with.

- 3.5 As well as these core audits, work is carried out annually on verifying the Benefits Subsidy Claim. This work takes up a very large amount of time at both authorities as extra testing must be carried out if any error is found. Information on the errors has always been fed back to the relevant departments but the amount of work undertaken on checking the claims does not seem to decrease. Therefore, for 2019-20 more time has been set aside for this area than before. As well as carrying out the checking of the claim itself a project will be undertaken to work more closely with the departments to improve the quality of information which is used to produce the subsidy claim. The intention is to put extra time in this year with the expectation that it will decrease the time spent on checking the claim in future years.
- 3.6 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. Non chargeable time (holidays, sick leave, admin etc) is also calculated. Thirty six days of work are also purchased from Eastbourne Borough Council to carry out internal audit work for Eastbourne Homes Limited and this must also be taken into account in calculating time available.
- 3.7 Once the days necessary to carry out the work noted in 3.5 are calculated the resulting 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.

3.8 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 Audit Manager. Factors considered include :-

The number of transactions in the system;
System changes;
Internal control score (evaluated from last review);
Length of time since last review.

3.9 The completed risk assessment can be found at Appendix B. This has been sorted by level of risk.

3.10 The draft audit plan is then produced using the risk assessment as a starting point to select areas for review up to the amount of time available. Other areas where there are concerns about controls or that are timely to audit are also considered.

4.0 Draft audit plan for 2019/20

4.1 The risk assessment was used to consider which audits should be included in the plan for the new financial year. There are 12 high risk reviews listed in the risk assessment. Six have been reviewed within three years with another being completed in the current financial year. The remaining five are included in the draft plan for 19/20. The review for Business Continuity Planning and Disaster Recovery was last carried out in 2016 but is being repeated since it is felt this is a high risk area that requires a more regular review.

4.2 The remainder of the plan is made up of medium risk areas and one low risk. The low risk area is Equalities which Lewes District Council have audited annually for some years.

4.3 As all audits will be carried out across both authorities, unless the area is administered by only one authority, more time has been given to each review. This is because audit staff will be learning new systems as they carry out these audits and will have to speak to more staff who carry out the various elements of this work. During the course of the year experience will grow and there will be a much better idea of time requirements for reviews which will inform the plan for the following year.

4.4 The draft audit plan can be found at Appendix C.

5.0 Counter Fraud

5.1 The plan for Counter Fraud work has also been based on the time available from Counter Fraud staff across the two authorities. In the proposed restructure there are no changes that will affect the time available for counter fraud work and the proposal below will not change in terms of days available. However, the focus of work may change as Lewes have limited their counter fraud work to Tenancy and Right to Buy and this will be reviewed as the year progresses.

	Days	Priority
Tenancy Fraud	347	High
Right To Buy	180	High
Council Tax/CTR	78	Medium
Housing Benefit/DHP	50	Low
Private Sector Housing/DFG	45	Medium
NNDR	40	Medium
Procurement	15	Low
Data Matching/other	20	Low
	775	

- 5.2 Tenancy fraud work will include building up relationships with Homes First and Account Management in order to elicit more referrals and then to investigate these.
- 5.3 Council Tax and Council Tax Reduction work results in lower amounts of savings than other work. However, these savings are actual cashable savings to the Council.
- 5.4 Private Sector Housing, Disabled Facility Grants and Procurement are all areas where no fraud work has yet been undertaken so work will be carried out to see how best any investigations can be approached.

6.0 Consultation

- 6.1 The Corporate Management Team.

7.0 Resource Implications

- 7.1 Financial – delivered within the approved budget for Internal Audit and Counter Fraud.
- 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
Audit Manager

Background Papers:

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

None