

<b>Report to:</b>	AUDIT AND GOVERNANCE COMMITTEE
<b>Date:</b>	4 <sup>TH</sup> MARCH 2020
<b>Title:</b>	Draft internal audit plan for 2020/21
<b>Report of:</b>	Chief Internal Auditor
<b>Ward(s):</b>	All
<b>Purpose of report:</b>	To propose an internal audit plan for 2020/21
<b>Officer recommendation(s):</b>	(1) To consider and agree the proposed plan.
<b>Reasons for recommendations:</b>	The remit of the Audit and Governance Committee includes the duties to agree an Annual Audit Plan and keep it under review and to keep under review the probity and effectiveness of internal controls, both financial and operational, including the council's arrangements for identifying and managing risk.
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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 annually.

## **2.0 New Approach**

- 2.1 During the past few years it has been noted that senior managers are more willing to approach Internal Audit to request various audit reviews be carry out in their areas. As these requests usually involve issues which are a high risk, or are of immediate importance, these have been carried out by the team. There have also been times where an audit review of one area has been proposed but, at the time of scoping the review, the relevant senior manager has requested that the scope be changed to cover a different area with which they have concerns.

- 2.2 It is important that Internal Audit add value to the council and ensure that any emerging areas of concern are considered. The work of the team must add value and be flexible whilst still ensuring that there is an adequate breadth of cover to the work that is carried out.
- 2.3 In order to try to address all these points a new approach to the annual audit plan is being taken this year. The total number of areas that can be audited has been divided into the departments under which they sit. The number of areas by department have then been calculated as a percentage of the total number of areas as shown below:

<b>Department</b>	<b>No of areas</b>	<b>% of total</b>
Regeneration	12	12%
Tourism and Enterprise	9	9%
Service Delivery	36	37%
Corporate Services	41	42%
<b>TOTAL</b>	<b>98</b>	<b>100%</b>

These percentages will then be used to inform the contents of the plan and this is explained in more detail below.

### **3.0 The Audit Universe**

- 3.1 The Audit Universe is the list of all areas across the councils which can be reviewed; this includes areas across both Eastbourne Borough and Lewes District Councils so that a full joint audit plan can be produced.
- 3.2 This universe has been used to develop a risk assessment of these areas. The risks level is calculated taking into account the financial materiality of the area, the system stability (frequency of change) and the internal controls (level of assurance given at the last review).
- 3.3 With the level of transformation that has been happening across both authorities in the last few years it has been difficult to audit all areas that have been subject to changes. Therefore the approach has been to audit areas where there has been a manageable size of change but for more significant change Internal Audit has been involved in or kept track of the programme of change as it occurs. An example of this has been the Housing software system where Internal Audit have kept abreast of work ongoing to sort out issues but will actually carry out an audit review when this work is complete in order to give assurance on whether the system is then working correctly.

### **4.0 Production of the draft audit plan for 2020/21.**

- 4.1 The internal audit plan for each year begins by calculating the number of audit days available. This takes the number of work days of each member of staff less non-chargeable time (e.g. annual leave, public holidays, sick leave, admin etc.). From the remaining days, 36 are allocated for audits for Eastbourne

Homes and 5 for South East Environmental Services Ltd – both of which are paid for.

4.2 There are twelve “managed” audits which have to be undertaken every year as these cover our main financial systems and their controls. The time taken for these days is also taken off the remaining number along with some allocation for special pieces of work, advice, consultancy etc.

4.3 The work on the subsidy claim for Lewes is now being carried out by Branch and Lee and this is being paid for by Service Delivery but the Internal Audit team continue to carry out the testing of the subsidy claim for Eastbourne.

4.4 The Audit Manager and one Auditor are undertaking apprenticeship scheme training with the Institute of Internal Auditors this year which has reduced the audit time available while they undertake the training. Also, there is currently a vacancy in the Audit team which it is envisaged will be filled at the beginning of the new financial year. As this person is likely to require training in the post, and with an actual start date unknown at this stage, this post has been shown as a ¾ post for the year.

4.5 The total number of days available for audits having been arrived at (see Appendix A) these have then been split by the percentages shown at 2.3. This is as follows:

<b>Total days available</b>		382 audit days
Regeneration	12%	46 audit days
Tourism and Enterprise	9%	34 audit days
Service Delivery	37%	142 audit days
Corporate Services	42%	160 audit days

4.6 The risk assessed audit universe was then used to identify the audits to be included on the plan taking into account risk levels and the length of time since an area was last audited. The majority of services are now shared across the authorities so the audit plan reflects this as well. The draft plan therefore is flexible, covers the work in both authorities and reflects the risk levels around internal controls. This draft plan can be found at Appendix B.

4.7 The plan is in place to provide a list of audits that will be carried out if no other work is requested from the team. However, by using the percentage approach when other work is requested, it will be carried out within the time allocated for that department and will mean that one of the lower risk audits will be carried forward to be undertaken within a future audit plan. The aim is to ensure that the breadth of audit work across all areas is maintained whilst still being able to be flexible to requests. Should work be requested that would take the department beyond the percentage allocated then a conversation would be held to decide on the importance of the piece of work being requested.

4.8 Quarterly reporting of the work of Internal Audit will be based on this percentage approach.

## **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.

	<b>Days</b>	<b>Priority</b>
Housing Allocations	65	High
Tenancy Fraud	347	High
Right to Buy	180	High
Council Tax/CTR	78	Medium
Housing Benefit	25	Low
Private Sector Housing/DFG	5	Medium
NNDR	40	Medium
Procurement	15	Low
Data Matching/Other	20	Low

- 5.2 Tenancy fraud work includes 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 Disabled Facility Grants and Procurement are areas where no fraud work has yet been undertaken so work will be carried out to see how best any investigations can be approached. There has been little work being passed to the Counter Fraud team in respect of Private Sector Housing and Disabled Facility Grants.
- 5.5 Projects to be undertaken within the days listed above include tenancy succession, Council Tax discounts and Housing Applications.
- 5.6 During the year there will be some work carried out by the Counter Fraud Investigations Manager into areas where income can be generated. These will be reviewing the chasing of potential bad debts on rent and deposit loans, and consideration of training a member of staff to be a financial investigator. Having a trained financial investigator would involve some expenditure at first for the training, however they could investigate proceeds of crime from housing fraud etc. and this money can be retained by the council. This would also be a resource that could be offered to other authorities, perhaps for a fixed fee or for a percentage of the monies identified.

## **6.0 Financial Appraisal**

- 6.1 There are no financial implications.

## **7.0 Legal Implications**

- 7.1 This report takes account of regulation 5 of the Audit and Accounts Regulations 2015 which requires the Council to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

*Lawyer consulted: 31.01.20*

*Legal ref: 008935-EBC-OD*

## **8.0 Risk Management Implications**

- 8.1 If the council does not have an effective governance framework that is subject to proper oversight by Councillors it will not be able to demonstrate that it has in place adequate means to safeguard council assets and services, and it could be subject to criticism from the council’s external auditor or the public.

## **9.0 Equality Analysis**

- 9.1 An equalities impact assessment is not considered necessary.

## **10.0 Appendices**

- 10.1 Appendix A– Calculation of audit resources for the draft plan.  
Appendix B – Draft Audit plan for 2020/2021

## **11. Background Papers**

- 11.1 Audit universe risk assessment.

**Jackie Humphrey**  
**Chief Internal Auditor**