

Report to: AUDIT AND GOVERNANCE COMMITTEE

Date: 3rd MARCH 2021

Title: Draft internal audit plan for 2021/22

Report of: Chief Internal Auditor

Ward(s): All

Purpose of report: To propose an internal audit plan for 2021/22

Officer recommendation(s): (1) To consider and agree the proposed plan.

Reasons for recommendations: 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.

Contact Officer(s): **Name:** Jackie Humphrey
Post title: Chief Internal Auditor
E-mail: jackie.humphrey@lewes-eastbourne.gov.uk
Telephone number: 01323 415925 or internally on extension 5925.

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 Approach to setting the plan.

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 was trialled last 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. The table below shows the number of areas listed in the universe for each department which has then been calculated as a percentage of the total.

Department	No of areas	% of total
Regeneration	15	10%
Tourism and Enterprise	18	12%
Service Delivery	58	39%
Corporate Services	59	39%
TOTAL	150	100%

These percentages have 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. Whilst many services are now delivered jointly there are still some which are relevant to only one council and these are identified as such where appropriate.
- 3.2 As part of the planning process this year a review was undertaken of the Audit Universe that has changed the percentage slightly from last year.

4.0 Production of the draft audit plan for 2021/22.

- 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, training, 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 by the companies.
- 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 Audit Manager and one Auditor are undertaking apprenticeship scheme training with the Institute of Internal Auditors which has reduced the audit time

available while they undertake the training. Also a new member of staff joined the team in January 2020 and while the majority of training will take place during the last quarter of 20/21 some training will take place in 21/22. Time has to be set aside for this but later in the year the addition of an extra member of staff should help to complete the audit plan.

- 4.4 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:

Total days available		320 audit days
Regeneration	10%	32 audit days
Tourism and Enterprise	12%	28 audit days
Service Delivery	39%	125 audit days
Corporate Services	39%	125 audit days

- 4.5 The universe is the starting point for developing the annual audit plan. Current issues facing the councils are considered and any relevant areas in the universe will be considered for auditing. Equally, any priorities or initiatives for the councils will be considered in the same way.
- 4.6 Once the audits that affect the objectives of the councils have been considered, the rest of the universe is looked at and consideration given to other areas of higher risk, areas that haven't been audited for some time, and new areas added. Any that are considered as being due for review are added to the list based on the percentages at 2.3 and the number of days available.
- 4.7 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.
- 4.8 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.
- 4.9 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.

	Days	Priority
Housing Allocations	65	High
Tenancy Fraud	247	High
Right to Buy	180	High
Council Tax/CTR	78	Medium
NNDR	50	Medium
Covid-19 Grants	100	Medium
Private Sector Housing/DFG	5	Medium
Housing Benefit	25	Low
Procurement	5	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.
- 5.7 Covid-19 grants have been included to reflect the ongoing financial support provided to businesses affected by national and localised restrictions. All grant prevention work and recovery will be returned to central government, however there remains a potential financial income incentive to the council by identifying incorrect liable parties for business rates and those not eligible for Small Business Rate Relief.

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.”

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 2021/2022

11. Background Papers

- 11.1 Audit universe