

Body: AUDIT AND GOVERNANCE COMMITTEE

Date: 7TH MARCH 2018

Subject: Draft internal audit plan for 2018/19

Report Of: Internal Audit Manager

Ward(s) All

Purpose To propose an internal audit plan for 2018/19

Recommendation(s): To consider the proposed plan.

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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 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.
- 2.2 The universe was completely reviewed in discussion with Heads of Service ahead of the 2014/15 plan.

3.0 Production of the draft audit plan for 2018/19

- 3.1 The internal audit plan for each year begins by calculating the number of audit days available.
- 3.2 There are twelve "managed" audits which have to be undertaken every year in order to satisfy the external auditors. These are:-

Benefits
Cash and Bank
Council Tax
Creditors
Debtors
Housing Rents
Main Accounting (Financial Ledger)
NNDR

Payroll
Treasury Management
IT
Theatres

- 3.3 As well as these core audits, work is carried out annually on verifying the Benefits Subsidy Claim and 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.
- 3.4 Once the days necessary to carry out the work listed above are calculated the 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.
- 3.5 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 Internal Audit Manager. Weighting factors used are :-

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

- 3.6 The completed risk assessment can be found at Appendix B. This has been sorted by level of risk and then by the date the last audit review was undertaken.
- 3.7 The draft audit plan is then produced using the risk assessment to select areas for review up to the amount of time available.

4.0 Draft audit plan for 2018/19

- 4.1 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. As the focus of the audit work at this time of year turns to completion of the annual audits, time has been set aside in the new year plan for the audits not completed in 17/18.
- 4.2 The risk assessment was used to consider which audits should be included in the plan for the new financial year. There are six high risk reviews listed in the risk assessment. Three are being covered during 17/18 but the reviews have not yet been completed. The other three are included in the draft plan for 18/19.
- 4.3 The remainder of the plan is made up of medium and low risk areas which have not been audited since late 2012 or 2013 and some audits which cross both Lewes and Eastbourne councils since the area is a shared service.
- 4.4 The Eastbourne only list is the areas where the audit would cover just the process at Eastbourne. This is generally where the process is either only carried out at Eastbourne or is still a separate service at each council.

- 4.5 Areas of work covering both Councils are shown as either ones where the time on the review will be split between the two councils or the work will be carried out by the Eastbourne team but will cover both authorities.
- 4.6 Finally, it should be noted that during 2017/18 Eastbourne Homes staff transferred back and are now employed by the council. The work they carry out is therefore under the governance of the council and therefore the areas of their work have now been included into the audit universe and will be audited as part of the council's audit process. These are shown as a separate list within the audit plan as these reports will be reported to Eastbourne Homes' Audit and Risk Committee as well as the council's Audit and Governance Committee. However, the responsibility for addressing recommendations will remain with the council.
- 4.7. It should also be noted that Lewes will be carrying out some reviews that will be cover Eastbourne as well but these will be undertaken solely by the Lewes team. However, once these have been completed they will be reported to committee at both Lewes and Eastbourne. These areas are:

Cyber Security,
Legal Services,
Business Continuity Planning
RIPA.

- 4.8. One caveat should be noted for the new year plan and this is around the annual audits. Currently Payroll at Eastbourne deals with the majority of staff and Eastbourne have undertaken this audit for 17/18 to cover both authorities. Lewes finance will be moving to use the same software systems as Eastbourne and therefore it is reasonable to suppose that both authorities will not have to carry out the same audit separately. However this needs to be considered once this year's reviews are completed and it needs to be discussed and agreed with the external auditors. Once an agreement has been reached the result will be reported.
- 4.9 The draft plan was taken to CMT on 6th February. It was requested that the Estates audit focus on compliance issues. It was also requested that Procurement, focussing on compliance with the contract procedure rules, be added to the plan. A short discussion was held about new projects in Tourism and it was agreed that these could be dealt with as required using the time set aside for contingency work.
- 4.10 The draft audit plan can be found at Appendix C.

5.0 Counter Fraud

- 5.1 This year the Counter Fraud team are producing a plan for their work during the financial year. This has been based on time spent on areas in the past and plans to look into areas which have not yet been investigated.

	Days	Priority
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Tenancy Fraud	132	High
Right To Buy	70	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
	450	

- 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 (Eastbourne)

Background Papers:

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

None