

## **INTERNAL AUDIT SERVICE – ANNUAL AUDIT PLAN 2012/13**

### **1. INTRODUCTION**

- 1.1 All principal Local Authorities, including Torbay Council, are subject to the Accounts and Audit Regulations 2003 (as amended), and the Accounts and Audit Regulations 2006 and 2011, which require that the Authority should make provision for Internal Audit in accordance with the CIPFA Code of Practice for Internal Audit in Local Government (the Code).
- 1.2 The Code requires, inter alia, that Internal Audit should prepare an annual risk-based plan for approval by the Audit Committee. In addition the Code requires that the Chief Internal Auditor should provide, annually, an opinion on the overall adequacy and effectiveness of the Council's internal control environment.
- 1.3 This audit plan has been drawn up, therefore, to enable an opinion to be provided at the end of the year in accordance with the above requirements.

### **2. AUDIT NEEDS ASSESSMENT**

- 2.1 The audit plan for 2012/13 plan has been identified by:
  - Adopting a risk based priority audit planning tool to identify those areas where audit resources can be most usefully targeted. This involves scoring a range of systems, services and functions across the whole Authority, known as the "Audit Universe" using a number of factors/criteria. The final score, or risk factor for each area, together with a priority ranking, then determines an initial schedule of priorities for audit attention;
  - Discussions and liaison with Directors and Senior Officers regarding the risks which threaten the achievement of corporate or service objectives, including the introduction of new systems and corporate initiatives;
  - Taking into account results of previous internal audit reviews;
  - Taking into account Internal Audit's knowledge and experience of the risks facing the Authority, including factors and systems that are key to successful achievement of the Council's delivery plans;
  - Requirements to meet the "managed audit" approach with the external auditors;
  - Consideration of risks identified in the Authority's strategic and operational risk registers.

The resultant Internal Audit Plan for 2012/13 is set out in Appendices 1 and 2.

### **3. INTERNAL AUDIT PARTNERSHIP**

- 3.1 Since 1<sup>st</sup> April 2009 the Internal Audit Service for Torbay Council has been delivered by the Devon Audit Partnership (DAP). This is a shared service arrangement between Plymouth City, Devon County and Torbay Councils and is constituted under section 20 of the Local Government Act 2000.

- 3.2 Although delivery of each authority's audit requirements is resourced by DAP, each authority's audit plan for 2012/13 has been prepared individually as hitherto, although some cross partner reviews have also been included.

#### **4. INTERNAL AUDIT RESOURCES**

- 4.1 Based upon our detailed risk assessment process we consider that 1,428 days of internal audit input will be required for Torbay Council in 2012/13.
- 4.2 In order to provide a cost-effective service and good value for money to all of our clients it is important that emphasis is given to minimising costs, particularly overheads, and maximising the efficiency and effectiveness of the audit processes. There is regular monitoring and management review of performance within the team over the year and we participate in the annual CIPFA benchmarking comparisons with other Internal Audit functions to demonstrate that Devon Audit Partnership provides a cost-effective service.

#### **5. PLANNED AUDIT COVERAGE 2012/13**

- 5.1 Appendix 1 shows a summary of planned audit coverage for 2012/13 totalling 1,428 direct days. A more detailed analysis of proposed audit reviews is provided in Appendix 2. It should be borne in mind that, in accordance with CIPFA's Code of Practice for Internal Audit, the plan needs to be flexible to be able to reflect and respond to the changing risks and priorities of the Authority and, to this end, it will be regularly reviewed with directorates, and updated as necessary, to ensure it remains valid and appropriate. As a minimum, the plan will be reviewed in 6 months to ensure it continues to reflect the key risks and priorities of the Council given the significant changes across the public sector. In order to allow greater flexibility, the IA Plan includes a contingency to allow for unplanned work.
- 5.2 We have set out our plan based on the current organisational structure for the Authority. However, as this structure continues to bed down, it is possible that there will be changes to where actual areas of work report and we may need to revise our thinking accordingly. Detailed terms of reference will be drawn up and agreed with management prior to the start of each assignment – in this way we can ensure that the key risks to the operation or function are considered during our review. The following paragraphs give a brief overview of the focus of proposed audit coverage for the year:-

##### **Adults & Operations**

- 5.3 Our work for Adults & Operations includes work on what are termed "key financial systems" – these are systems that process the majority of income and expenditure for the Council, and which have a significant impact on the reliability and accuracy of the annual accounts. Our work in the area will include reviews of :-
- Payroll
  - Council Tax and Non Domestic Rates
  - Benefits
  - Finance System
  - Ordering & Payments

- Income Collection
- Treasury Management.

- 5.4 Reviews in previous years have confirmed that, generally, sound arrangements are in place for these systems, but we will seek to ensure that previous weaknesses that have been identified have been rectified.
- 5.5 We have agreed with management the key risks that currently affect ICT for the Council. We will undertake reviews of Information Governance arrangements, Data Security, Business Continuity Planning and Disaster Recovery. All of these areas help to ensure that data and business operations are suitably safeguarded against the risks identified.

### **Place & Environment**

- 5.6 We shall continue to work with management of the Economic Development Company, and help to ensure that sound, effective and reliable systems are in place to manage the risks faced by this (relatively) new organization.
- 5.7 We have set aside some time to review the development of the South Devon Link road. This multi-million pound project will bring considerable benefits to the region; we will help to ensure that the project is suitably governed and that the risks identified are effectively addressed.
- 5.8 We have agreed a 3 year plan of visits with the Tor Bay Harbour Authority; our work will be a mixture of finance system reviews (payments etc), and visits to local offices to ensure consistency of operations.

### **Communities & Local Democracy**

- 5.9 Our work in Communities and Local Democracy will include a review of the Safer Communities team. We will be reviewing how objectives and priorities, as set out in the strategic plan, are being delivered and how threats to these objectives are being managed.
- 5.10 Disabled facilities and renovations grants have reduced in recent years but still represent a significant amount of expenditure. Our review will ensure that appropriate checks and balances are maintained to ensure that applications are promptly and effectively processed and that grant conditions are effectively enforced.

### **Children & Families**

- 5.11 We have allowed some time in our plan to assist in the preparation of Public Health duties, which will fully fall onto the Council in 2013/14. We shall also review the arrangements in place for the Health and Well Being board, providing assurance that sound and effective governance arrangements are in place.

- 5.12 We shall review two key information systems SIMS (School Information Management System) and PARIS (Children's Information System). The operation of both systems will face challenges in the year ahead, and we shall help to ensure that data integrity and reliability is maintained and that users can rely upon the information being provided.

### **Carry forward (completion of previous year work)**

- 5.13 At the end of the year there will always be part of our work that is "work in progress" – this may require testing to be completed, the working papers to be reviewed by audit management, or the draft / final report to be agreed with management. Time has been allocated to ensure that all planned audits carried over from 2011/12 can be completed to the expected standard.

### **Fraud prevention, detection & Investigation**

- 5.14 Counter-fraud arrangements are a high priority for the Council and assist in the protection of public funds and accountability. Internal Audit will continue to investigate instances of potential fraud and irregularities referred to it by managers, and will also carry out pro-active anti-fraud and corruption testing of systems considered to be most at risk to fraud. In recognition of the guidance expected in the new Fraud Strategy for Local Government and the recent Audit Commission publication "Protecting the Public Purse" greater audit resource will be allocated to this area to allow more focus on identifying and preventing fraud before it happens.
- 5.15 The Audit Commission runs a national data matching exercise (National Fraud Initiative) every two years. The next exercise is due to be undertaken in the coming year and Internal Audit will work with relevant departments to ensure that the required data sets are extracted from the appropriate Council systems as required by the Audit Commission, in accordance with their data specifications. These are due to be uploaded to the NFI web application in October 2012.

### **Grant Claims**

- 5.16 We will review interim and final grant claims before submission to the grant awarding body. Our work will ensure that claims are accurate, complete and that income opportunities to the council are maximised.

### **Other Chargeable Activities**

- 5.17 An element of our work is classified as "other chargeable activities" – this is work that ensures effective and efficient services are provided to the Council and the internal audit function continues to meet statutory responsibilities. In some instances this work will result in a direct output (i.e. an audit report) but in other circumstances the output may simply be advice or guidance. Some of the areas that this may cover include :-

- Preparing and monitoring the internal audit plan

- Preparing and presenting monitoring reports to senior management and committee
- Liaison with other inspection bodies (e.g. Audit Commission)
- Annual governance statement
- Corporate Governance - Over recent years Internal Audit has become increasingly involved in several corporate governance and strategic issues, and this involvement is anticipated to continue during 2012/13
- Technical and process developments within the Partnership. Investment in these developments is expected to deliver greater efficiencies in the future.

### **Advice / Consultancy**

- 5.18 Internal Audit will continue to be consulted by all departments throughout the Authority on many and varied topics including, for example, interpretation of Financial Regulations/Standing Orders, corporate governance, internal controls, legislation (e.g. Data Protection), security, letting of contracts, PC/network access etc. The pro-active involvement of Internal Audit in risk and control issues, relating to new systems and changes, assists in protecting the Authority from loss, fraud and abuse.
- 5.19 In addition Internal Audit will continue to support major projects throughout the Council providing advice and input into key developments and initiatives such as the revised payroll system and several procurement exercises.

### **Schools Audits**

- 5.20 The Financial Management Standard in Schools (FMSiS) has now been abolished and replaced by the Schools Financial Value Standard (SFVS). The revised standard was developed by Department for Education (DfE) to replace the FMSiS to help governors, in particular, in self-evaluating the quality of their financial management and to aid in improving schools financial management. The Standard is intended to cover standards and processes that should already be in place in schools, and reduce the bureaucracy of the former FMSiS.
- 5.21 The DfE announced the SFVS at the very end of the Summer Term with an implementation date of 1st September 2011 and have set 2 key deadlines for achievement. All schools that were not accredited to FMSiS will need to submit their SFVS Self-assessment to their LA by the 31st March 2012 and those schools that were accredited will need to submit their SFVS Self-assessment before the 31st March 2013. The purpose of the SFVS is to make the best use of resources in the education system, to achieve the best possible outcomes for children. DfE have made this a mandatory requirement for all schools and are changing the scheme of delegation to fit this requirement.
- 5.22 Audit of the control and governance arrangements within schools will continue to be carried out on a three year cyclical basis and all the key elements that were in FMSiS and now in SFVS, and which were formerly audited by us, will continue to be covered. We were part of the DfE consultation and pilot study on the SFVS and we have incorporated the SFVS into the school audit programme. Our Audit Programme has been tailored to fit with the SFVS standard from the 1st September 2011 in order

to support schools and maintain efficiency. We have also developed support through our webpages with:

- model answers;
- key timelines guidance;
- training programme to be delivered through Autumn and Spring.

5.23 The Government's drive to encourage schools to become academies is firmly in place. Because there is no requirement for academy schools to have internal audit this represents, potentially, lost business to DAP. We have had some success in the process of advertising and bidding for "responsible officer" work with the academies and have agreements in place with some former Torbay Schools. The majority of non-academy schools (still within LA control) currently buy back Internal Audit services from DAP.

## **6. PARTNERSHIP WORKING WITH OTHER AUDITORS**

- 6.1 We will continue to work towards the development of effective partnership working arrangements between ourselves and other audit agencies where appropriate and beneficial. We will participate in a range of internal audit networks, both locally and nationally, which provide for a beneficial exchange of information and practices. This often improves the effectiveness and efficiency of the audit process, through avoidance of instances of "re-inventing the wheel" in new areas of work which have been covered in other authorities.
- 6.2 The most significant partnership working arrangement that we currently have with other auditors continues to be that with the Council's external auditors. The current providers are the Audit Commission and our working with them is well established over many years and is formalised in the annual Joint Audit Protocol. With a change to new external audit providers (Grant Thornton) we shall seek to set up liaison arrangements as soon as practically possible, to ensure smooth transition.
- 6.3 As well as carrying out work which the external auditors rely on in respect of the Fundamental Systems described earlier, Devon Audit Partnership carries out further work on their behalf in the audits of grant claims. We are committed to continuing to improve the effectiveness of these arrangements, which aim to avoid duplication and minimise the overall cost of audit to the Council.

## **7. RECOMMENDATIONS**

7.1 It is recommended that:-

- (i) The report be noted
- (ii) The proposed Internal Audit plan for 2012/13 at Appendices 1 and 2 be approved

## Appendix 1

### Summary of Planned Audit Coverage for 2012/13

<b>Torbay Council</b>	<b>Planned Days</b>
<b>Draft Internal Audit Plan 2012 /2013</b>	
Risk based and priority audits	
Adults & Operations	460
Place & Environment	170
Communities & Local Democracy	65
Children & Families	122
Carry forward (completion of previous year work)	50
Fraud prevention, detection & investigation	135
Contract audit	30
Corporate initiatives	65
Grant claims	15
Contingency	75
Other chargeable activities (audit planning, attendance at audit committee etc)	150
Advice / consultancy	60
File maintenance	6
Follow ups	25
<b>Total Audit for Torbay Council</b>	<b>1428</b>
School visits (purchased directly by schools)	80
<b>Total Audit Plan for Torbay Council including Schools</b>	<b>1508</b>

## Detailed analysis of proposed audit reviews 2012/12

Directorate				
Adults & Operations				
Risk Factor	Audit Area	Entity	2012/13	Future Year
8.3	Material Systems	Business services -Payroll Northgate self service project	10	
8.1	IT Audit	Information Services- Information Governance, Data Protection, Records management and Security	15	
7.6	IT Audit	Information Services - IT Asset Management	15	
	Material Systems	Business Services - Payroll	30	
	Strategic Risk	Information Services - TCT New SCCR database implementation	10	
7.5	IT Audit	Information Services - Data Security, BCP, Disaster Recovery	10	
7.3	Operational Risk	Information Services - Data quality audit	15	
7.2	IT Audit	Information Services - Civica inc' Comino & CRM	20	
	Strategic Risk	Business Services - Business Change (including transformation agenda, PIP & PPPP)	20	
7.1	IT Audit	Information Services - Thin Client Planning & Roll Out		15
	Material Systems	ITRA (IT Risk Assessment for AC)	5	
7.0	IT Audit	Information Services - End User Computing	10	
	Operational Risk	Information Services - Information Security Policy Review & Implementation	15	
		Business services - Human Resources & Organisational Development		20
	Commercial Services - Procurement		15	
7.0	Corporate Governance	Business Services - Performance incl Payment by Results		15
	IT Audit	Information Services - PCI Compliance Project	5	
		Information Services - Exchange		10
	Material Systems	Finance - IBS Open sys admin	18	
Finance - FIMS sys admin		18		
Strategic Risk	Business Services - Risk Management & Risk Register	10		
6.9	Operational Risk	Commercial Services - Legal Services (litigation and licensing)	10	
		Finance - CTAX support Scheme	10	
		Finance - Corporate Debt Team		15
Strategic Risk	Business Services - Partnerships		20	
6.8	IT Audit	Information Services - ICT resilience		20
		Information Services - E Commerce		10
	Material Systems	Finance - Benefits	36	
		Finance - POP	18	
Operational Risk	Commercial Services - Information compliance		15	
6.7	IT Audit	Information Services - WebSense & SurfControl		10
		Information Services - IT IS Strategy		20
		Information Services - Active Directory		15
	Material Systems	Finance - Asset Register	10	
Operational Risk	Finance - Business Improvement Districts (Bid)	10		
	Information Services - Councils Web (Management and security)		10	
6.6	Material Systems	Finance - Creditors	23	
		Finance - Income Collection	18	
6.5	IT Audit	Information Services - Organisational Controls		15
	Material Systems	Finance - CTAX & NDR	28	
	Strategic Risk	Finance - Capital Programme		15
6.4	Establishment	Information Services - Print & Post Room		20
	Material Systems	Finance - Bank Rec	10	
	Operational Risk	Business Services - Overview & Scrutiny		10
6.3	IT Audit	Information Services - Oracle		20
6.3	IT Audit	Information Services - Change Control		10
	Material Systems	Finance - Debtors	23	
		Finance - General Ledger	23	
Operational Risk	Business Services - Pensions		15	
6.2	Corporate Governance	Information Services - Communications		10
	IT Audit	Information Services - Email Archiving Project		10
	Operational Risk	Information Services - Customer Services		15
6.1	Material Systems	Finance - Treasury Management	15	
6.0	Establishment	Commercial Services - Coroner		10
	IT Audit	Information Services - Voice Network		10
	Operational Risk	Commercial Services - Land Charges		10
5.9	Operational Risk	Finance - Riviera International Centre		5
5.7	Establishment	Commercial Services - Registration of Births, Marriages & Deaths		10
5.0	Strategic Risk	Commercial Services - Claims Handling & Insurance		10
			<b>460</b>	<b>405</b>

<b>Directorate</b>				
<b>Place &amp; Environment</b>				
<b>Risk Factor</b>	<b>Audit Area</b>	<b>Entity</b>	<b>2012/13</b>	<b>Future Year</b>
7.6	Operational Risk	Economic Development Company	25	
7.5	Strategic Risk	South Devon Link Road	10	
7.2	Operational Risk	TOR2 Contract monitoring	10	
		English Riviera Tourism Company.	20	
7.0	Operational Risk	Spatial Planning - Transport (Strategic and Operational)	15	
7.0	Operational Risk	Coast & Countryside Trust		10
6.9	Operational Risk	Environment project involvement	40	
6.8	Material Systems	Residents & Visitor Services - Highways (Transport infrastructure - UK PMS system)	10	
	Operational Risk	Residents & Visitor Services - Parking Services	15	
		Spatial Planning - Section 106	10	
6.7	Establishment	Tor Bay Harbour Authority	15	
6.5	Establishment	Residents & Visitor Services - Library Services		10
6.4	Operational Risk	Spatial Planning - Concessionary Fares		10
		Residents & Visitor Services - Sport		15
	Strategic Risk	Spatial Planning - Carbon Management		15
6.3	Establishment	Residents & Visitor Services - Theatres & Public Entertainment		10
6.3	Operational Risk	Residents & Visitor Services - Public Toilets		10
		Spatial Planning - Environmental Policy		15
6.2	Establishment	Residents & Visitors Services - Beach Services		15
	Operational Risk	Spatial Planning - Development & Conservation Planning		15
6.1	Operational Risk	Residents & Visitor Services - Natural Environment		15
6.0	Operational Risk	Residents & Visitor Services - Corporate Security & CCTV		15
		Spatial Planning - Building Control		10
		Residents & Visitor Services - Transport Co-ordination		10
5.9	Establishment	Residents & Visitor Services - Museum Services		15
5.6	Operational Risk	Residents & Visitor Services - Arts & Development Support		15
			<b>170</b>	<b>205</b>

<b>Directorate</b>				
<b>Communities and Local Democracy</b>				
<b>Risk Factor</b>	<b>Audit Area</b>	<b>Entity</b>	<b>2012/13</b>	<b>Future Year</b>
7.1	Strategic Risk	Commissioning		10
7.0	Operational Risk	Community safety - Safer Communities	10	
6.9	Operational Risk	Community Safety - Housing standards inc' disabled facilities and renovation grants	20	
6.7	Operational Risk	Community Safety - Food Safety, H&S, Licensing & Trading Standards	15	
		Community Safety - Community Development		10
6.6	Corporate Governance	Community Engagement - Elections	10	
	Operational Risk	Community Safety - Community & Environmental Protection		15
6.5	Corporate Governance	Community Engagement - Democratic representation and management	10	
6.3	Strategic Risk	Community Safety - Emergency planning and business continuity		10
6.3	Operational Risk	Community Safety -H&S		10
		Community Engagement - Members support services and allowances		5
5.8	Operational Risk	Community Safety - Bereavement Services		5
			<b>65</b>	<b>65</b>

**Directorate**
**Children, Schools & Families**

Risk Factor	Audit Area	Entity	2012/13	Future Year
7.6	Strategic Risk	Public health -transfer of service	10	
7.5	Operational Risk	Implementation of Recommendations from external reports	15	
7.3	Strategic Risk	Health and Well Being Board	10	
7.1	IT Audit	Schools IT		20
	Operational Risk	Specialist Services - Accommodation Services	10	
7.0	Material Systems	Supporting People	10	
	Operational Risk	Specialist Services - Safeguarding Service Discretionary Social Fund	5	10
7.0	Operational Risk	Specialist Services - Special Education Needs Services		10
6.8	Operational Risk	Early Intervention - Early Year Services Permanency Planning - Care to Community School Organisation & Policy Specialist Services – Children's Disability Team Early intervention - family support service	10	15 10 15 10
6.7	Material Systems	SIMS (Schools Information Management System)	10	
	Operational Risk	Learning & Standards - School Standards Specialist Services - Children In Need Services Use of agency staff		15 15 10
	Strategic Risk	Voluntary sector development	10	
6.6	Operational Risk	Specialist Services - Permanency Planning Team Learning & Standards - Learning Access Services EOTAS School Transport		15 10 10
6.5	Operational Risk	Education management system		15
6.4	Operational Risk	Resources Services Specialist Services - Senior Mgmt & Overhead Costs for Specialist Services & Grants		10 10
6.3	Material Systems	PARIS (Children's Information System)	10	
	Operational Risk	Early Intervention - Connexions		5
6.3	Operational Risk	Early Intervention - Torbay Youth Service SFDS Coordination	10 12	
6.2	Establishment	Permanency Planning - Hillside Family Centre		10
6.0	Operational Risk	Early Intervention - Youth Offending Team		10
5.9	Operational Risk	Housing		10
			<b>122</b>	<b>235</b>