

Internal Audit

Internal Audit Plan
2020-21

Torbay Council
Audit Committee

March 2020

Not Protectively Marked

Robert Hutchins
Head of Audit Partnership

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Devon Audit Partnership

The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Torridge, Mid Devon and Devon councils. We aim to be recognised as a high quality internal audit service in the public sector. We work with our partners by providing a professional internal audit service that will assist them in meeting their challenges, managing their risks and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards.

The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at robert.hutchins@devonaudit.gov.uk.

Confidentiality and Disclosure Clause

This report is protectively marked in accordance with the government security classifications. It is accepted that issues raised may well need to be discussed with other officers within the Council, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies.

This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.

Introduction

Internal auditing is defined by the Public Sector Internal Audit Standards (PSIAS) which set out the requirements of a 'Board' and of 'senior management'. For the purposes of the internal audit activity within the Council the role of the Board within the Standards is taken by the Council's Audit Committee and senior management is the Council's Senior Leadership Team. The Audit Committee, under its Terms of Reference contained in the Council's Constitution, is required to review and approve the Internal Audit Plan to provide assurance to support the governance framework (see appendix 2).

This Council's Internal Audit Charter formally describes the purpose, authority, and principal responsibilities of the Council's Internal Audit Service, which is provided by the Devon Audit Partnership (DAP) as represented in the audit framework at appendix 1, and the scope of Internal Audit work. The PSIAS make reference to the role of "Chief Audit Executive". For the Council this role is fulfilled by the Head of Devon Audit Partnership.

The chief audit executive is responsible for developing a risk-based plan which takes into account the organisation's risk management framework, including using risk appetite levels set by management for the different activities or parts of the organisation as represented in appendix 3.

The audit plan represents the proposed internal audit activity for the year and an outline scope of coverage. At the start of each audit the scope is discussed and agreed with management with the view to providing management, the Chief Finance Officer (Section 151) and members with assurance on the control framework to manage the risks identified. The plan will remain flexible and any changes will be agreed formally with management and reported to Audit Committee.

Expectations of the Audit Committee for this annual plan

Audit Committee members are requested to consider:

- the annual governance framework requirements;
- the basis of assessment of the audit work in the proposed plan;
- the resources allocated to meet the plan;
- proposed areas of internal audit coverage in 2020/21.

In review of the above the Audit Committee are required to consider the proposed audit plan.

Robert Hutchins
Head of Audit Partnership

Annual Service Level Plans

Transformation Programme

We will continue to support the Authority's Transformation Programme in both a 'trusted adviser' role and through provision of operational support to project delivery.

Public Health

We plan to examine the arrangements for Commissioning and Monitoring of 0 – 5 Activities (Health Visitors) Contract.

Adult Services

Whilst most of the assurance work is carried out by Health auditors (Audit South West), our work this year will review commissioning, contract and performance management arrangements in relation to the Young Devon contract before responsibility is transferred to Children's Services, and also review of contract monitoring arrangements for the Joint Equipment Store.

Corporate Services and Finance

Work will include examination of the current arrangements for Emergency Planning & Business Continuity and Health & Safety following action taken to improve both areas. We will again examine the Cross-Council use of Legal Services to provide assurance regarding the current status following our work in an earlier year. For Finance, we review practices in relation to the Capital Programme including in relation to the new Financial Code and IR35 (use of contractors) for both the Council and the Council's Companies. We will examine the work of Governance Support including in relation to Elections and the new Corporate Complaints System. More strategically, we will consider Performance & Risk Management.

Place

In relation to Housing, we will consider the client role / management of the Housing Companies and Housing Services within the Council including joint working arrangements. We will again review processes in Spatial Planning in relation Section 106 and CIL (Community Infrastructure Levy).

We will also consider the Asset Management Strategy / Plan and the related Technology Forge System. We will review arrangements at the Tor Bay Harbour Authority in line with the rolling audit plan agreed with the Harbour Committee, and in addition will examine contract management of the mooring system, Work will also include examination of Beach Services.

Governance of the Safety Camera Partnership will also be subject to a separate audit by the Devon Audit Partnership commissioned jointly by Torbay Council, Devon County Council and Plymouth City Council.

Children's Services

We will review the progress against the Sufficiency Strategy, specifically examining the progress made within each of the five workstreams. Additionally, following on from our work in Permanency Planning, we will examine Fostering and Connected Carers, and we will also follow up our previous work in relation to Special Guardianship Orders.

A section of the plan will focus on Education Services specifically Early Education / Nursery Funding and Admissions and Place Planning.

Additionally, Schools audit activity, and compliance with Schools Financial Value Standards, will be maintained.

Core Assurance – Business Processes & Governance, Key Financial Systems, ICT

We shall continue to work with management to ensure that effective systems and governance arrangements are in place to manage the risks, as shown by our work in areas such as Commissioning and Contracts Management.

Assurance work will be undertaken on areas termed as material systems that process most of the income and expenditure of the Authority, and which have a significant impact on the reliability and accuracy of the annual accounts.

IT Audit activity of ICT Project Management will support benefits realisation and we will continue to support major ICT system implementations, and the GDPR (General Data Protection Regulations) project.

We will examine and evaluate the core ICT functions supporting the Council's key financial systems. Our work will also include a review of Cyber Essentials (attributes that guard against the most common cyber threats) and Mobile Device Management arrangements. The reviews will be undertaken using the ITIL (IT Infrastructure Library) framework and relevant standards as a reference for best practice but maintaining specific relevance to the organisation.

Value Added and Infrastructure / Business Projects

We will provide irregularity investigation work as required. In addition, we will continue to support the Council in responding to Freedom of Information and Subject Access Requests.

We will undertake the annual follow up on all audit areas identified as 'Improvements Required' or 'Fundamental Weaknesses' in 2019/20. Several projects will be supported ranging from major infrastructure to operational system implementations.

Our involvement in the Information Security Group will continue.

Service Area Overview of Audit Coverage						Business Projects	Value Added	
Thematic Overview Audit Coverage	Adult Services	Children's Services	Public Health	Corporate Services	Place	Transformation Programme (refer to page 5)	Information Security Group including GDPR Irregularity Prevention and Investigation Subject access and freedom of information requests Advice Audit Follow Up Schools incl. Financial Value Standard	
	Commissioning / Performance Management – Young Devon	Sufficiency Strategy Progress	0 -5 Activities (Health Visitors) Commissioning	Capital Programme	Housing Companies (client role / management)			
	Joint Equipment Store (contract management)	Fostering and Connected Carers		Health & Safety Performance and Risk Management	Housing Section 106 / CIL			
	(Adult Social Care audited by Audit South West)	Special Guardianship Orders (follow up)		Corporate Complaint System	Beach Services Torbay Harbour Authority			
	Early Education / Nursery Funding		Legal Services (cross Council use of Legal Advice)	Tor Bay Harbour Authority Mooring System				
	Admissions and Place Planning		Elections Democratic Services & Member Allowances	Asset Management Strategy / Plan Technology Forge System				
Core Assurance	Business Processes & Governance – Emergency Planning and Business Continuity, Commissioning and Performance Monitoring, Contract Monitoring, Safety Camera Partnership, Grant Certification, and Audit Assurance Planning and Reporting							
	Key Financial Systems – Payroll, IBS Sys Admin, Creditors & Electronic Ordering, FIMS Sys Admin, Debtors & Corporate Debt, Benefits & Council Tax Support Scheme, Income Collection, Asset Register, Council Tax & Non-Domestic Rates, General Ledger & Bank Reconciliation, Treasury Management							
	ICT – Cyber Essentials, Mobile Device Management, ICT Project Management, Information Governance – Data Quality and Records Management, ICT Continuity and Disaster Recovery (arrangements for key systems)							

The diagram shows the thematic approach to the elements proposed for audit coverage in the coming year as identified through risk assessment and discussion with Senior Management. This overview is supported by the detailed plans, by theme, in appendix 1.

High Level Audit Plan

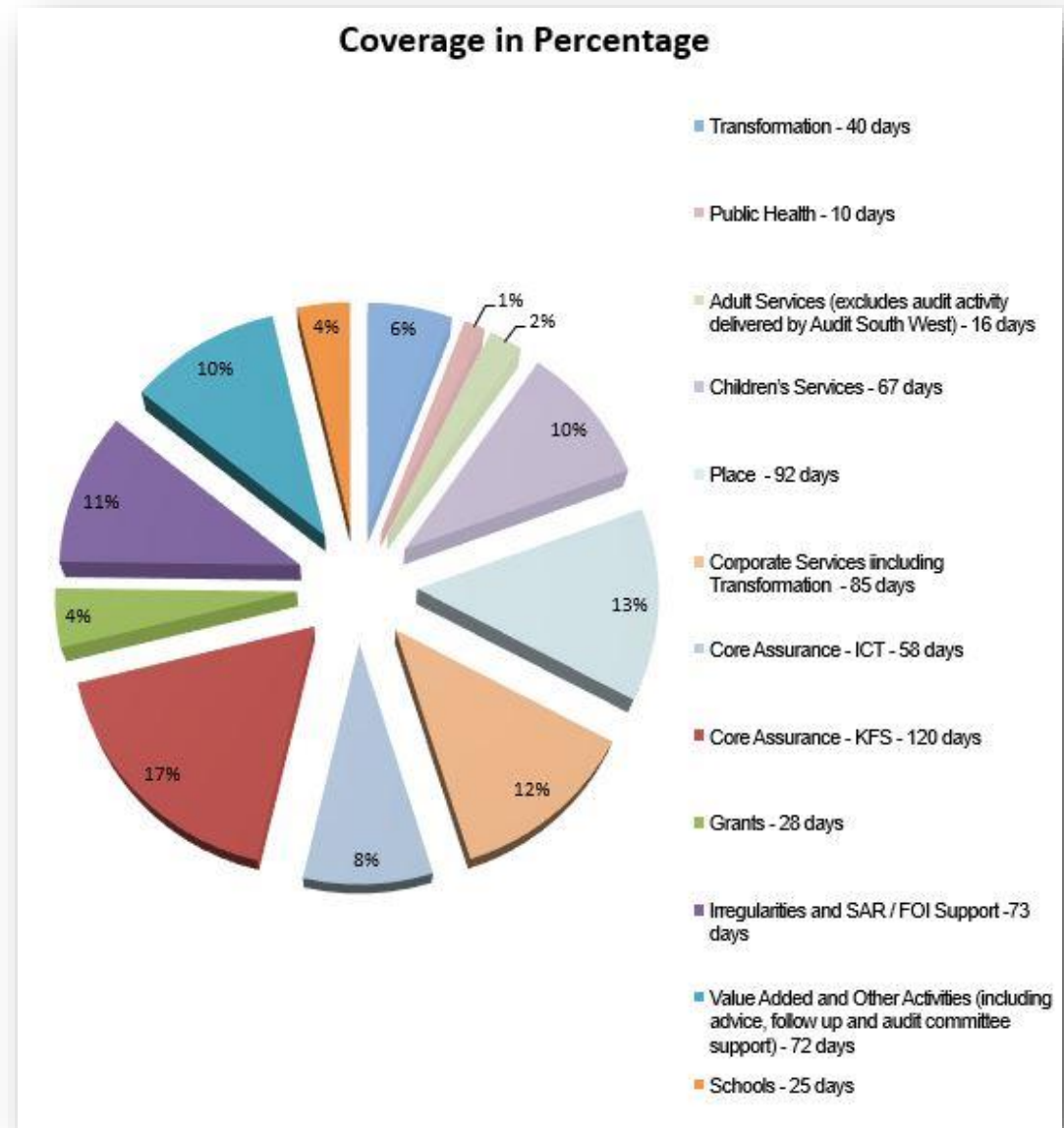
This chart shows a summary of planned audit coverage for the year totalling 661* direct days (686 including 25 days for Schools). It should be borne in mind that, in accordance with the Public Sector Internal Audit Standards, the plan needs to be flexible to be able to reflect and respond to the changing risks and priorities of the Council 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 six months to ensure it continues to reflect the key risks and priorities of the Council given the significant changes across the public sector.

We have set out our plan based on the current organisational structure for the Council. 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 pages give a brief overview of the focus of proposed audit coverage for the year.

A detailed analysis of proposed audit reviews is provided in the following schedule.

*this includes 37 days deferred from the 2019/20 audit plan and carried forward into the 20/21 year; to note we have been commissioned in 2020/21 to deliver 624 days

As outlined in Appendix 3 to this report, the Audit Plan is drawn up considering various factors including risks to the Council and the views of Directors and Senior Officers. However, we note the emerging situation with Covid-19 and its potential impact to both resources within the Council and the Devon Audit Partnership. Given this, we will be agreeing audit priorities with the Director of Corporate Services and the s151 Officer.



Proposed audit reviews

* Whilst audit area titles are detailed below, our practice is to agree detailed scopes closer to the actual timing of the audits and these will be briefly recorded in our 6 month and annual monitoring reports to Audit Committee.

Risk Area / Audit Entity *	Audit Needs Assessment (ANA) – an assessment of the priority of the planned review	Proposed Timing Quarter
Transformation (direct project consultancy)		
Transformation Programme - project 'trusted advisor' including review of <ul style="list-style-type: none"> o Children's Services including New System Implementation o Digitalisation, ICT Service delivery model o TOR2 / SWISCO o Major Projects incl. ICT Projects o Commercialism o Future Model – Improved Outcomes / Council Redesign 	ANA – critical	1-4
Other Directorate Areas (not directly linked to the transformational change programme)		
Public Health		
0 - 5 activities (Health Visitors) Commissioning	ANA – high, client request	4
Adult Services		
Commissioning and Performance Management (direct contract management – Young Devon Contract)	ANA – high, client request	1
Joint Equipment Store (contract management)	ANA – medium, client request	1
The Director of Adult Services is working with colleagues at Audit South West to devise an audit plan that meets key risks / challenges.	Audit areas to be notified and agreed by the Director by the Director of Adult Services Audit Plan to be approved at TSDFT's Audit Committee	
Children's Services		
Sufficiency Strategy Progress (our audit days will be divided to review the progress within each workstream)	ANA – high	2
Fostering and Connected Carers	ANA – medium	2
Special Guardianship orders - follow up	ANA - medium	2
Early Education / Nursery Funding	ANA - high	1
Admissions and Place Planning	ANA – low, client request	1
School Financial Value Standard (SFVS)	n/a	1
Schools	Service bought by Schools – summary of findings provided in relation to Authority Controlled Schools	n/a

Risk Area / Audit Entity *	Audit Needs Assessment (ANA) – an assessment of the priority of the planned review	Proposed Timing
		Quarter
Place		
Housing Companies (client role / management)	ANA - high	4
Beach Services	ANA – low, client request	3
Tor Bay Harbour Authority	ANA - medium	3
Tor Bay Harbour Authority – Mooring system (contract management)	ANA – low, client request	3
Asset Management Strategy / Plan	ANA – high	4
Technology Forge system (review with audit of Asset Management Strategy / Plan)	ANA – medium	4
Spatial Planning – Section 106 and CIL	ANA - medium	1-2
Housing (including joint working of fragmented service)	ANA - medium	2-3
Governance of the Safety Camera Partnership (contribution to a joint audit with DCC and PCC)	ANA – low, client request	1
Public Toilets (contract monitoring)	ANA – low, client request	1
Corporate Services and Finance		
Capital Programme (including new Financial Code and IR35 - Council and Companies)	ANA – medium, client request	4
Emergency Planning and Business Continuity	ANA - medium	2-3
Elections	ANA - medium	2
Democratic Services and Member Allowances	ANA - medium	1
Health & Safety	ANA - high	2-3
Legal Services (cross Council use of Legal Advice)	ANA - medium	1
Performance and Risk Management	ANA - medium	4
Corporate Complaint System	ANA - medium	2-3
Core Assurance – ICT		
ICT Project Management	ANA - high	1-2
Cyber Essentials	ANA – high	3
Mobile Device Management	ANA - high	1
ICT Continuity and Disaster Recovery (arrangements for key systems)	ANA - high	4

Risk Area / Audit Entity *	Audit Needs Assessment (ANA) – an assessment of the priority of the planned review	Proposed Timing
		Quarter
Information Governance – Data Quality and Records Management	ANA - high	3
Information Security Group including GDPR – ‘trusted advisor’	ANA – high, client request	1-4
Core Assurance – Key Financial Systems and Grant Certification		
General Ledger (Main Accounting System) and Bank Reconciliation	ANA – medium	3
Creditors & Electronic Ordering (POP) (follow up audit)	ANA – high	3
Debtors and Corporate Debt	ANA – high	4
FIMS Sys Admin	ANA – high	1
Asset Register	ANA – medium	1
Treasury Management	ANA – medium	2
Income Collection	ANA – medium	2
Payroll (follow up audit)	ANA – high	4
Benefits and CTAX Support Scheme	ANA – high	2
Council Tax and Non-Domestic Rates (follow up audit)	ANA – medium	3
IBS Open Sys Admin	ANA – high	1
A rolling programme of audits is adopted for material systems whereby although the overall planned days is likely to remain stable each year, the work programmes may differ, with each audit having varying amounts of system review, testing or a combination of the two, or follow up of the previous year’s audit findings. This approach enables us to deliver a more cost-effective service, whilst providing enough assurance as to the adequacy of the Authority’s material system control environment.		
Grant Certification	ANA – client request	n/a
Value Added and Other Activities		
Irregularity Prevention and Investigation **	business driven requirement, client request	n/a
Subject access and freedom of information requests	business driven requirement, client request	n/a
Advice	business driven requirement	n/a
Audit Follow Up	business driven requirement	2-3
Other activities (including audit planning and annual plan report; support for audit committee; 6 month and annual monitoring reports; support for the preparation of the AGS; attendance at corporate meetings; external audit liaison etc.)		n/a

Risk Assessment Key

SRR / ORR – Local Authority Strategic or Operational Risk Register reference

ANA - Audit Needs Assessment risk level

**To note, the time spent on irregularities in 2019-20 was more than 70 days. Should this be the case during 2020-21 then there will be a need to either revisit the audit plan and redirect resources or commission further internal audit days. In such instances in previous years, the s151 Officer and Director of Corporate Services have made these decisions.

Fraud Prevention and Detection and Internal Audit Governance

Fraud Prevention and Detection and the National Fraud Initiative

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 in the Fraud Strategy for Local Government “Fighting Fraud Locally”, and the TEICCAF (The European Institute for Combatting Crime and Fraud) publication “Protecting the English Public Purse 2016”. Internal Audit will liaise with the Council’s Corporate Fraud Officer, to enable resource to be focussed on identifying and preventing fraud before it happens. Additionally, new guidance introduced by CIPFA, in their ‘Code of practice on managing the risk of fraud and corruption’, and also the Home Office ‘UK Anti-Corruption Plan’, will further inform the direction of counter-fraud arrangements going forwards.

Nationally, the notable areas of fraud include Housing Benefit, Council Tax, Housing and Tenancy, Procurement, Insurance, Abuse of Position, Blue Badges, and Direct Payments (Social Care).

The Cabinet Office runs a national data matching exercise (National Fraud Initiative - NFI) every two years. The matches from the 2018/19 exercise were released on 31st January 2019 to those participating in the exercise. At Torbay Council, this work is led by the Council’s Corporate Fraud Officer.

Internal Audit Governance

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 the internal audit plan and monitoring implementation;
- Preparing and presenting monitoring reports to Senior Management and the Audit Committee;
- Assistance with the Annual Governance Statement;
- Liaison with other inspection bodies (e.g. Grant Thornton);
- 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 2020/21
- On-going development within the Partnership to realise greater efficiencies in the future.

Partnership working with other auditors

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.

The most significant partnership working arrangement that we currently have with other auditors continues to be that with the Council’s external auditors (Grant Thornton) and Audit South West (Internal Audit for NHS).

Appendix 1 - Audit Framework

Internal Audit is a statutory service in the context of The Accounts and Audit (England) Regulations 2015, which state: “A relevant authority must 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 (PSIAS) or guidance”.

DAP, through external assessment, demonstrates that it meets the Public Sector Internal Audit Standards (PSIAS).

The Standards require that the Chief Audit Executive must “establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals”. When completing these plans, the Chief Audit Executive should take account of the organisation’s risk management framework. The plan should be adjusted and reviewed, as necessary, in response to changes in the organisation’s business, risk, operations, programs, systems and controls. The plan must take account of the requirement to produce an internal audit opinion and assurance framework.

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.



We will seek opportunity for shared working across member authorities. In shared working Devon Audit Partnership will maximise the effectiveness of operations, sharing learning & best practice, helping each authority develop further to ensure that risk remains suitably managed.

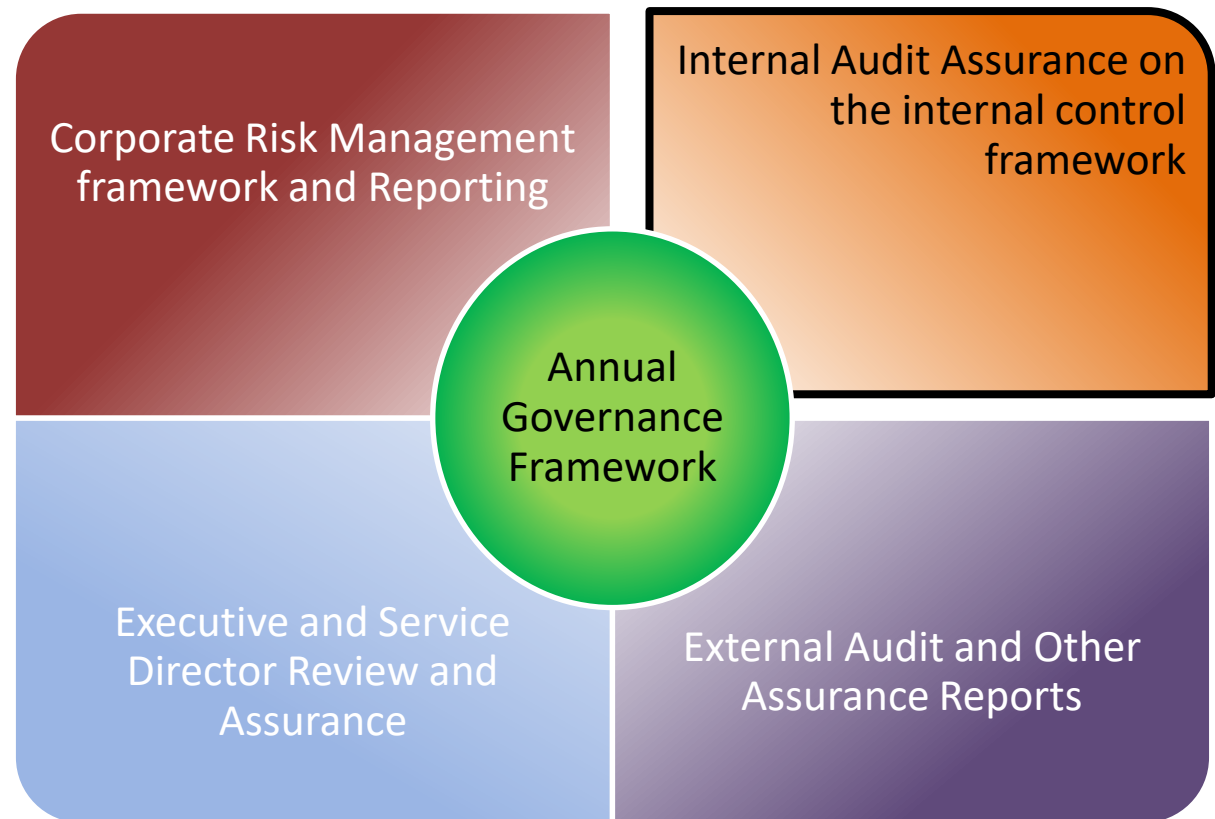
Appendix 2 - Annual Governance Framework Assurance

The Annual Governance Statement provides assurance that

- The Authority's policies have been complied with in practice;
- high quality services are delivered efficiently and effectively;
- ethical standards are met;
- laws and regulations are complied with;
- processes are adhered to;
- performance statements are accurate.

The statement relates to the governance system as it is applied during the year for the accounts that it accompanies. It should:-

- be prepared by senior management and signed by the Chief Executive and the Mayor;
- highlight significant events or developments in the year;
- acknowledge the responsibility on management to ensure good governance;
- indicate the level of assurance that systems and processes can provide;
- provide a narrative on the process that is followed to ensure that the governance arrangements remain effective. This will include comment upon;
 - The Authority;
 - Audit Committee;
 - Risk Management;
 - Internal Audit
 - Other reviews / assurance
- Provide confirmation that the Authority complies with CIPFA's recently revised International Framework – Good Governance in the Public Sector. If not, a statement is required stating how other arrangements provide the same level of assurance.



The AGS needs to be presented to, and approved by, the Audit Committee, and then signed by the Chair.

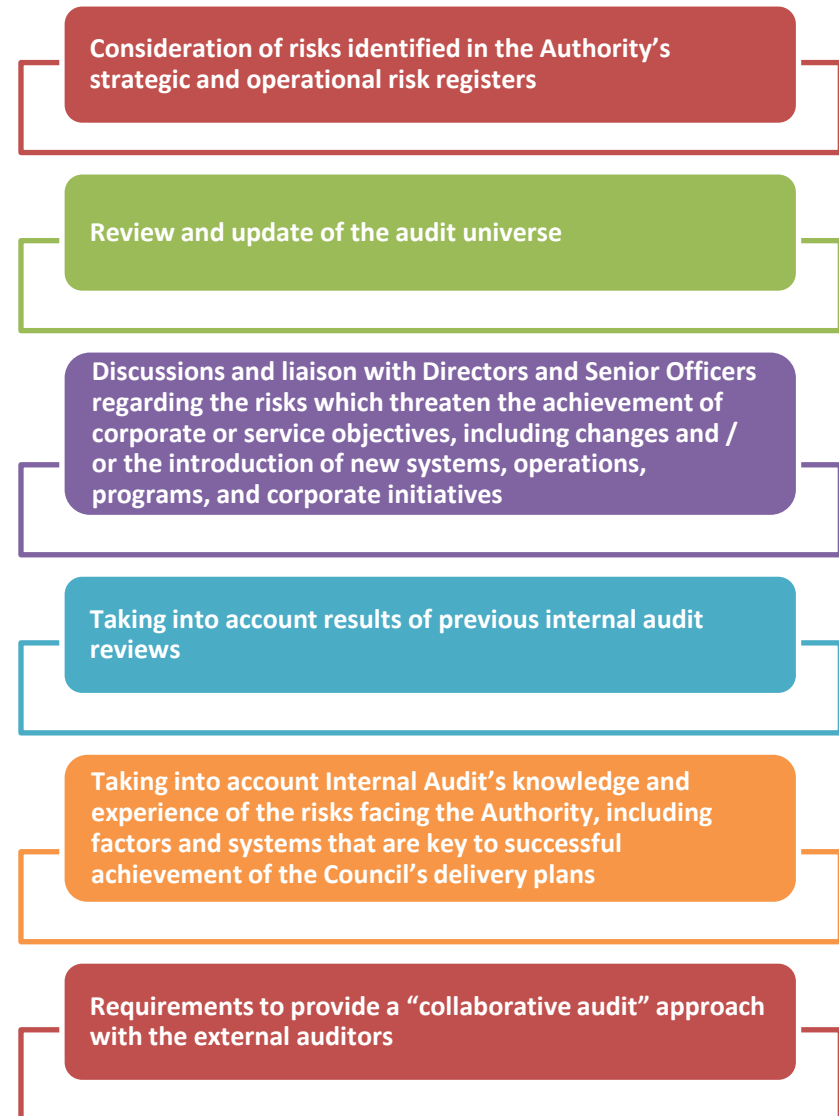
The Committee should satisfy themselves, from the assurances provided by the Annual Governance process, SLT, Internal Audit, and other assurance providers (e.g. Audit South West) that the statement meets statutory requirements.

Appendix 3 - Audit Needs Assessment

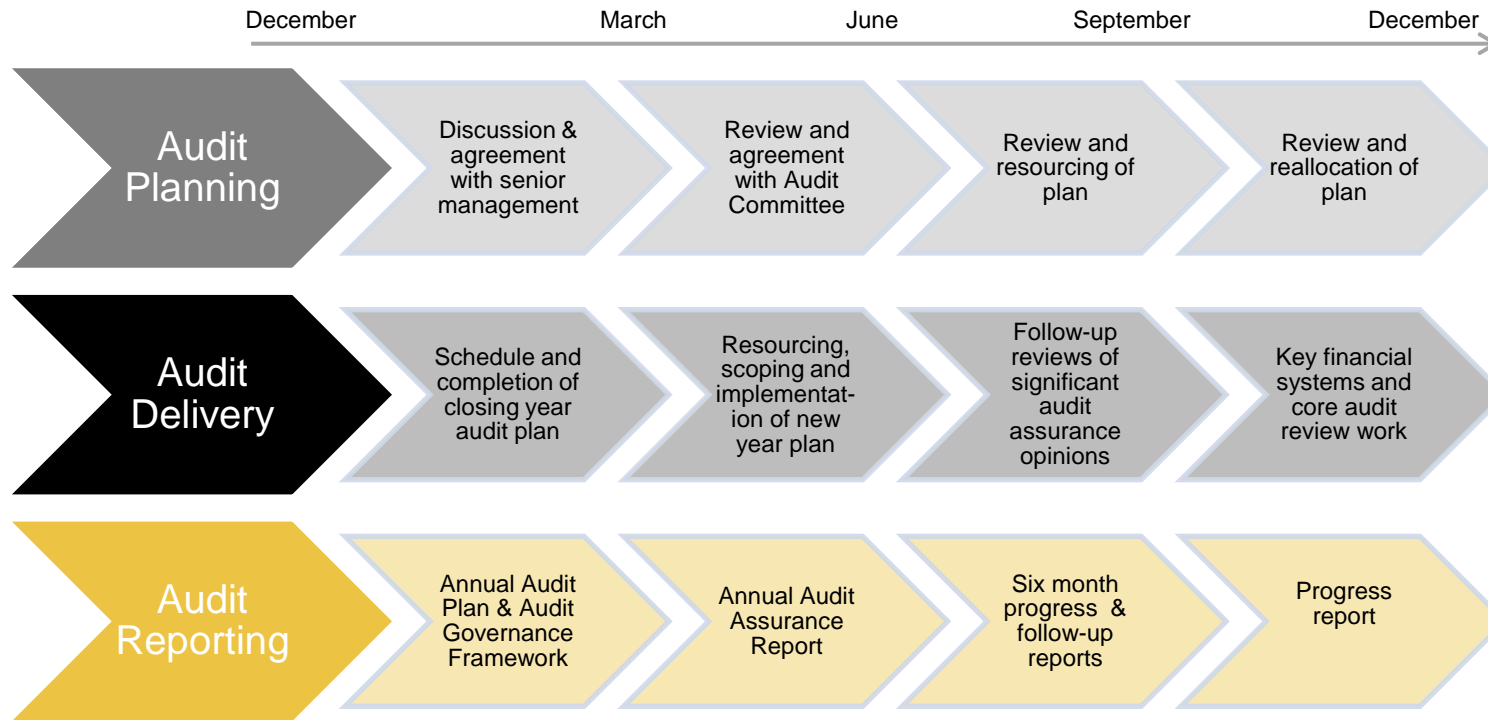
We employ a risk-based priority audit planning tool to identify those areas where audit resources can be most usefully targeted. This involves scoring a range of systems, services and functions across the whole Authority, known as the “Audit Universe” using a number of factors/criteria. The final score, or risk factor for each area, together with a priority ranking, then determines an initial schedule of priorities for audit attention.

The result is the Internal Audit Plan set out earlier in this report.

The audit plan for the year plan has been created by:



Appendix 4 - Our Audit Team and the Audit Delivery Cycle



Date	Activity
Dec to Feb 2020	Directorate planning meetings
March 2020	Internal Audit Plan presented to Audit Committee
	Internal Audit Governance Arrangements reviewed by Audit Committee
	Year-end field work completed
Apr / May 2020	Annual Performance reports written
May 2020	Annual Internal Audit Report presented to Audit Committee
	Follow –up work of previous year’s audit work commences
January 2021	Follow-up and progress reports presented to Audit Committee
January 2021	Six-month progress reports presented to Audit Committee
	2021/22 Internal Audit Plan preparation commences

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