

Internal Audit

Internal Audit Plan 2014-15

Torbay Council
Audit Committee

March 2014



Auditing for achievement

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Devon Audit Partnership

The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay 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 National Protective Marking Scheme. 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.

Audit Framework

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. From April 2013, organisations in the UK public sector are required to adhere to the Public Sector Internal Audit Standards.

The Standards require that the Head of Internal Audit 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 Head of Internal Audit 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.

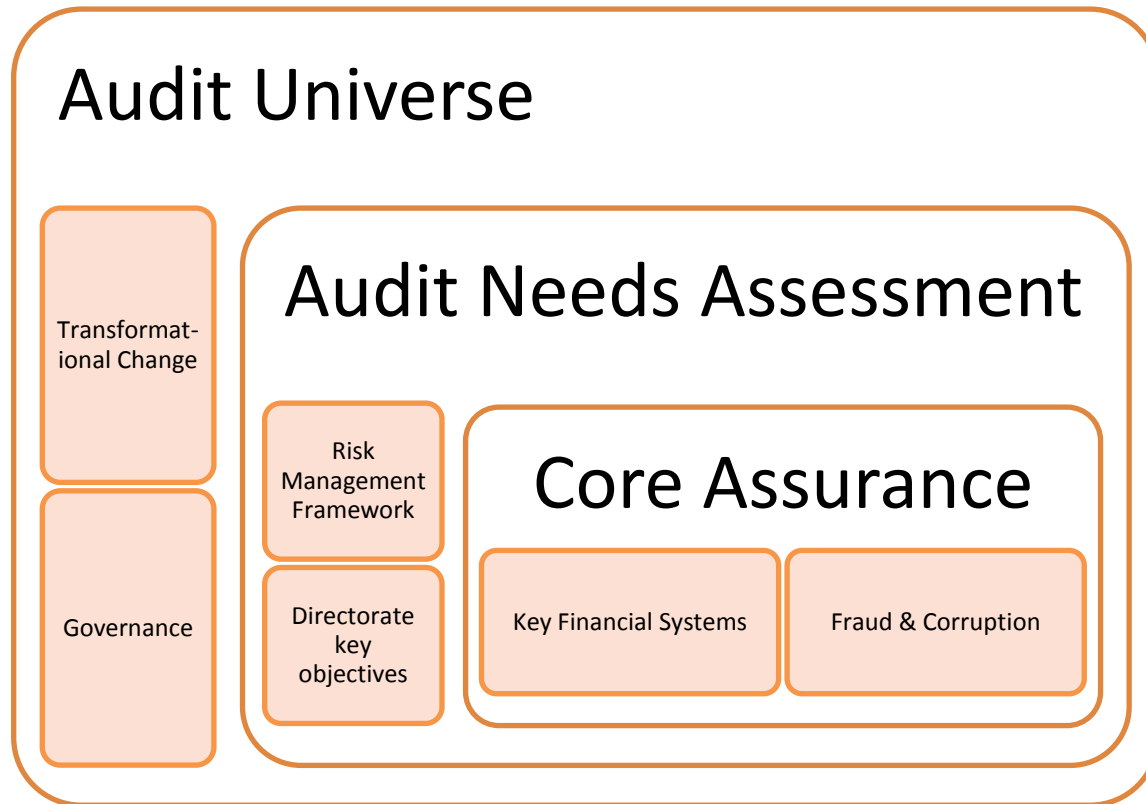
This audit plan has been drawn up, therefore, to enable an opinion to be provided at the end of the year in accordance with the above requirements



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.

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 resultant Internal Audit Plan for 2014/15 is set out in the high level plan and Appendix 1

The audit plan for 2014/15 plan has been created by:

Consideration of risks identified in the Authority's strategic and operational risk registers

Review and update of the audit universe

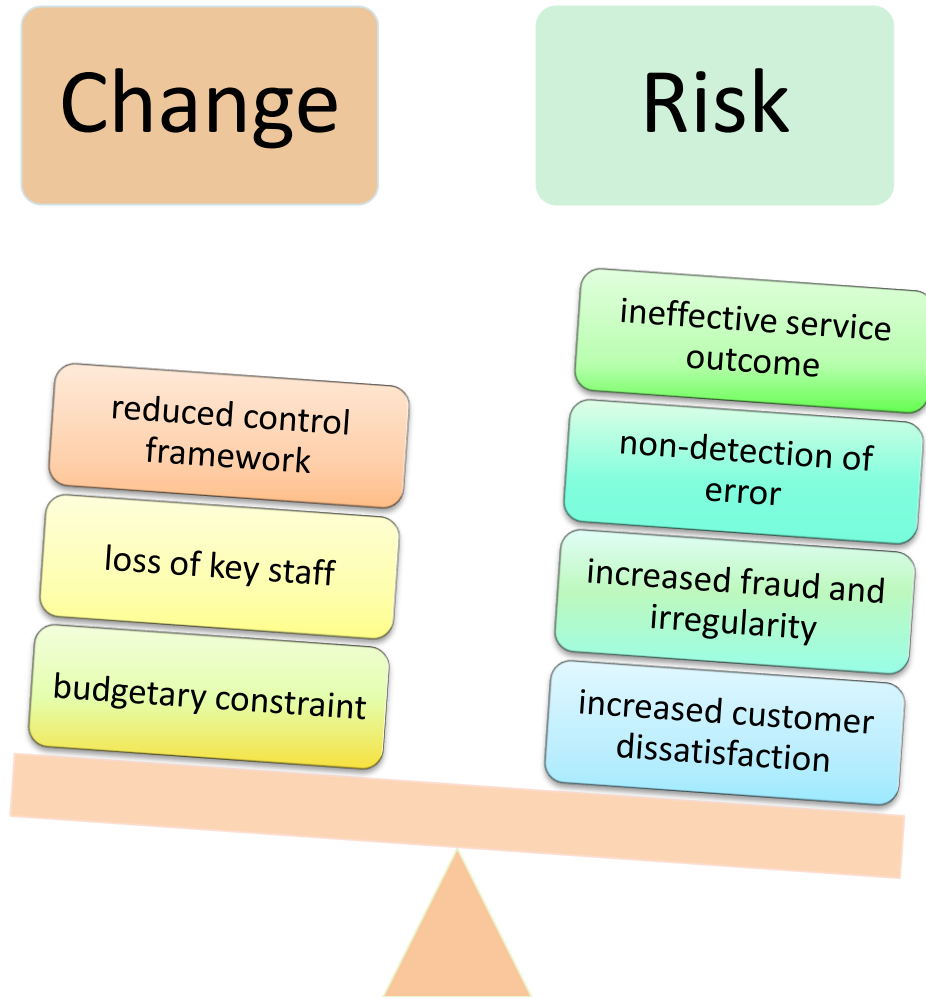
Discussions and liaison with Directors and Senior Officers regarding the risks which threaten the achievement of corporate or service objectives, including changes and / or the introduction of new systems, operations, programs, and corporate initiatives

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 provide a “collaborative audit” approach with the external auditors

Consideration of the consequences of change



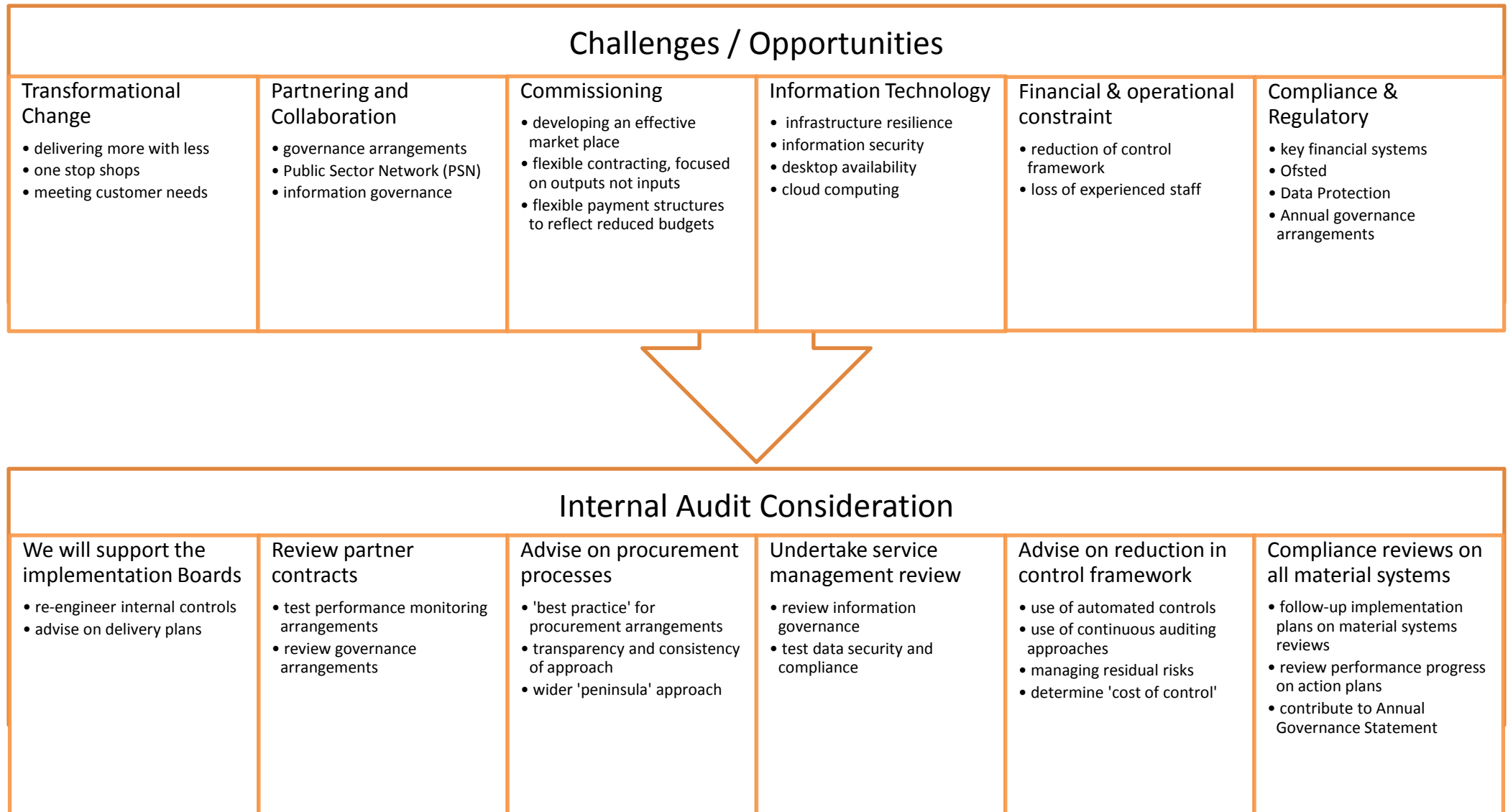
Times are changing; the expectation of the public for services provided by the public sector has never been greater; yet the money that is available for these services needs to be reduced. All public sector organisations are looking at how services can be transformed; what worked in the last decade may not meet new challenges. The use of, and dependency on, IT for service delivery will only increase further; this brings rewards but also carries its own risk.

The Internal Audit function has a key role in helping management fully understand their risks and in designing effective and efficient controls that mitigate these risks to an acceptance level; a consistent application of a quality internal audit opinion assists the organisation to develop alternative and new delivery solutions that will deliver the service required.

We will work with you to understand the changes you are making, the risks you face and help you design and operate effective governance and delivery solutions.

Consideration of your business objectives

From consideration of the corporate goals and strategic risk registers we have discussed the key challenges and opportunities the Authority is facing with senior management. Our consideration and proposed action is set out below.



Directorate Overview of Audit Coverage

Directorate Overview of Audit Coverage					Infrastructure / Business Projects	Value Added
Adults	Children's Services	Operations and Finance	Place	Public Health		
Proposed audit coverage	Early Years	Human Resources	Concessionary Fares		TOR2 Future State Project	Information Security Group
	Peninsula Contract	Business Change	Planning	Lifestyle Service Review	South Devon Link Road	Fraud Prevention and Investigation
	PARIS	Demand Management including Financial Planning	Section 106	Public Health / NHS Links	Waste PFI	National Fraud Initiative
	Safeguarding	Crisis Support Cessation	Tor Bay Harbour Authority	Transition Follow Up	Place Projects	Advice
	Troubled Families	Council Tax Support Scheme Amendment	Carbon Management		Payroll System	Audit Follow Up
	School Financial Value Standard (SFVS)		Museum Services		Channel Shift	
	Schools		Sports Facilities		Corporate Printing	
	(Adult Social Care audited by Audit South West)				Harbour Mooring Replacement System	

Core Assurance	Business Processes & Governance – Torbay Development Agency, English Riviera Tourism Company, Torbay Coast & Countryside Trust, Fair Decision Making, Corporate Information Management, Information Security (Data Protection), Public Health Data Transfer, Capital Programme, Corporate Debt, Purchasing Cards, Procurement / Contracts, Grant Certification, and Audit Assurance Planning and Reporting.	327
	Key Financial Systems – Payroll, IBS Sys Admin, Creditors, FIMS Sys Admin, Debtors, Benefits, Electronic Ordering, Income Collection, Asset Register, Council Tax & Non Domestic Rating, General Ledger, Bank Reconciliation, Treasury Management.	224
	ICT – file storage, mobile device management, change management, continuity & disaster recovery, database administration, service strategy, thin client, telephony and voice.	65
	10 195 75 80 35 73 160	Days

The elements proposed for audit for the coming year are those identified through risk assessment and discussion with Senior Management. This overview is supported by the detailed plans by area in appendix 1.

High Level Audit Plan 2014-15

This table shows a summary of planned audit coverage for 2014/15 totalling 1,189 direct days. 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 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 six 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.

We have set out our plan based on the current organisational structure for the Authority. 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 Appendix 1.

Core Activity for internal Audit Review	Coverage in Days
Adults	10
Children's Services	140
Place	165
Public Health	35
Operations and Finance	482
Anti-Fraud and Corruption including NFI	90
Other Chargeable Activities	267
Total internal audit plan for Torbay Council	1189
Schools	55

Service Level Plans

Adults

Work will cover the Supporting People function primarily focussing on the control framework within the financial aspects of the service provision and the timing of the audit has been agreed to fit with other service priorities.

Place

Work will include reviews across the directorate encompassing the areas of Concessionary Fares, Planning, Section 106 Agreements, Sports Facilities and Museum Services. Certification of the annual Carbon Management return will be completed in accordance with the instructions. We have previously agreed a rolling plan of visits with the Tor Bay Harbour Authority and this will be continued for 2014/15.

Public Health

After consultation with the Interim Director of Public Health and her management team, work will be undertaken in terms of following the previous work on the Transition of Public Health to Local Authority, examination of the consultation process in terms of the Lifestyle Service, and review of data transfer integrity and arrangements. In addition, IT Auditors will review Public Health Data Transfer including the use of the N3 network service.

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

We shall continue work with management of the TDA, ERTC and TCCT to ensure that effective systems and governance arrangements are in place to manage the risks faced by these organisations. Our work will include an audit review of Fair Decision Making identified as a strategic risk of the Council, and also review areas such as the Capital Programme, Corporate Debt arrangements and Procurement / Contracts. IT Audit activity will examine key technical areas including corporate information management, service strategy, and thin client. Assurance work will be undertaken on areas termed as key financial systems that process the majority of income and expenditure of the Council, and which have a significant impact on the reliability and accuracy of the annual accounts.

Operations and Finance

Our work will include an audit review of Demand Management including Financial Planning which are both identified as strategic risks of the Council. Reviews will be undertaken within Human Resources and Business Change, both being critical areas to the Council's effective operation. In addition, we will provide advice and consultancy in relation to the anticipated cessation of Crisis Support and the amendment to the existing Council Tax Support Scheme.

Children's Services

Work will include an audit review of Safeguarding which is an identified strategic risk of the Council. In addition our work will encompass grant certification regarding Troubled Families. Reviews will be undertaken within Early Years and upon the Peninsula Contract. Schools audit activity and compliance Schools Financial Value Standards will be maintained. A provision has been allowed for the Director of Children's Services in conjunction with Internal Audit to identify further audit work requirements in light of emerging risks and changing business needs and priorities.

Value Added

The National Fraud Initiative this year will focus upon Council Tax, Electoral Registration, and Housing Benefits to Student Loans, and work will commence on the full extract for 2014/15. Proactive fraud work has been commissioned in relation to Blue Badges and Internet Usage Monitoring. We will undertake the annual follow up on all audit areas identified as 'Improvements Required' or 'Fundamental Weaknesses' in 2013/14 and report to Audit Committee in the Summer.

Infrastructure / Business Projects

A number of projects will be supported ranging from major infrastructure to operational system implementations. Our IT Project Auditors will continue to work with the Council in terms of the ongoing Payroll System implementation and in addition will provide support to the Channel Shift, Corporate Printing and Harbour Mooring Replacement System projects. In connection with other partner authorities, the Devon Audit Partnership will continue to undertake work in relation to the Waste PFI and the South Devon Link Road. We will continue to support the TOR2 Future State Project and the planned Place Projects relating to service configuration as required by the Director of Place.

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 Audit Commission publication “Protecting the Public Purse” internal audit resource will be allocated to allow a focus on identifying and preventing fraud before it happens. Nationally these areas include Procurement, Housing Benefit and Council Tax, Payroll, Blue Badges, Direct Payments.

The Audit Commission runs a national data matching exercise (National Fraud Initiative - NFI) every two years. The 2014/15 exercise will commence with the gathering and upload of the required datasets to the Audit Commission in October 2014. The resulting data matches will be received in January/February 2015 and we shall then work with Council departments to ensure that the matches are reviewed and action taken as may be necessary.

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 2014/15
- 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. There has been a recent change in provider to Grant Thornton; we are working with colleagues from Grant Thornton to understand their requirements and to provide information that they will require. We have set up regular liaison arrangements to maximise the benefits of close working.

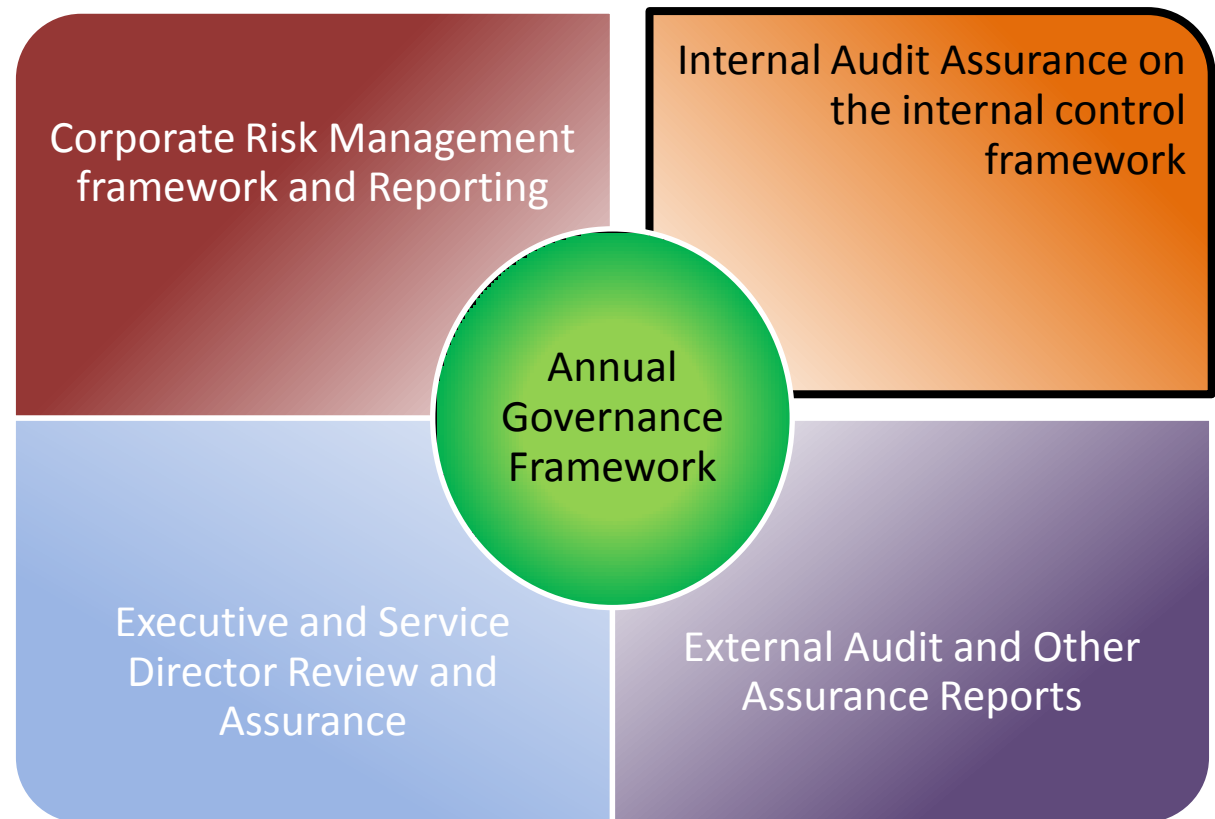
Annual Governance Framework Assurance

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:-

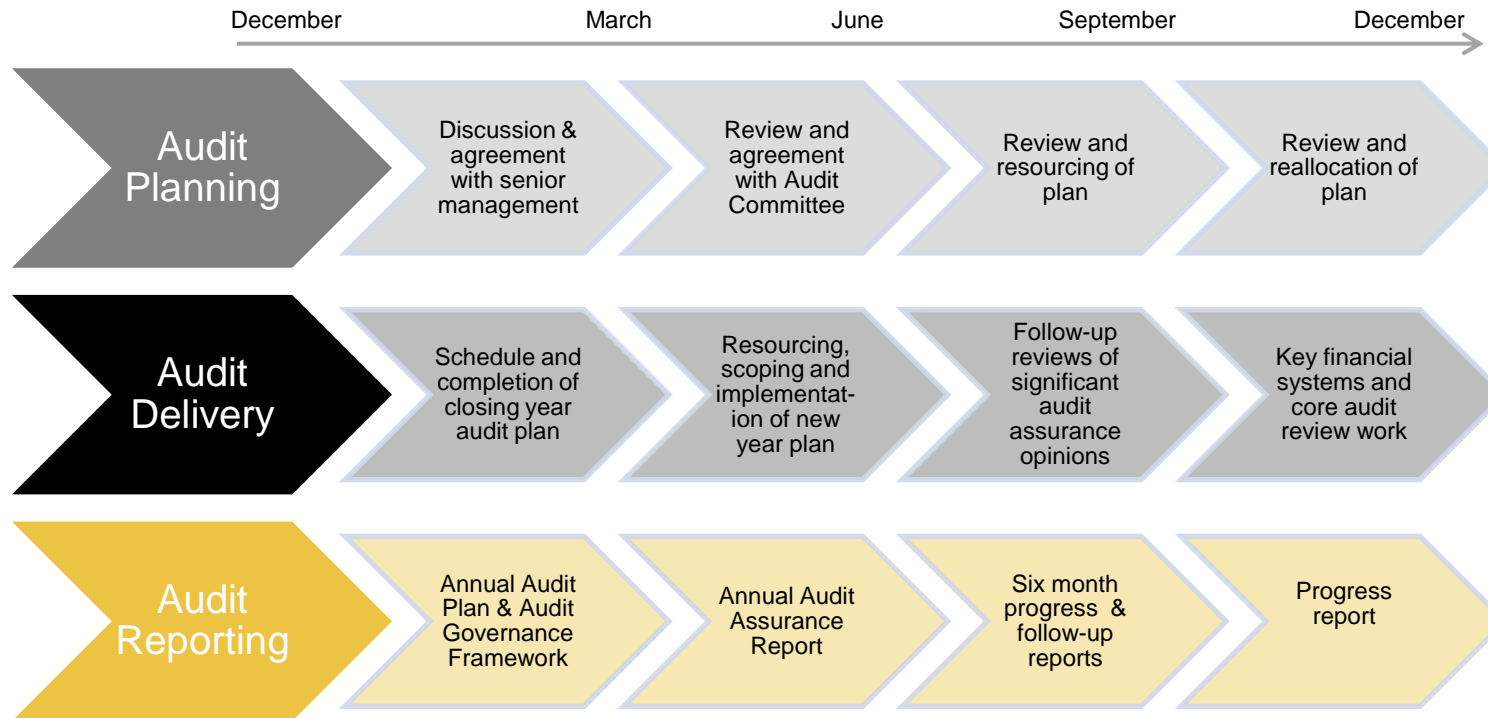
- be prepared by senior management and signed by the Executive Director and Leader of the Council;
- highlight significant events or developments in the year;
- acknowledge the responsibility on management to ensure good governance;
- indicate the level of assurance that systems and processes can provide;
- provide a narrative on the process that has been 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 / SOLACE Framework *Delivering Good Governance in Local Government*. 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 risk management, the Executive and Internal Audit that the statement meets statutory requirements.

Our Audit Team and the Audit Delivery Cycle



Date	Activity
Dec / Jan 2013	Directorate planning meetings
March 2014	Internal Audit Plan presented to Audit Committee
	Internal Audit Governance Arrangements reviewed by Audit Committee
	Year end field work completed
Apr / May 2014	Annual Performance reports written
June 2014	Annual Internal Audit Report presented to Audit Committee
	Follow –up work of previous year’s audit work commences
Sept 2014	Follow-up and progress reports presented to Audit Committee
Dec 2014	Six month progress reports presented to Audit Committee
	2015 Internal Audit Plan preparation commences

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Appendix 1 – Proposed audit reviews and associated risks

Risk Area / Audit Entity	Audit Needs Assessment	Proposed Timing	
		Days	Quarter
Adults			
Supporting People	ANA – medium	10	1
Children’s Services			
Early Years	ANA – medium	10	1
Peninsula Contract	ANA – medium	15	1
PARIS	ANA – critical	15	3
Safeguarding	LARR – strategic risk	15	2
Troubled Families	client request – grant	10	2
To be commissioned	n/a	65	3 & 4
School Financial Value Standard (SFVS)	n/a	10	1
Schools	n/a	55	n/a
Operations and Finance			
Human Resources	ANA – high	20	2
Business Change	ANA – high	15	3
Demand Management including Financial Planning	LARR – strategic risk	30	2
Crisis Support Cessation	ANA – high, client request	5	4
Council Tax Support Scheme Amendment	ANA – low, client request	5	4
Place			
Concessionary Fares	ANA – high	10	1
Planning	ANA – medium	15	3
Section 106	ANA – medium	10	2
Tor Bay Harbour Authority	ANA – medium	15	3
Carbon Management	ANA – medium, client request - grant	5	2
Museum Services	ANA – low, client request	20	4

Risk Area / Audit Entity	Audit Needs Assessment	Proposed Timing	
		Days	Quarter
Sports Facilities	ANA – low, client request	5	2
Public Health			
Lifestyle Service Review	ANA – medium	15	1
Public Health / NHS Links	ANA – high	15	2
Transition Follow Up	ANA – high	5	1
Infrastructure / Business Projects			
TOR2 Future State Project	ANA – medium, client request	20	n/a
South Devon Link Road / Waste PFI	ANA – high	5	n/a
Place Projects	ANA – medium	20	n/a
Payroll System Implementation	ANA – critical	10	1
Channel Shift	ANA – high	8	4
Corporate Printing	ANA – medium	5	2
Harbour Mooring Replacement System	ANA – medium	5	2
Value Added			
Information Security Group	client request	10	n/a
Fraud Prevention and Investigation including National Fraud Initiative	client request	90	n/a
Advice	client request	40	n/a
Audit Follow Up	client request	20	2
Core Assurance – Business Processes & Governance			
Torbay Development Agency	ANA – high	15	1
English Riviera Tourism Company	ANA – medium	15	2
Torbay Coast & Countryside	ANA – medium	10	2
Fair Decision Making	LARR – strategic risk	15	1
Corporate Information Management	ANA – high	15	2
Information Security (Data Protection)	ANA – high	2	2

Risk Area / Audit Entity	Audit Needs Assessment	Proposed Timing	
		Days	Quarter
Public Health Data Transfer including N3	ANA – high	8	3
Capital Programme	ANA – medium	15	3
Corporate Debt	ANA – medium	15	3
Purchasing Cards	ANA – low, client request	10	3
Procurement / Contracts	ANA – medium	15	n/a
Grant Certification	client request - grant	10	n/a
Core Assurance – Key Financial Systems			
Main Accounting System (GL)	ANA – medium	13	3
Creditors	ANA – high	15	3
Debtors	ANA – high	15	4
Electronic Ordering (POP)	ANA – medium	12	4
Bank Reconciliation	ANA – medium	7	4
FIMS Sys Admin	ANA – high	12	2
Asset Register	ANA – medium	7	1
Treasury Management	ANA – low	15	2
Payroll (Northgate)	ANA – critical	20	1
Payroll (iTrent)	ANA – critical	28	4
Benefits	ANA – medium	30	4
Council Tax and NDR	ANA – medium	20	3
IBS Open Sys Admin	ANA – high	12	2
Income Collection	ANA – medium	18	4
Core Assurance – ICT			
File Storage	ANA – critical	8	1
Mobile Device Management	ANA – critical	10	2
Change Management	ANA – high	3	2
Continuity & Disaster Recovery	ANA – high	3	3

Risk Area / Audit Entity	Audit Needs Assessment	Proposed Timing	
		Days	Quarter
Database Administration	ANA – high	10	2
Service Strategy	ANA – high	3	4
Thin Client	ANA – high	15	4
Telephony & Voice	ANA – medium	8	1
ITRA (IT Risk Assessment)	ANA – high	5	4
Other Chargeable Activities (not incorporated above)			
Carry forward (completion of previous year work)		50	n/a
Corporate Initiatives		10	n/a
Other Chargeable (audit planning, support for audit committee, internal audit standards, customer service excellence, file maintenance etc)		92	n/a
Contingency		30	n/a

Risk Assessment Key

LARR – Local Authority Risk Register score Impact x Likelihood = Total and Level

ANA - Audit Needs Assessment risk level as agreed with Client Senior Management

Client Request – additional audit at request of Client Senior Management; no risk assessment information available