

Internal Audit

Internal Audit Plan 2021-22

Torbay Council Audit Committee

March 2021

Not Protectively Marked

Robert Hutchins
Head of Audit Partnership



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, 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 2021/22.

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

Robert Hutchins
Head of Audit Partnership

High Level Audit Plan

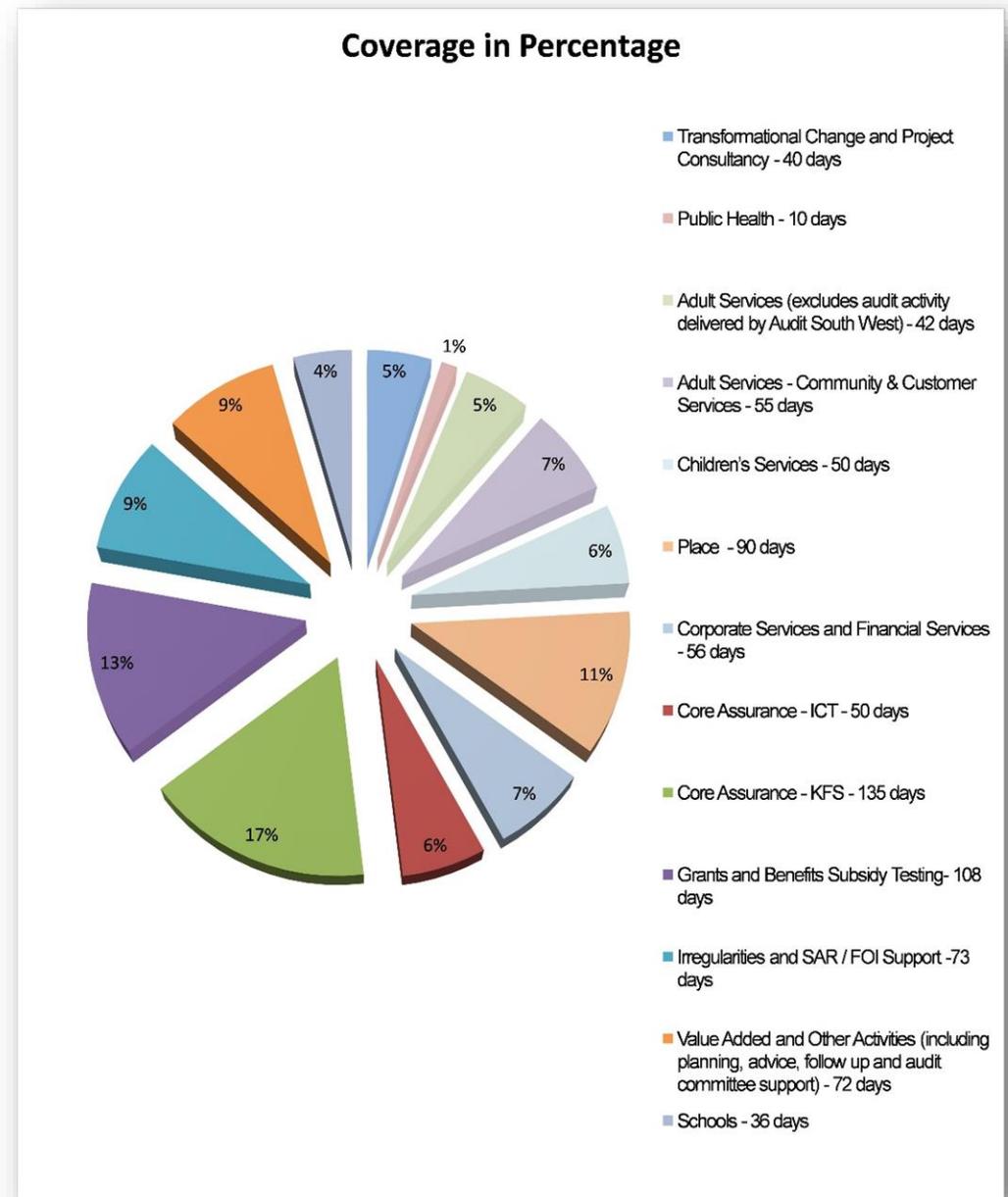
This chart shows a summary of planned audit coverage for the year totalling 781 direct days (817 including 36 days for Schools) which is increased from previous years to enable inclusion, as appropriate, of audits deferred in 2020/21 due to the pandemic. It should be borne in mind that, in accordance 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.

There has been a growing trend in the sector towards more flexible audit plans to enable internal audit to be more agile and responsive to changing risks. Current circumstances with the pandemic have highlighted the needs and benefits of this approach, with a significant number of in-year changes having been made to the 2020/21 audit plan; this principle looks set to continue.

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. 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 and current risks to the operation or function are considered during our review.

As we progress through the year, any changes to the audit plan will be agreed by the s151 officer and are notified to the Audit Committee via our six-monthly monitoring reports.

A brief overview of proposed audits is provided in the following schedule.



Service Area Overview of Audit Coverage

Service Area Overview of Audit Coverage							Business Projects & Value Added	
Thematic Overview Audit Coverage	Adult Services	Adult Services Community & Customer Services	Public Health	Children's Services	Corporate Services & Financial Services	Place		
	Commissioning / Performance Management – Young Devon	Housing Options	0 – 19 Service Commissioning and Performance Management	Fostering and Connected Carers	Capital Programme	Housing Companies	Section 106 and CIL	Transformational Change and Project
	Joint Equipment Store (contract management)	Housing (including joint working of fragmented service)		Child Protection Processes and Planning Conference	Elections	Beach Services	Information Security Group including GDPR	
	Adult Social Care Precept Use	Health & Safety		Virtual School	Democratic Services and Member Allowances	Parking	Irregularity Prevention and Investigation	
	Commissioning and Performance Management (ICO) - Mental Health			Quality Assurance and Audit Frameworks	Legal Services (cross Council use of Legal Advice)	Tor Bay Harbour Authority	Subject access and freedom of information requests	
	Adult Social Care Client Debt			Recruitment, Retention and Learning Academy	Corporate Complaint System	Mooring system	Advice	
					Coroner	Asset Management Strategy / Plan	Audit Follow Up	
					Technology Forge system	Schools incl. Financial Value Standard		
					Public Toilets			

Core Assurance	Business Processes & Governance – Emergency Planning and Business Continuity, Commissioning and Performance Monitoring, Contract Monitoring, 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, 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, from page 4.

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.

Risk Area / Audit Entity *	Audit Needs Assessment (ANA) – an assessment of the priority of the planned review	Proposed Timing
		Quarter
Transformational Change and 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 o SWISCo o S106 & CIL System Implementation o Major Projects incl. ICT Projects e.g. CRM, O365 o Performance & Risk Management project o Commercialism o Future Model – Improved Outcomes / Council Redesign 	ANA – critical	1-4
Other Directorate Areas (excluding transformational change and project consultancy)		
Public Health		
0 – 19 Service Commissioning and Performance Management	ANA – high, client request (Service Area)	1
Adult Services		
Commissioning and Performance Management (direct contract management – Young Devon Contract)	ANA – medium, client request (Service Area)	1
Joint Equipment Store (contract management)	ANA – medium, client request (Service Area)	1
Adult Social Care Precept Use (control of procurement and spend)	ANA – high, client request (s151)	2
Commissioning and Performance Management (ICO) - Mental Health	ANA – high, client request (s151)	4
Adult Social Care Client Debt (monitoring of commissioned function)	ANA – high, client request (s151)	3
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	
Adult Services – Community and Customer Services		
Housing Options	ANA – high, client request (s151)	3
Housing (including joint working of fragmented service)	ANA - medium	4

Risk Area / Audit Entity *	Audit Needs Assessment (ANA) – an assessment of the priority of the planned review	Proposed Timing
		Quarter
Emergency Planning and Business Continuity	ANA - medium	3
Health & Safety	ANA - high	4
Children's Services		
Fostering and Connected Carers	ANA – medium	1
Child Protection Processes and Planning Conference	ANA – high, client request (Service Area)	2
Virtual School	ANA – medium, client request (Service Area)	3
Quality Assurance and Audit Frameworks	ANA – high, Client request (s151)	2
Recruitment, Retention and Learning Academy	ANA – medium, client request (s151)	4
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
Place		
Housing Companies (client role / management)	ANA – high, client request (s151)	1
Spatial Planning – Section 106 and CIL	ANA – medium, client request (s151)	1
Beach Services	ANA – low, client request (s151)	2
Parking	ANA – medium, client request (s151)	4
Tor Bay Harbour Authority	ANA - medium	2
Tor Bay Harbour Authority – Mooring system (contract management)	ANA – low, client request (s151)	1
Asset Management Strategy / Plan	ANA – high	4
Technology Forge system (review with audit of Asset Management Strategy / Plan)	ANA – medium	4
Public Toilets (contract monitoring)	ANA – low, client request (s151)	1
Corporate Services and Finance		
Capital Programme (including new Financial Code and IR35 - Council and Companies)	ANA – medium, client request (s151)	4
Elections	ANA - medium	2/3

Risk Area / Audit Entity *	Audit Needs Assessment (ANA) – an assessment of the priority of the planned review	Proposed Timing
		Quarter
Democratic Services and Member Allowances	ANA - medium	2/3
Legal Services (cross Council use of Legal Advice)	ANA - medium	1
Corporate Complaint System	ANA - medium	1
Coroner (agreement monitoring)	ANA – medium, client request (s151)	1
Core Assurance – ICT		
ICT Project Management	ANA - high	1
Cyber Essentials	ANA – high	3
ICT Continuity and Disaster Recovery (arrangements for key systems)	ANA - high	4
Information Governance – Data Quality and Records Management	ANA – high, client request (Service Area)	2
Information Security Group including GDPR – ‘trusted advisor’	ANA – high, client request (Service Area)	1-4
Core Assurance – Key Financial Systems and Grant Certification		
General Ledger (Main Accounting System) and Bank Reconciliation (follow up audit)	ANA – medium	3
Creditors & Electronic Ordering (POP)	ANA – high	3
Debtors and Corporate Debt	ANA – high	4
FIMS Sys Admin	ANA – high	1
Asset Register (follow up audit)	ANA – medium	1
Treasury Management	ANA – medium	1
Income Collection	ANA – medium	2
Payroll	ANA – high	4
Benefits and CTAX Support Scheme	ANA – high	2
Council Tax and Non-Domestic Rates	ANA – medium	3
IBS Open Sys Admin (follow up audit)	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		n/a
Benefits Subsidy	ANA – client request (Service Area)	2-3

Risk Area / Audit Entity *	Audit Needs Assessment (ANA) – an assessment of the priority of the planned review	Proposed Timing
		Quarter
Value Added and Other Activities		
Irregularity Prevention and Investigation **	business driven requirement, client request (Service Area, Financial Ethics and Probity Group)	n/a
Subject access and freedom of information requests		n/a
Advice		n/a
Audit Follow Up ***		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 2020-21 was more than originally allocated. Should this be the case during 2021-22 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.

***To note, this activity is currently being evolved to link with the Council's new Performance and Risk Management arrangements.

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 as requested by the Financial, Ethics and Probity (FEP) Group, and will also carry out pro-active anti-fraud and corruption testing of systems considered to be most at risk to fraud as directed by FEP. 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 main 2020/21 exercise were released on 28th January 2021 to those participating in the exercise. The separate Council Tax Single Persons Discount exercise matches were released on 29th January 2021. At Torbay Council, this work is led by the Council’s Corporate Fraud Officer and team.

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 2021/22
- 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 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.

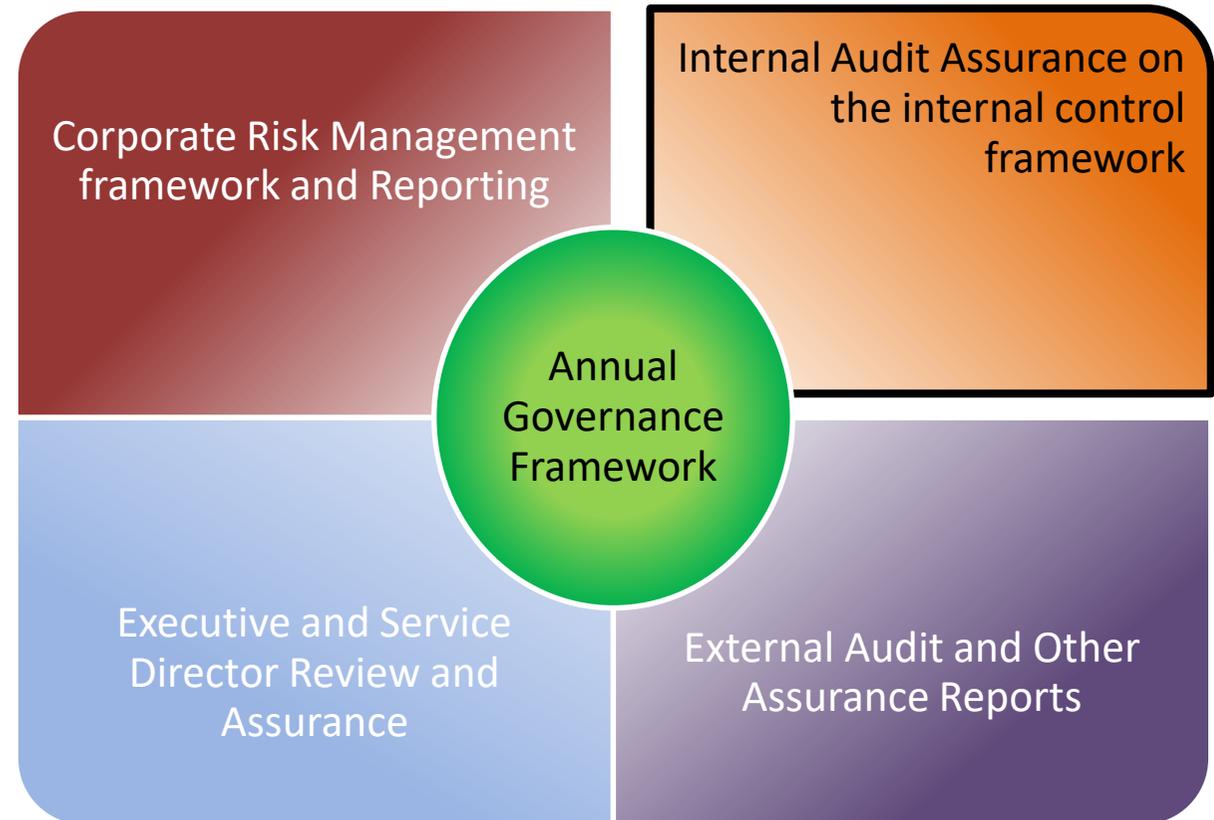
Appendix 2 - Annual Governance Framework Assurance

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.

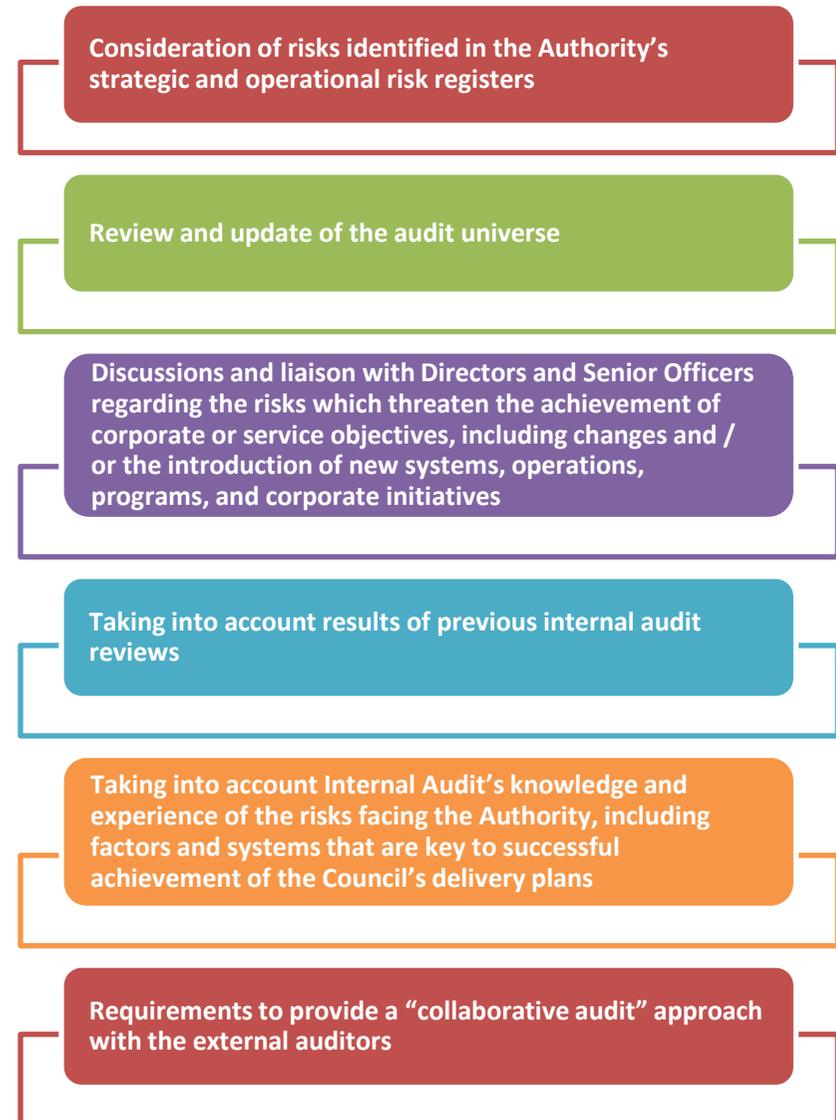
The Committee should satisfy themselves, from the assurances provided by the Annual Governance process, SLT, Internal Audit, and other assurance providers (e.g. Audit South West) that the statement meets statutory requirements.

Appendix 3 - Audit Needs Assessment

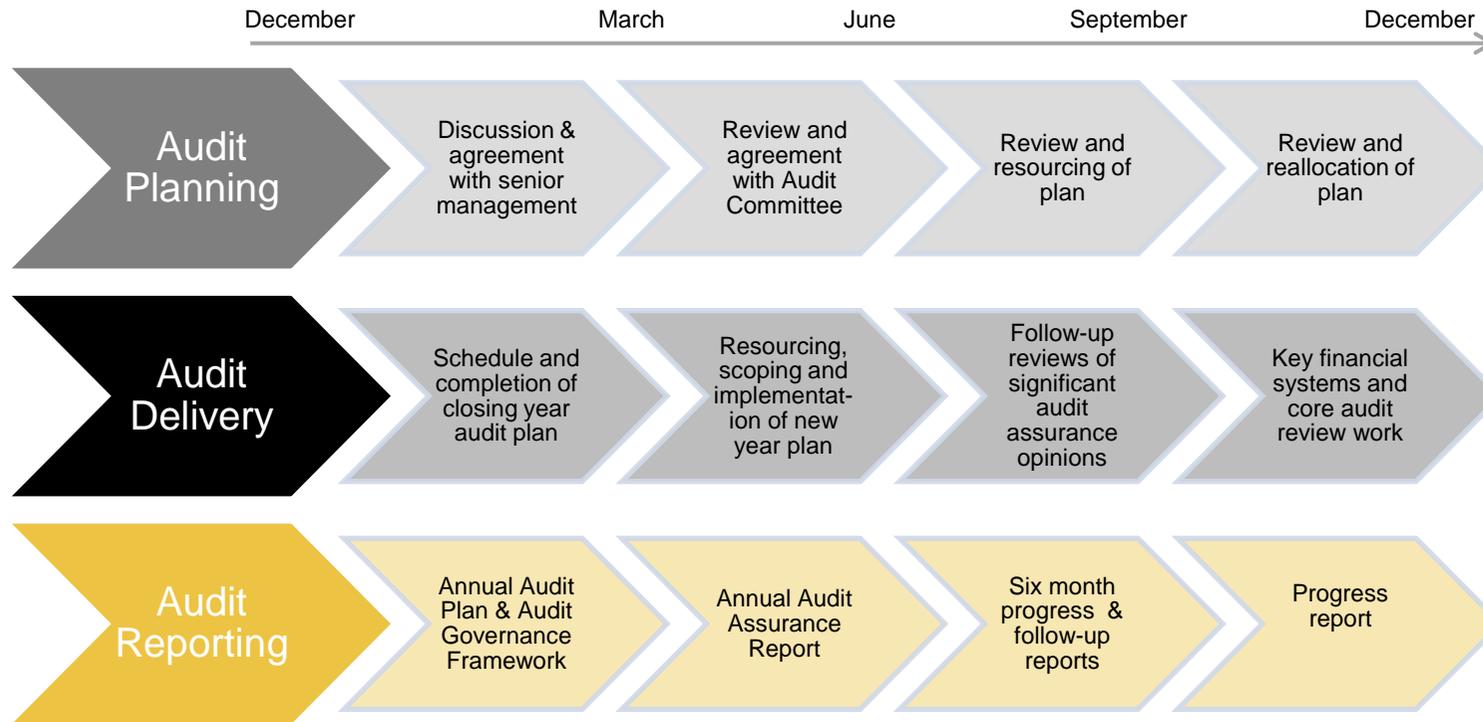
We employ a risk-based priority audit planning tool to identify those areas where audit resources can be most usefully targeted. This involves scoring a range of systems, services and functions across the whole Authority, known as the “Audit Universe” using a number of factors/criteria. The final score, 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 2021	Directorate planning meetings
March 2021	Internal Audit Plan presented to Audit Committee
	Internal Audit Governance Arrangements reviewed by Audit Committee
	Year-end field work completed
Apr / May 2021	Annual Performance reports written
May 2021	Annual Internal Audit Report presented to Audit Committee
	Follow –up work of previous year’s audit work commences
January 2022	Follow-up and progress reports presented to Audit Committee
January 2022	Six-month progress reports presented to Audit Committee
	2022/23 Internal Audit Plan preparation commences

Robert Hutchins
 Head of Audit Partnership
 T 01392 383000

E robert.hutchins@devonaudit.gov.uk

Lynda Sharp-Woods
 Audit Manager – Torbay Council
 T 01803 207323
 E lynda.sharp-woods@devonaudit.gov.uk

David Curnow
 Deputy Head of Audit Partnership
 T 01392 383000
 M 07794201137
 E david.curnow@devonaudit.gov.uk

Dominic Measures
 Audit Manager – Specialist Services and Schools
 T 01392 380493
 E dominic.measures@devonaudit.gov.uk

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