

Internal Audit

**Internal Audit Plan
2013 - 2014**

**Torbay Council
Audit Committee**

March 2013



Auditing for achievement

INTERNAL AUDIT SERVICE – ANNUAL AUDIT PLAN 2013/14

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. From April 2013, organisations in the UK public sector are required to adhere to the Public Sector Internal Audit Standards.
- 1.2 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.
- 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 2013/14 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 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 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 2013/14 is set out in Appendices 1 and 2.

3. INTERNAL AUDIT PARTNERSHIP

- 3.1 Since 1st 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 The delivery of the Internal Audit service will be in accordance with the Internal Audit Charter. For some reviews the opportunity for shared working across other authorities

may arise. In these circumstances Devon Audit Partnership will seek to maximise the effectiveness of operations, sharing learning and guidance helping each of the authorities to develop further and ensure that risk remain suitably managed.

4. INTERNAL AUDIT RESOURCES

- 4.1 Based upon our detailed risk assessment process we consider that 1,321 days of internal audit input will be required for Torbay Council in 2013/14.
- 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 2013/14

- 5.1 Appendix 1 shows a summary of planned audit coverage for 2013/14 totalling 1,321 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 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 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. 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:-

Adult Services and Resources

- 5.3 We have agreed with management the key risks that currently affect ICT for the Council. Our programme of work will include reviews of Service Strategy, File Storage, Hosted Services, Partnership Working, Thin Client Planning and Roll Out, Information Security (PCI Compliance), N3 Health Transfer, Telephony and Voice, Website Content Management, and work on IT Risk Assessment with the External Auditors.
- 5.4 We will also carry out work designed to ensure that current areas of technology change, including Mobile Device Management, and Social Networking and Media, are addressed with a view to providing an independent opinion as to the adequacy of controls in operation over these areas, and making appropriate recommendations for process improvement where necessary. We will continue to attend the Information Security Group to provide support for the finalisation of the ongoing development and implementation of the new IT Security Policies.
- 5.5 Our work will also include review of arrangements for Procurement regarding contract compliance, and processes in Democratic Representation and Management and also in relation to Elections.

Children's Services

- 5.6 Our work for Children's Services will include an audit review of Parkfield and also work with regard Children's Centres. Torbay's work in connection with the government's 'Troubled Families' programme will also be reviewed to ensure compliance with the criteria for the results based payment scheme and that submissions made are accurate and complete.
- 5.7 Work will also be undertaken looking at how Children's Services commissions and procures services and whether Torbay can influence and change the market place. Comparison will be carried out comparing Torbay with both its 'nearest neighbours' and other coastal unitary authorities.
- 5.8 Our work will include a review of business systems and processes and provide for consideration, if applicable, best practice enhancements as may be identified through work undertaken at other authorities. Delegated powers and responsibilities will be reviewed and benchmarking carried out with a view to providing assistance to streamline working arrangements.

Place and Resources

- 5.9 Our work for Place and Resources includes work on what are termed "material 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 and Payments
 - Income Collection
 - Debtors
 - Treasury Management.
- 5.10 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.
- 5.11 In addition to work on material systems, Internal Audit coverage will address key risks identified by management by auditing, supporting and advising on a number of areas such as the Payroll System Procurement and Implementation, the new arrangements for administering the Discretionary Social Fund and the Council Tax Support Scheme, arrangements for Fair Decision Making, the synergy between Strategic and Operational Transport, the operational practices in Parking Services and in relation to Section 106 Agreements.
- 5.12 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 suitable governed and that the risks identified are effectively addressed. Additionally, time has been set aside to provide support for Environment Projects at the request of the Director of Place and Resources.
- 5.13 We shall continue work with management of the Economic Development Company and the English Riviera Tourism Company, and help to ensure that sound, effective and reliable systems are in place to manage the risks faced by these organisations.

- 5.14 We have agreed a rolling plan of visits with the Tor Bay Harbour Authority; our work for 2013/14 will be relating to Asset Management.

Public Health

- 5.15 Audit coverage in 2012/13 was extensive within the Community Safety area of Public Health and as such linked to our audit needs assessment (refer to 2.1), we have limited our work in 2013/14 to a review of arrangements of internal Health & Safety and also a review of contract management in relation to Bereavement Services.

Carry forward (completion of previous year work)

- 5.16 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 2012/13 can be completed to the expected standard.

Fraud Prevention, Detection & Investigation

- 5.17 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 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.
- 5.18 The Audit Commission runs a national data matching exercise (National Fraud Initiative - NFI) every two years. The required datasets were submitted to the Audit Commission in October 2012, and one set of data matches were received at the end of January 2013 with the remainder received mid-February. During 2013/14 we shall work with Council departments to ensure that the matches are reviewed and action taken as may be necessary.

Grant Claims

- 5.19 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

- 5.20 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. Grant Thornton);
- Assistance with the 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 2013/14
- On-going development within the Partnership to realise greater efficiencies in the future.

Advice / Consultancy

- 5.21 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.
- 5.22 In addition Internal Audit will continue to support major projects throughout the Council providing advice and input into key developments and initiatives some of which have been outlined in previous paragraphs.

Schools Audits

- 5.23 The Schools Financial Value Standard (SFVS) is now well established within schools. The standard helps governors, in particular, in self-evaluating the quality of their financial management and to aid in improving schools financial management.
- 5.24 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. The DfE have made this a mandatory requirement for all schools and are changing the scheme of delegation to fit this requirement.
- 5.25 Audit of the control and governance arrangements within schools is carried out on a three year cyclical basis and covers all the key elements in SFVS. Our audit programme is tailored to fit with the SFVS in order to support schools and maintain efficiency. We have also developed support through our webpages with:
- model answers;
 - key timelines guidance;
 - training programme.
- 5.26 The Government's drive to encourage schools to become academies is firmly in place. However, there is no requirement for academy schools to have internal audit. We offer an audit service to Academy schools and have had success in the process of advertising and bidding for such work. All 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. 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.

Robert Hutchins
Devon Audit Partnership
March 2013



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Summary of Planned Audit Coverage for 2013/14

| | |
|--|-------------|
| Adult Services and Resources | 120 |
| Children's Services | 155 |
| Place and Resources | 508 |
| Public Health | 20 |
| Anti-Fraud including NFI | 125 |
| Other Chargeable Activities | 393 |
| | |
| Total Days for Torbay Council Internal Audit 13/14 Plan | 1321 |
| | |
| Schools | 49 |
| | |

Adult Services and Resources

| | |
|--|------------|
| ICT Audit | |
| Hosted Services | 7 |
| File Storage | 6 |
| Mobile Device Management | 6 |
| Partnership Working | 8 |
| Information Security (PCI Compliance) | 5 |
| Service Strategy | 5 |
| Thin Client Planning and Roll Out | 8 |
| N3 Health Transfer | 5 |
| Telephony and Voice | 5 |
| Website Content Management | 5 |
| Social Networking and Media | 5 |
| IT Risk Assessment (working with External Audit) | 5 |
| Information Security Group (consultancy) | 15 |
| Other | |
| Procurement (Contract Compliance) | 15 |
| Democratic Representation and Management | 10 |
| Elections | 10 |
| | |
| Total Days | 120 |

Children's Services

| | |
|--|------------|
| Local Integrated Service Trust (LIST) | 10 |
| Public Health – Transfer of Service | 10 |
| Markets – Internal and External | 23 |
| 3 – 5 Year Budget Strategy | 19 |
| Business Systems and Processes | 18 |
| Parkfield (My Place) | 16 |
| Children's Centres - Contracts | 12 |
| Troubled Families | 14 |
| Section 17 Payments | 9 |
| Delegated Powers / Responsibilities | 14 |
| School Financial Value Standards (SFVS) Coordination | 10 |
| | |
| Total Days | 155 |

Place and Resources

| | |
|--|------------|
| Payroll System Procurement and Implementation | 20 |
| Payroll | 28 |
| Business Change (Disposal of assets linked to CCRP/ORP) | 20 |
| Performance, Partnership & Research (Fair decision making process) | 15 |
| Discretionary Social Fund | 15 |
| Council Tax Support Scheme | 10 |
| Corporate Debt Team | 15 |
| Income Collection | 18 |
| Benefits | 34 |
| Council Tax and Non Domestic Rates | 30 |
| IBS Open System Administration | 18 |
| Creditors | 23 |
| Debtors | 23 |
| Purchase Order Processing (POP) | 18 |
| Bank Reconciliation | 10 |
| Main Accounting System | 20 |
| Treasury Management | 15 |
| Asset Register | 10 |
| FIMS System Administration | 18 |
| Environment Projects | 35 |
| South Devon Link Road | 8 |
| Parking Services | 15 |
| Transport – Strategic and Operational | 15 |
| Section 106 | 10 |
| Carbon Management | 5 |
| Tor Bay Harbour Authority | 15 |
| Economic Development Company | 25 |
| English Riviera Tourism Company | 20 |
| | |
| Total Days | 508 |

Public Health

| | |
|----------------------------|-----------|
| Health & Safety (internal) | 15 |
| Bereavement Services | 5 |
| | |
| Total Days | 20 |

Anti-Fraud and Irregularities

| | |
|---|------------|
| Anti-Fraud and Irregularities (including NFI) | 125 |
| | |
| Total Days | 125 |

Other Chargeable Activities

| | |
|--|------------|
| Carry forward (completion of previous year work) | 50 |
| Procurement / Contract audit | 20 |
| Corporate Initiatives | 20 |
| Grant Claims | 10 |
| Advice / Consultancy | 55 |
| Other chargeable activities (audit planning, support for audit committee, internal audit standards, customer service excellence, file maintenance etc) | 145 |
| Follow Ups (previous audit recommendations) | 25 |
| Contingency | 68 |
| Total Days | 393 |

Total Days for Torbay Council 2013/14 Internal Audit Plan 1,321days (excluding schools)

Schools

| | |
|---|-----------|
| Schools (purchased directly by schools) | 49 |
| | |
| Total Days | 49 |

Robert Hutchins
Head of Devon Audit Partnership
March 2013



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