

Internal Audit

Internal Audit Plan 2015 -16

Torbay Council
Audit Committee

March 2015



Auditing for achievement

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Devon Audit Partnership	Confidentiality and Disclosure Clause
<p>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.</p> <p>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 .</p>	<p>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.</p> <p>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.</p>

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.

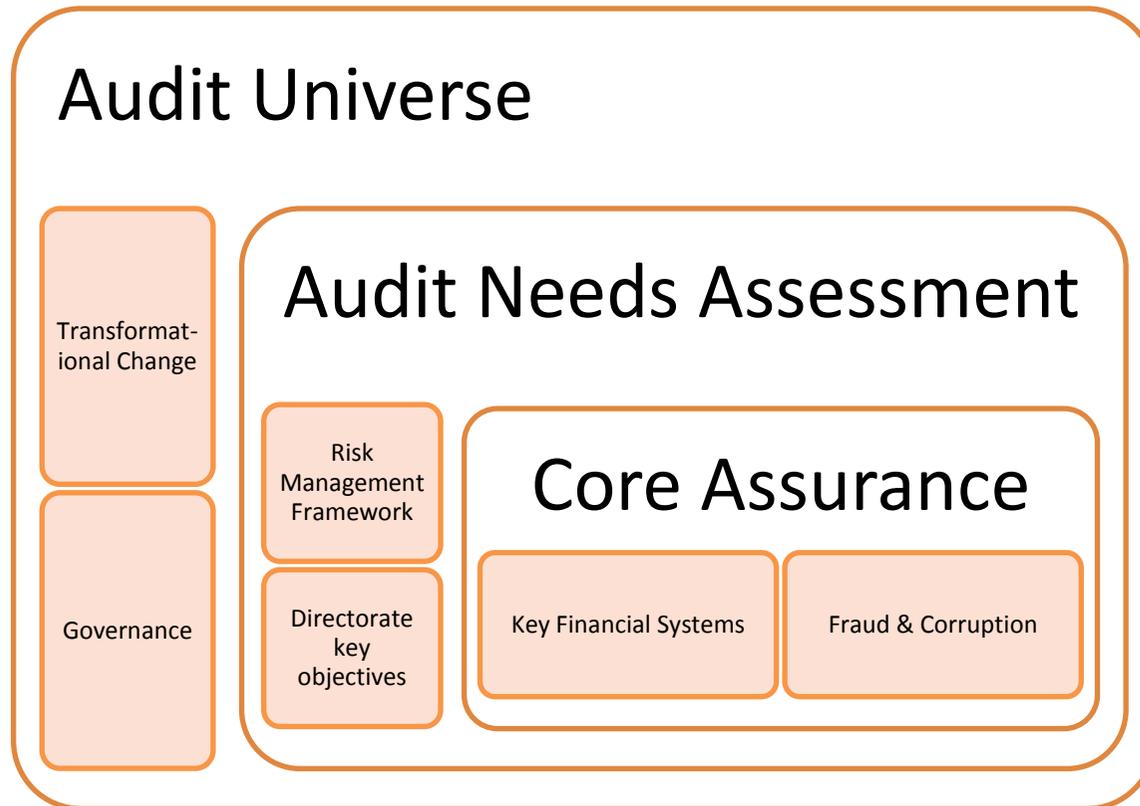
This audit plan has been drawn up, therefore, to enable an opinion to be provided at the end of the year in accordance with the above requirements.



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 2015/16 is set out in the high level plan and Appendix 1

The audit plan for 2015/16 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

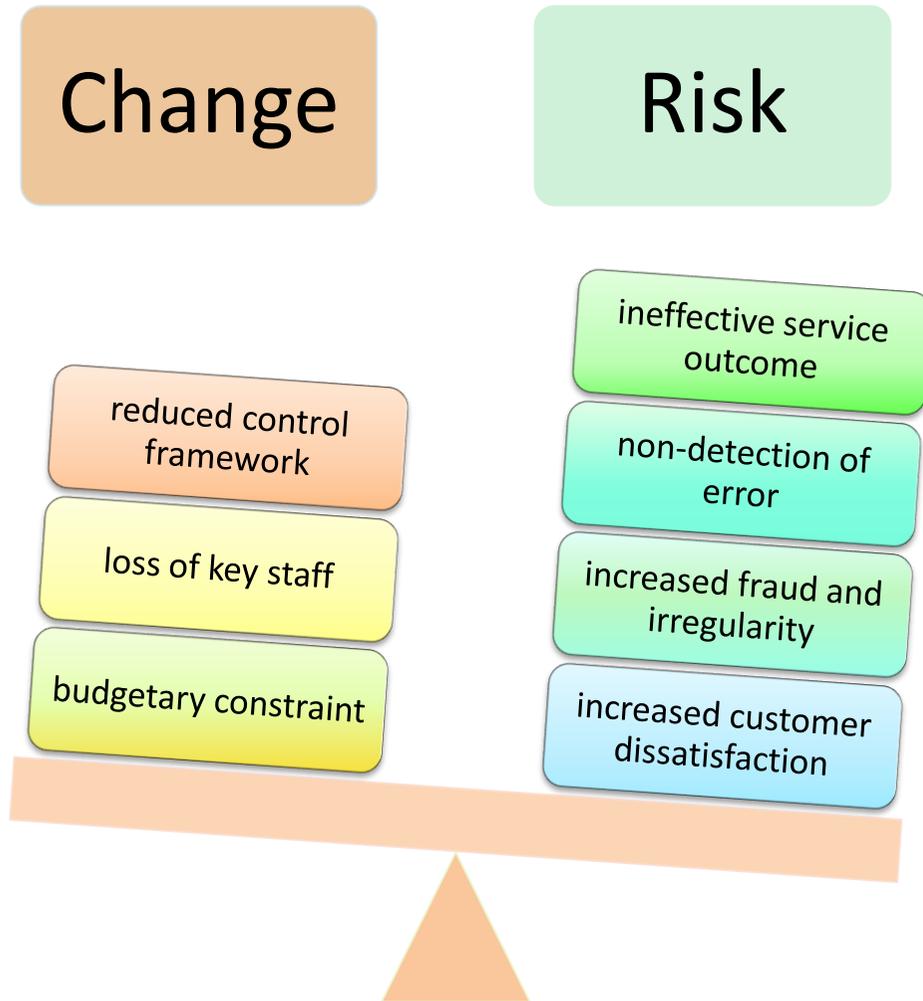
Discussions and liaison with Directors and Senior Officers regarding the risks which threaten the achievement of corporate or service objectives, including changes and / or the introduction of new systems, operations, programs, and corporate initiatives

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



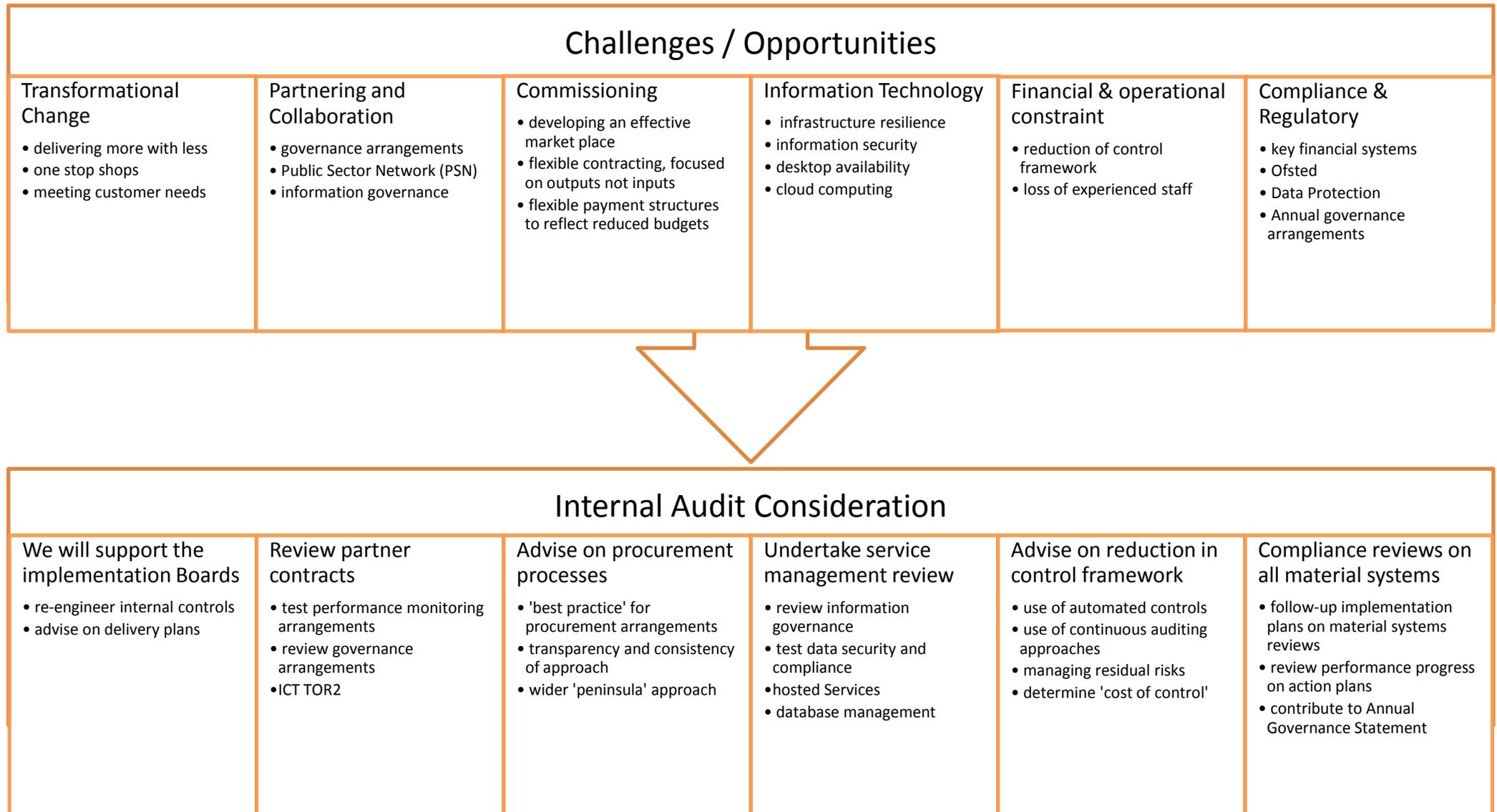
Times are changing; the expectation of the public for services provided by the public sector has never been greater; yet the money that is available for these services needs to be reduced. All public sector organisations are looking at how services can be transformed; what worked in the last decade may 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

	Adults	Children's Services	Operations and Finance	Place	Public Health	Infrastructure / Business Projects	Value Added
Proposed audit coverage	Care Act Implementation – Better Care Fund (Adult Social Care audited by Audit South West)	Virtual School PARIS Fostering Transition from Children's to Adults Admissions in Place Planning Pupil Referral Panel Integrated Youth Service Schools' inc. Financial Value Standard	Demand Management including Financial Planning	Tor Bay Harbour Authority Sports Facilities	Public Health / NHS Links Corporate Security & CCTV Housing Options	New Operational Arrangements TOR2 Future State Project South Devon Link Road / Waste PFI Business Improvement Districts Payroll System Channel Shift Corporate Printing Harbour Mooring Replacement System	Information Security Group Fraud Prevention and Investigation National Fraud Initiative Advice Audit Follow Up

Core Assurance	Business Processes & Governance – Torbay Development Agency, Torbay Coast & Countryside Trust, Fair Decision Making, Ethics and Culture, Elections, Capital Programme, Corporate Debt, Procurement / Contracts, Grant Certification, and Audit Assurance Planning and Reporting.
	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.
	ICT – infrastructure management, hosted services, service strategy, database administration, partnership working, access management

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 2015-16

This table shows a summary of planned audit coverage for 2015/16 totalling 985 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	18
Children's Services	115
Place	85
Public Health	40
Operations and Finance	423
Anti-Fraud and Corruption including NFI	90
Other Chargeable Activities	214
Total internal audit plan for Torbay Council	985
Schools	45

Service Level Plans

Adults

Work will cover the Care Act Implementation – Better Care Fund primarily providing a consultancy, advisory and support function to facilitate an effective implementation of this new legislation.

Children's Services

Work will include a technical IT audit review of the PARIS system. In addition our work will encompass reviews of Fostering, Virtual School, Admissions in Place Planning, Pupil Referral Panel and the Integrated Youth Service, and an examination of the arrangements for the Transition from Children's to Adults. Schools audit activity and compliance with Schools Financial Value Standards will be maintained.

Public Health

Work in Public Health will continue by examining the Public Health / NHS Links. Additionally in 2015/16 our reviews of functions within Community Safety will examine the Corporate Security & CCTV and Housing Options.

Place

The planned structural changes have been taken into account when preparing the plan for 2015/16 resulting in reduced coverage to allow for these changes to embed. The plan for Infrastructure / Business Projects incorporates a review of the new Operational Arrangements. Work will still include examination of the Tor Bay Harbour Authority in line with the rolling plan of visits and will also examine Sports Facilities in relation to leases, grants and the recently developed Velopark.

Operations and Finance

Our work will include an audit review of Demand Management including Financial Planning which is identified as a strategic risk of the Council.

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

We shall continue work with management of the TDA 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 involvement in developments in relation to Fair Decision Making identified as a strategic risk of the Council, and also a high level examination of the Ethics & Culture of the Council along with other reviews such as the Capital Programme, Corporate Debt arrangements and Procurement / Contracts. IT Audit activity will examine key technical areas including infrastructure management, service strategy, hosted services and database administration alongside examination of arrangements for partnership working and service operation. Assurance work will be undertaken on areas termed as material systems that process the majority of income and expenditure of the Authority, and which have a significant impact on the reliability and accuracy of the annual accounts.

Value Added

The National Fraud Initiative this year will cover all areas from Council Tax, Electoral Registration, through to Personal Budgets, and Concessionary Travel. Work has commenced on the data matches, and will continue throughout 2015/16. 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 2014/15 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. We will examine the impact of the planned Council structural changes. Our IT Auditors will work with the Council in terms of the ongoing Payroll Self Service 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.

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. Additionally, new guidance recently introduced by CIPFA, in their ‘Code of practice on managing the risk of fraud and corruption’, and also the new Home Office ‘UK Anti-Corruption Plan’, will further inform the direction of counter-fraud arrangements going forwards.

Nationally, the notable areas of fraud include Procurement, Housing Benefit and Council Tax, Business Rates, Payroll, Blue Badges, and Direct Payments.

The Audit Commission runs a national data matching exercise (National Fraud Initiative - NFI) every two years. The 2014/15 exercise has now provided the Council with the resulting data matches, and work has begun (and will continue throughout 2015), 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 2015/16
- 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).

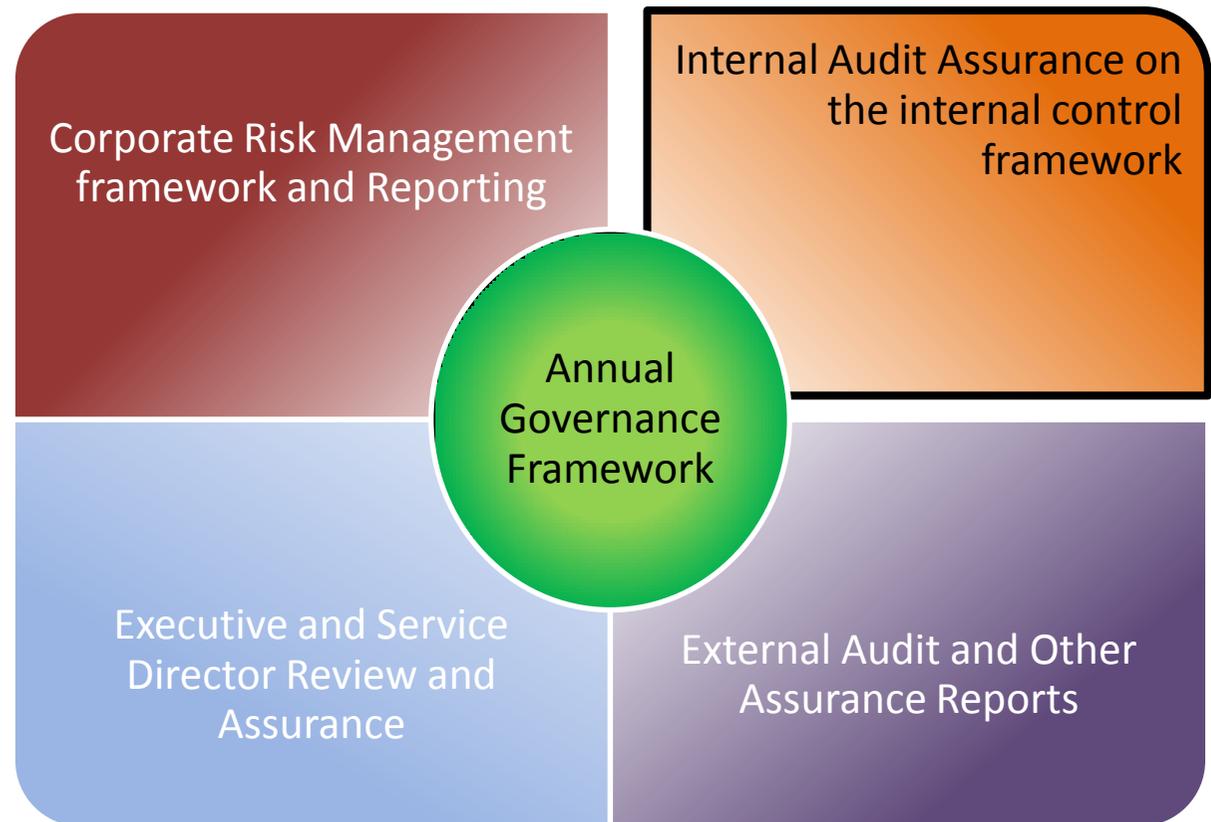
Annual Governance Framework Assurance

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:-

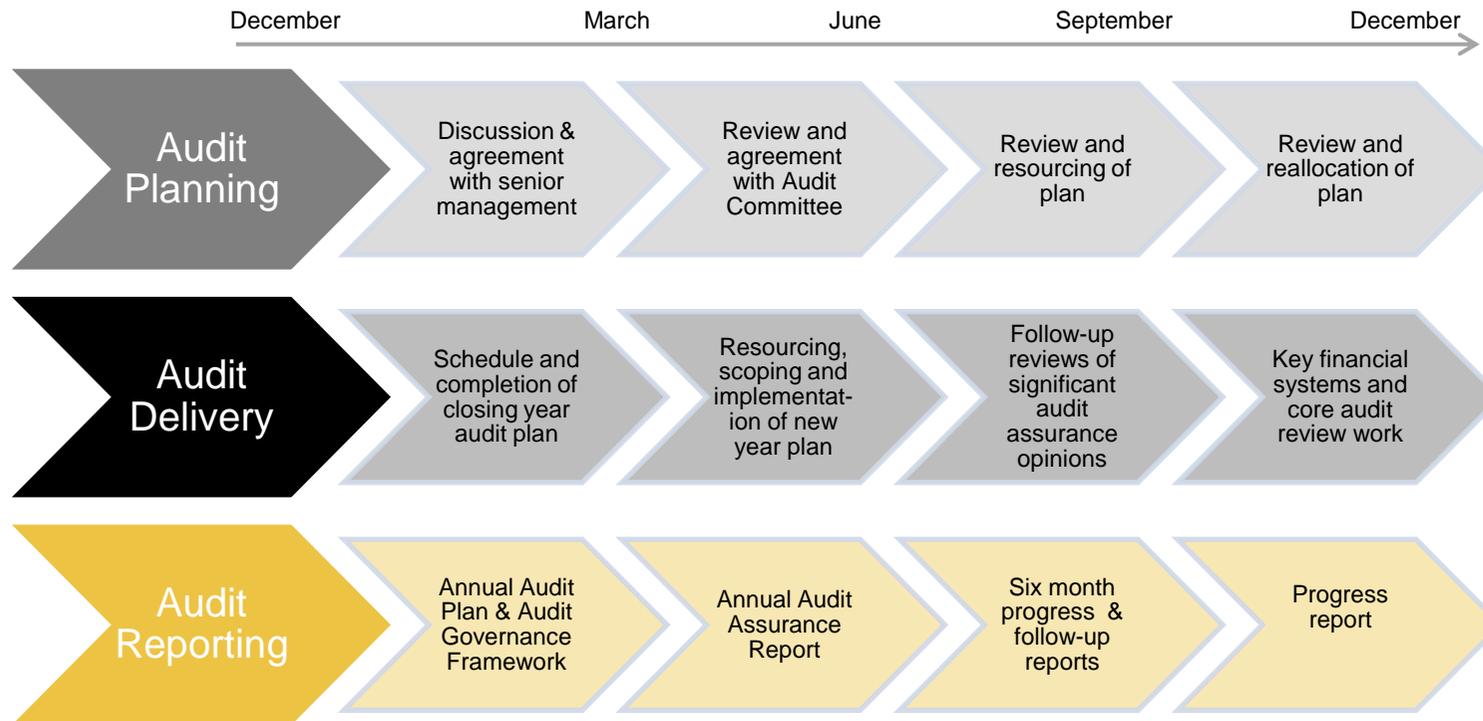
- be prepared by senior management and signed by the Executive Director and Leader of the Council;
- highlight significant events or developments in the year;
- acknowledge the responsibility on management to ensure good governance;
- indicate the level of assurance that systems and processes can provide;
- 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 2015	Directorate planning meetings
March 2015	Internal Audit Plan presented to Audit Committee
	Internal Audit Governance Arrangements reviewed by Audit Committee
	Year end field work completed
Apr / May 2015	Annual Performance reports written
June 2015	Annual Internal Audit Report presented to Audit Committee
	Follow –up work of previous year’s audit work commences
Sept 2015	Follow-up and progress reports presented to Audit Committee
Dec 2015	Six month progress reports presented to Audit Committee
	2016 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			
Care Act Implementation – Better Care Fund	ANA – high	18	2
Children’s Services			
PARIS	ANA – critical	15	1
Virtual School	ANA – high	15	3
Fostering	ANA – high	15	1
Transition from Children’s to Adults	ANA - medium	15	2
Admissions in Place Planning	ANA - medium	15	1
Pupil Referral Panel	ANA - medium	15	3
Integrated Youth Services	ANA - medium	15	4
School Financial Value Standard (SFVS)	n/a	10	1
Schools	n/a	45	n/a
Operations and Finance			
Demand Management including Financial Planning	LARR – strategic risk	20	4
Place			
Tor Bay Harbour Authority	ANA – medium	15	3
Sports Facilities	ANA – medium, client request	10	1
Public Health			
Public Health / NHS Links	ANA – high	15	2
Corporate Security and CCTV	ANA - medium	15	1
Housing Options	ANA – low, client request	10	2

Risk Area / Audit Entity	Audit Needs Assessment	Proposed Timing	
		Days	Quarter
Infrastructure / Business Projects			
New Operational Arrangements	client request	10	1
TOR2 Future State Project	ANA – high, client request	15	n/a
BID (Business Improvement Districts)	ANA - high	15	2
South Devon Link Road / Waste PFI	ANA – high	10	n/a
Self Service Implementation	ANA – critical	15	n/a
Channel Shift	ANA – high	5	n/a
Corporate Printing	ANA – medium	5	1
Harbour Mooring Replacement System	ANA – medium	5	1
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	20	n/a
Audit Follow Up	client request	20	2
Core Assurance – Business Processes & Governance			
Torbay Development Agency	ANA – high	15	2-3
Torbay Coast & Countryside Trust	ANA – medium	5	2-3
Fair Decision Making	LARR – strategic risk	15	1
Ethics and Culture	ANA – medium	10	3
Elections	ANA - medium	10	4
Capital Programme	ANA – medium	15	3
Corporate Debt	ANA – medium	10	3
Procurement / Contract	ANA - medium	15	n/a
Grant Certification	client request - grant	19	n/a

Risk Area / Audit Entity	Audit Needs Assessment	Proposed Timing	
		Days	Quarter
Core Assurance – Key Financial Systems			
Main Accounting System (GL)	ANA – medium	13	3
Creditors	ANA – medium	23	3
Debtors	ANA – high	15	4
Electronic Ordering (POP)	ANA – medium	18	3
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	ANA – critical	28	4
Benefits	ANA – medium	30	4
Council Tax and NDR	ANA – medium	30	3
IBS Open Sys Admin	ANA – high	12	2
Income Collection	ANA – medium	12	4
<p>* From 2014-15 onwards, a rolling programme of audits was adopted for material systems, with each year having varying amounts of system review, testing or a combination of the two. Although this will mean the number of planned days for individual audits each year is likely to fluctuate, over a three year period, the total days remain stable. This approach will enable us to deliver a more cost-effective service, whilst providing sufficient assurance as to the adequacy of the Authority's material system control environment.</p>			
Core Assurance – ICT			
Infrastructure Management - review of technical fit with ICT Roadmap	ANA - critical	10	2
Hosted Services - Checklist for "Cloud Services"	ANA - high	5	2
Service Strategy - review following organisational change - benchmarking of service delivery	ANA - high	15	2
Database Administration	ANA – high	8	3
Partnership Working (ICT systems) - TOR2	ANA - high	10	3
Service Operation - Corporate access management	ANA – high	8	4

Risk Area / Audit Entity	Audit Needs Assessment	Proposed Timing	
		Days	Quarter
Other Chargeable Activities (not incorporated above)			
Carry forward (completion of previous year work)		50	n/a
Corporate Initiatives		5	n/a
Other Chargeable (audit planning, support for audit committee, internal audit standards, customer service excellence, etc.)		80	n/a
Contingency		20	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