

Internal Audit

Internal Audit Plan 2016 -17

Torbay Council
Audit Committee

March 2016



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

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

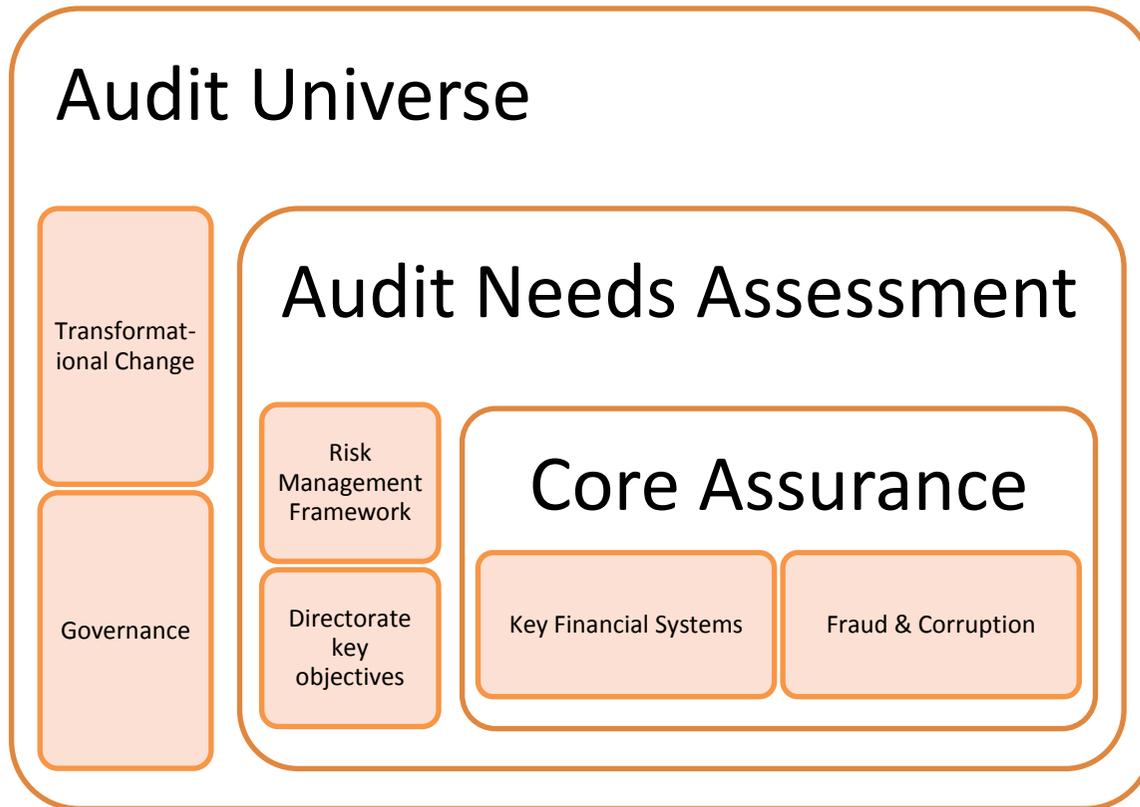
This audit plan has been drawn up, therefore, to enable an opinion to be provided at the end of the year in accordance with the above requirements.



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 2016/17 is set out in the high level plan and Appendix 1

The audit plan for 2016/17 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

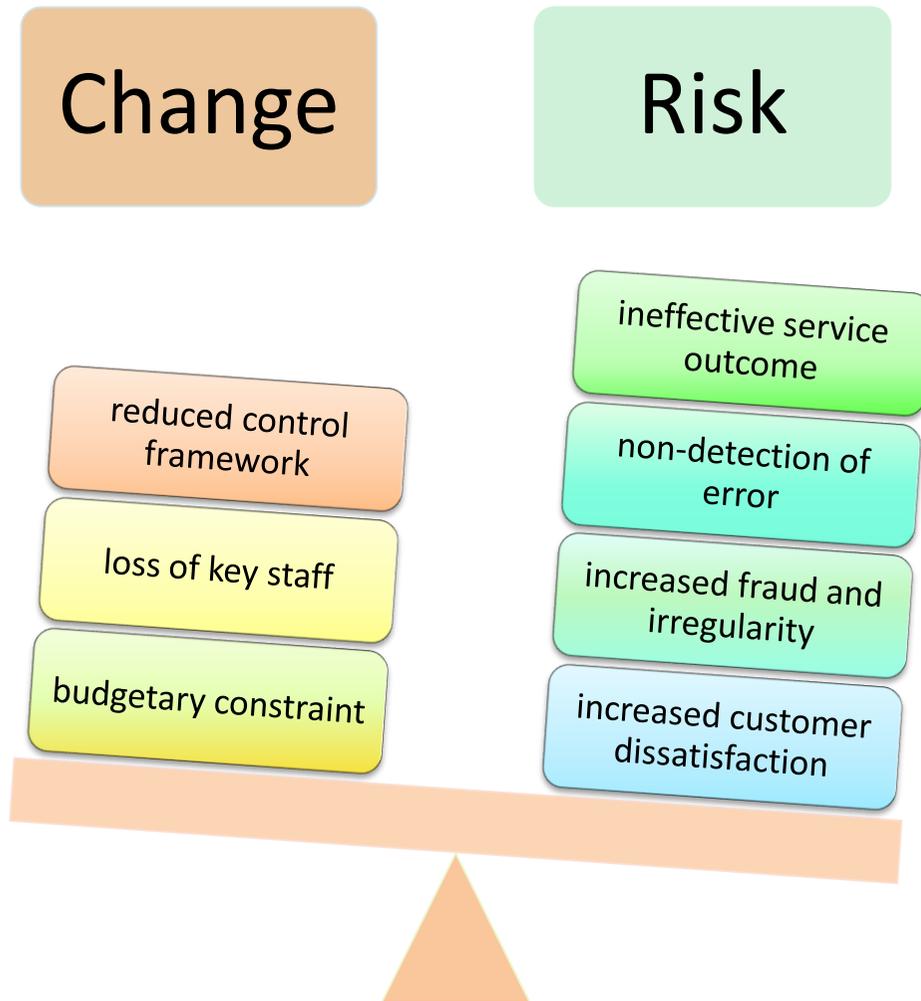
Discussions and liaison with Directors and Senior Officers regarding the risks which threaten the achievement of corporate or service objectives, including changes and / or the introduction of new systems, operations, programs, and corporate initiatives

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



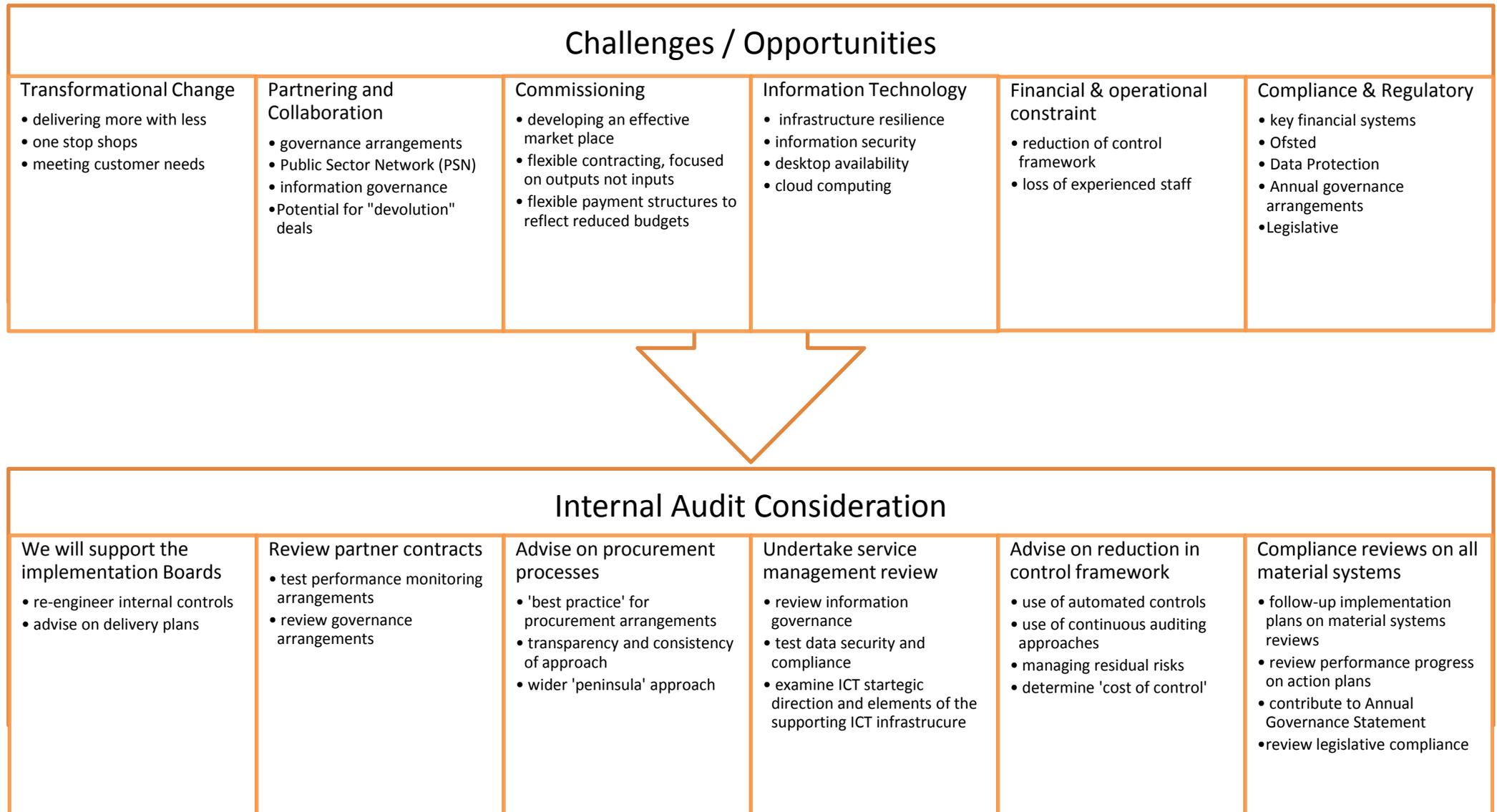
Times are changing; the expectation of the public for services provided by the public sector has never been greater; yet the money that is available for these services needs to be reduced. All public sector organisations are looking at how services can be transformed; what worked in the last decade may 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	Corporate & Business	Community & Customer	Public Health			
Proposed audit coverage	Care Act – Better Care Fund / Section 256 monies	PARIS 5 Year Savings Plan Safeguarding Referrals Care Leavers SEND *	Asset Management Beach Services Coroner Service	Waste & Cleaning Housing Services Concessionary Fares Transport Infrastructure Safer Communities Tor Bay Harbour Authority Velopark Library Service Crisis Support	Commissioned Services management and monitoring 0 -5 Activities (Health Visitors)	Transformation Programme Payroll System Corporate Printing Cheque Printing Public Toilets	Information Security Group Fraud Prevention and Investigation National Fraud Initiative Advice Audit Follow Up	
	(Adult Social Care audited by Audit South West)	Transfer to ICO Schools incl. Financial Value Standard						

Core Assurance	Business Processes & Governance – Commissioning & Performance Management, ICO Proposed Transfer, Children's Business System & Processes, Contracts & Contract Monitoring, Procurement, Emergency Planning & Business Continuity, Fair Decision Making, Ethics and Culture, Risk Management, Performance Framework, Corporate Debt, 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 – Continuity & Disaster Recovery, Service Strategy & Design, Information & Infrastructure Management, Change Management, PCI Compliance.

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.

* SEND = Special Education Needs & Disability

High Level Audit Plan 2016-17

This table shows a summary of planned audit coverage for 2016/17 totalling 882 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	15
Children's Services	112
Community and Customer Services, including ICT	158
Public Health	20
Corporate and Business Services	138
Key Financial Systems	186
Anti-Fraud and Corruption including NFI	85
Other Chargeable Activities	168
Total internal audit plan for Torbay Council	882
Schools	30

Service Level Plans

Adults

Whilst the majority of assurance work is carried out by Health auditors (Audit South West), our work will review the implementation of the Care Act – Better Care Fund and related Section 256 monies. We will also examine arrangements for service commissioning and the associated performance management

Children's Services

Work within Children's Services has been closely aligned to the outcomes of the recent Ofsted report. Our work will include a review of the 5 year savings plan, and examination of the business processes transition plan and its links to the savings plans and overall invest to save strategy. In addition, we will review the PARIS system and consider its use and suitability for case recording, data quality and performance monitoring. We will examine the Referrals process and its sufficiency to meet Ofsted recommendations, and similarly the arrangements for Care Leavers, along with an overarching examination of Safeguarding arrangements and SEND (special educational needs and disabilities). We will provide a 'critical friend' role in relation to the proposed transfer of Children's Services into the Integrated Care Organisation (ICO). Schools audit activity and compliance with Schools Financial Value Standards will be maintained.

Public Health

Our work in Public Health will continue by examining the arrangements for contracts management and monitoring of the commissioned services generally. In particular, we will review the new commissioning of the 0 – 5 Activities (Health Visitors).

Community and Customer Services

We will continue our work in relation to Waste & Cleaning in particular in relation to TOR2 commissioning, the Energy from Waste (EfW) partnership and the associated contract management and payment arrangements. We will follow up our earlier work in relation to Highways, Street Scene, Lighting and Transport Infrastructure and its associated recording in the UKPMS system, and our previous work in relation to the Discretionary Social Fund. The recent Ofsted report linked domestic violence as one cause in relation to children going into care, and we will therefore review arrangements within the Community Safety Partnership, focussing on the area of domestic abuse. We will review arrangements for Emergency Planning and Business Continuity including related project progress. In addition, we will examine service delivery arrangements in Housing Services following recent restructuring, operational functions in Library Services, administration in relation to the Concessionary Fares scheme, review the current position of the Velopark against the business plan, and be a 'critical friend' in relation to the ongoing Public Toilets project.

Corporate and Business Services

We will support the authority in relation to the recent LGA (Local Gov. Association) Peer Review through a 'critical friend' role in arising projects as a result of the Transformation Programme, and in terms of examining the asset management strategy and the accessibility of budget documentation. We will continue to be involved in the new payroll modules implementation, fair decision making and ethics & culture projects as a 'critical friend'. Work will include the examination of Beach Services in relation to operational practices, and arrangements with the Coroner in terms of the service level agreement for the one coronial area and related charging practices. Work will also include examination of Risk Management and Risk Recording and the Performance Framework. In addition we will consider the Council's Procurement and Contracting arrangements generally, and specifically the Commissioning and Performance Monitoring by the Council of the Torbay Development Agency (TDA). To support the TDA, we will also undertake audit work in relation to their VAT returns and ISO structure.

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

We shall continue 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 Fair Decision Making, Ethics & Culture, Risk Management, Performance Management, Commissioning, and Contracts Management.

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.

IT Audit activity will examine the strategic direction of ICT service delivery and a number of supporting key technical areas including service design, infrastructure management, information and change management. The resilience of ICT will be considered in a wider context within our ICT continuity and disaster recovery project. Compliance with relevant standards will be considered this year in relation to the authority's technical aspects of PCI (Payment Card Industry).

Value Added and Infrastructure / Business Projects

The National Fraud Initiative this year will see the uploading of datasets covering a range of areas across the Council. This will result in the receipt of data matches in early 2017 which will then be reviewed. Proactive fraud work will be carried out in areas deemed to be of high risk. We will undertake the annual follow up on all audit areas identified as 'Improvements Required' or 'Fundamental Weaknesses' in 2015/16. A number of projects will be supported ranging from major infrastructure to operational system implementations.

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”, 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 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. Work to complete the 2015/16 Council Tax matches is planned for the first half of 2016/17. Work on the 2016/17 exercise will commence in the second half of the year, with resulting data matches available from early 2017, with relevant Council departments engaged with, 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 2016/17
- 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:-

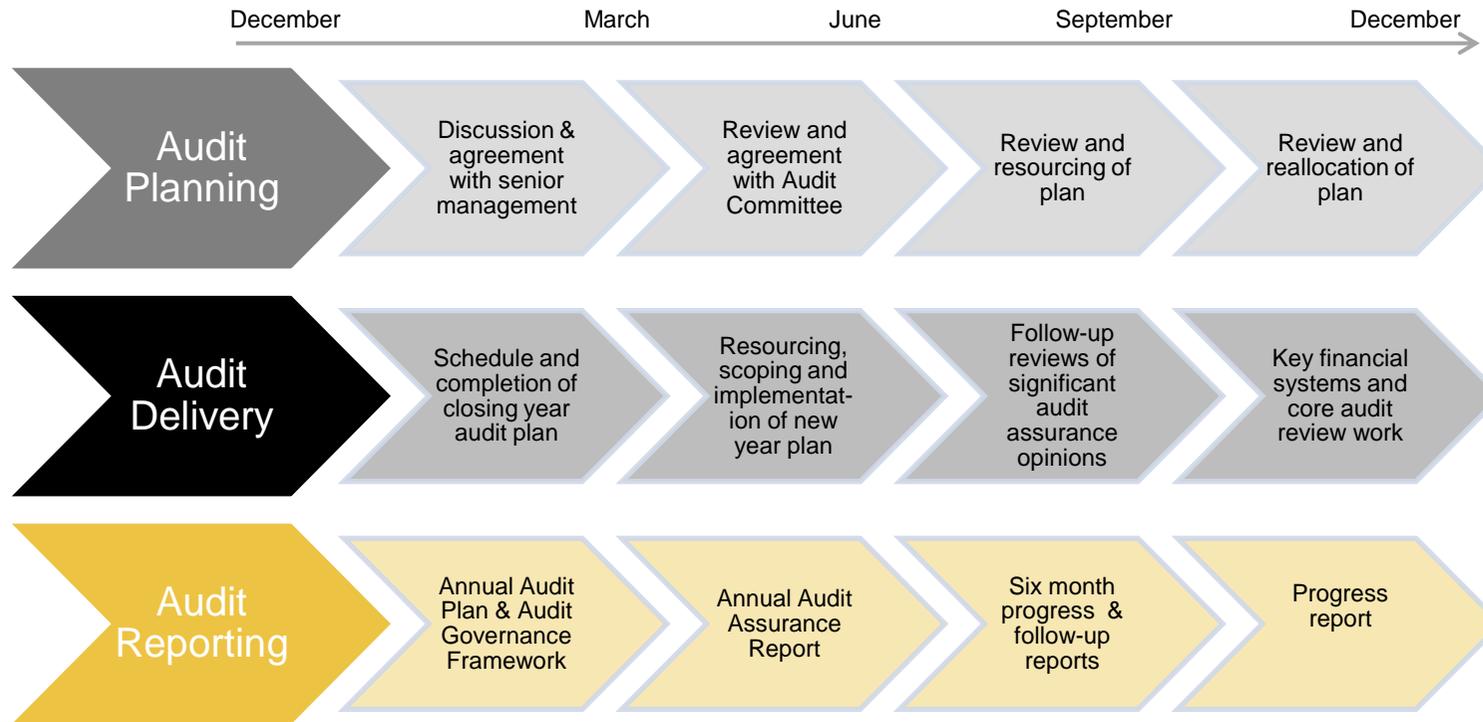
- be prepared by senior management and signed by the Executive Director and Leader of the Council;
- highlight significant events or developments in the year;
- acknowledge the responsibility on management to ensure good governance;
- indicate the level of assurance that systems and processes can provide;
- 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 2016	Directorate planning meetings
March 2016	Internal Audit Plan presented to Audit Committee
	Internal Audit Governance Arrangements reviewed by Audit Committee
	Year end field work completed
Apr / May 2016	Annual Performance reports written
June 2016	Annual Internal Audit Report presented to Audit Committee
	Follow –up work of previous year’s audit work commences
Sept 2016	Progress report to SLT & Audit Committee
Dec 2016	Follow-up and Six month progress reports presented to Audit Committee
	2017 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 – Better Care Fund / Section 256 monies	ANA – critical, client request	5	2
Commissioning and Performance Management	ANA - high	10	2
Integrated Care Organisation (ICO) <ul style="list-style-type: none"> o Care Assessment Process o Domiciliary and Day Care Payments o Transition from Children's Services o Financial Performance of related organisations 	Requested by the Director of Adult Services – to be delivered by Audit South West	n/a	n/a
Children's Services			
Proposed transfer of Children's Services into the Integrated Care Organisation (ICO)– 'critical friend' role	ANA – medium, client request	5	3-4
PARIS - Case Recording / Data Quality / Business Use	ANA – critical, Ofsted report	15	2
5 Year Savings Plan / Budget Strategy / Invest to Save	ANA – high, LGA review, client request	15	1
Business systems and processes and resourcing	ANA – high, client request	15	1
Contracts / Commissioning / Procurement, including Career South West	ANA – medium, client request	10	2
Safeguarding Unit and Board	ANA – critical, Ofsted, client request	10	3
Looked After Children - Referrals	ANA – medium, Ofsted	10	3
Care Leavers – Transition plans	ANA – low, Ofsted, client request	15	4
Special Educational Need – Ofsted framework	ANA – low, client request	10	4
Residual functions in Children's Services after transfer to ICO – organisational fit	ANA – medium, client request	5	4
School Financial Value Standard (SFVS)	n/a	2	1
Schools	Service bought by Schools – summary of findings provided in relation to Authority Controlled Schools	30	n/a

Risk Area / Audit Entity	Audit Needs Assessment	Proposed Timing	
		Days	Quarter
Public Health			
Commissioned Services – Contracts Management and Monitoring	ANA – high, client request	10	4
0 - 5 Activities (Health Visitors) Commissioning	ANA – medium, client request	10	3
Community and Customer Services			
Emergency Planning and Business Continuity	ANA - high	10	2
Waste & Cleaning – EFW Partnership payments and contract management, TOR2 commissioning	ANA – critical, client request	15	1
Housing Services	ANA – medium, client request	10	2
Concessionary Fares	ANA – high	8	1
Highways, Street Scene, Lighting and Transport Infrastructure – UK PMS System	ANA - high	15	1-2
Safer Communities – community safety partnership / domestic abuse	ANA – medium, Ofsted	10	3
Culture and Sport - Velopark	ANA – low, client request	5	1
Public Toilets project – ‘critical friend’ role	ANA - medium	5	1-4
Library Services	ANA – medium, client request	10	1
Discretionary Social Fund (Crisis Support)	ANA – high, client request	10	2
Core Assurance – ICT			
ICT Continuity and Disaster Recovery - project ‘critical friend’ role	ANA – critical	10	2
Service Strategy	ANA - critical	10	2
Service Design	ANA - critical	10	3
Corporate Information Management	ANA - critical	10	4
Infrastructure Management	ANA - critical	10	3
Change Management	ANA - high	5	3
PCI (Payment Card Industry) Compliance	ANA - high	5	4

Risk Area / Audit Entity	Audit Needs Assessment	Proposed Timing	
		Days	Quarter
Corporate and Business Services			
Fair Decision Making Process – project ‘critical friend’ role	ANA - high, client request	5	1-4
Ethics and Culture – project ‘critical friend’ role	ANA – medium, client request	5	1-4
Payroll System – New modules implementation project ‘critical friend’ role	ANA – critical, client request	8	1
Procurement and Contracting Arrangements	ANA – high, client request	10	2
Commissioning and Performance Monitoring by the Council of the Torbay Development Agency (TDA)	ANA – high, client request	10	2
Risk Management and Risk Recording	ANA – high, client request	5	1
Performance Framework, Consultation and Business Development	ANA – medium, client request	10	1
Beach Services	ANA – high, client request	10	2
Coroner Service	ANA – low, client request	5	1
Transformation Programme - project ‘critical friend’ role	ANA – critical, client request	45	1-4
Asset management strategy/plan	ANA – high, client request	10	3
Accessibility of budget documentation	ANA – medium, client request	5	1
Torbay Development Agency (TDA)			
<ul style="list-style-type: none"> ○ ISO structure ○ VAT returns 	ANA – low, client request	10	1
Core Assurance – Key Financial Systems			
General Ledger (Main Accounting System)	ANA – medium	13	3
Creditors & Electronic Ordering (POP)	ANA – high	20	3
Debtors	ANA – high	15	4
Corporate Debt	ANA – medium	10	3
Bank Reconciliation	ANA – medium	7	4
FIMS Sys Admin	ANA – high	12	2

Risk Area / Audit Entity	Audit Needs Assessment	Proposed Timing	
		Days	Quarter
Asset Register	ANA – medium	7	1
Treasury Management	ANA – low	10	2
Payroll	ANA – critical	28	3
Benefits	ANA – medium	20	4
Council Tax and Non Domestic Rates	ANA – medium	20	4
IBS Open Sys Admin	ANA – high	12	2
Income Collection	ANA – medium	12	4
* From 2016-17 onwards, a slightly different rolling programme of audits will be adopted for material systems. Although the number of planned days for individual audits 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. 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.			
Value Added			
Information Security Group	client request	5	n/a
Fraud Prevention and Investigation including National Fraud Initiative	client request	85	n/a
Grant Certification	client request	13	n/a
Advice	client request	18	n/a
Audit Follow Up	client request	14	2
Other Activities (not incorporated above)			
Carry forward (completion of previous year work)		48	n/a
Other activities (audit planning, support for audit committee, internal audit standards, customer service excellence, etc.)		70	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