

Internal Audit

Internal Audit Plan 2018-19

Torbay Council
Audit Committee

March 2018

Not Protectively Marked

Robert Hutchins
Head of Audit Partnership



Auditing for achievement

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<p>Devon Audit Partnership</p> <p>The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Torridge 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>Confidentiality and Disclosure Clause</p> <p>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.</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>
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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 Head of Finance (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 2018/19.

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

Robert Hutchins
Head of Audit Partnership

Annual Service Level Plans

Transformation Programme

We will continue to support the Authority's Transformation Programme in both a 'trusted adviser' role and through provision of operational support to project delivery. In addition to Digitalisation as a project, we will also support this with specific alignment to the ICT service.

Public Health

We plan to examine the arrangements for contracts management and monitoring of the commissioned services in relation to the Sexual Medicines Service. We will also review arrangements in relation to Health Protection and Infection Control.

Adult Services and Housing

Whilst the majority of assurance work is carried out by Health auditors (Audit South West), our work will review organisational arrangements for Housing service delivery, and follow up our previous work in relation to the Commissioning and Performance Management (non Integrated Care Organisation) and Care Act – Better Care Fund / Section 256 monies.

Commercial Services & Transformation and Corporate Services and Operations

We will continue to be involved in the MyView and TOAD replacement projects as a 'trusted advisor'. We will follow up our 2016-17 work in relation to Housing Services, as well as considering the new bond scheme and use of the homeless grant awarded and also follow up our previous work in relation to Parking Services, along with reviewing the new system and examining the parking strategy.

Work will include examination of contract monitoring arrangements for Public Toilets and Library Services; Libraries Unlimited will also be subject to a separate internal audit by the Devon Audit Partnership commissioned by Torbay Council and Devon County Council.

In addition, we will review processes in Development & Planning and process changes as a result of the development of new operational arrangements with Plymouth City Council, and review implementation of the Local Transport Plan / Strategic Transport.

We will also consider the Council's the Commissioning and Performance Monitoring by the Council of the TDA (trading name of the Torbay Economic Development Company Ltd), the corporate Health & Safety arrangements, and the cross Council use of Legal Service advice. We will consider arrangements at the Tor Bay Harbour Authority, and follow up our previous work at Museum Services – Torre Abbey.

Children's Services

This year's audit plan ensures that the increased level of audit activity is maintained. Following on from our previous Placement Activity work, we will examine Permanency Planning and, in particular, the case planning arrangements. We will also review the process for Special Guardianship Orders and the Transition from Children's to Adults. In addition, we will examine Single Assessment (casework) / MASH (multi agency safeguarding hub) and the Early Help Strategy. We will also examine the Children in Need / Child Protection and Disability Services. We will consider the Use of Agency Staff and the control of Safeguarding employee costs. Additionally, Schools audit activity and compliance with Schools Financial Value Standards will be maintained.

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 Commissioning and Contracts Management and Risk 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 and support the progression of the service delivery review and incorporate audits covering residual client-side functions; we will continue to support major ICT system implementations, and the GDPR project. We will examine and evaluate the core ICT functions supporting the Council's key financial systems. The reviews will be undertaken using the ITIL framework as a reference for best practice but maintaining specific relevance to the organisation.

Value Added and Infrastructure / Business Projects

We will support the Corporate Fraud Officer in the National Fraud Initiative this year, which will see the uploading of the NFI datasets in October 2018, and subsequent data matches received in early 2019, which DAP will then assist in by reviewing the Payroll and Creditors matches. In addition, we will continue to support the Council in responding to Freedom of Information and Subject Access Requests.

We will undertake the annual follow up on all audit areas identified as 'Improvements Required' or 'Fundamental Weaknesses' in 2017/18. A number of projects will be supported ranging from major infrastructure to operational system implementations.

Service Area Overview of Audit Coverage						
Thematic Overview Audit Coverage	Adult Services and Housing	Children's Services	Public Health	Commercial Services & Transformation and Corporate Services & Operations	Business Projects	Value Added
	Housing	Permanency Planning		Housing Services (follow up)	Transformation Programme (refer to page 5)	Information Security Group
	Care Act – Better Care Fund / Section 256 monies (follow up)	Special Guardianship Orders	Commissioned Services management and monitoring (Sexual Medicines Service)	Health & Safety	Transformation – digitalisation, ICT Service Delivery Model	Fraud Prevention and Investigation
	Commissioning and Performance Management (non ICO) (follow up)	Children In Need / Child Protection		Spatial Planning	Payroll / HR system (new modules)	Subject access and freedom of information requests
(Adult Social Care audited by Audit South West)	Single Assessment / MASH	Health Protection and Infection Control	Commissioning and Performance Monitoring by the Council of the TDA	FIMS upgrade	National Fraud Initiative	
	Disability Services		Parking Services	TOAD replacement	Advice	
	Early Help Strategy		Museum Services (follow up)		Audit Follow Up	
	Transition from Children's to Adults		Legal Services		Schools incl. Financial Value Standard	
	Use of Agency Staff		Tor Bay Harbour Authority			
			Local Transport Plan / Strategic Transport			
Core Assurance	Business Processes & Governance – Risk Management 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 Rating, General Ledger & Bank Reconciliation, Treasury Management					
	ICT – Client Side Function, ICT Continuity & Disaster Recovery, GDPR (General Data Protection Regulations), Major ICT systems projects					

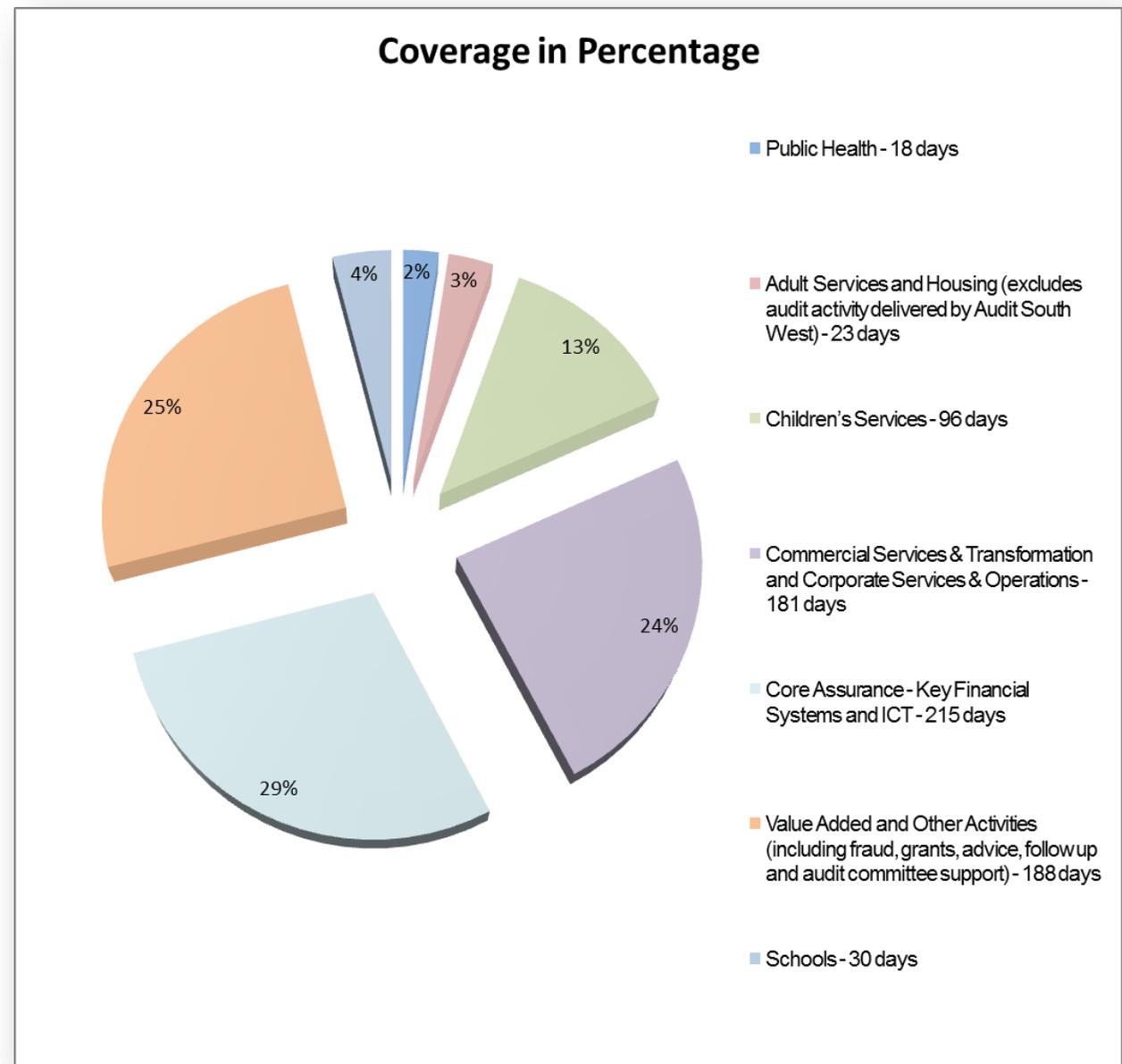
The diagram shows the thematic approach to the elements proposed for audit coverage in the coming year as identified through risk assessment and discussion with Senior Management. This overview is supported by the detailed plans, by theme, in appendix 1.

High Level Audit Plan

This chart shows a summary of planned audit coverage for the year totalling 721 direct days (751 including 30 days for Schools). 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.

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 the following schedule.



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 and these will be briefly recorded in our 6 month and annual monitoring reports to Audit Committee.

Risk Area / Audit Entity *	Audit Needs Assessment (ANA) – an assessment of the priority of the planned review	Proposed Timing	
		Days	Quarter
Transformation (direct project consultancy)			
Transformation Programme - project 'trusted advisor' including review of <ul style="list-style-type: none"> o Children's Services Delivery Model with Plymouth City Council o Re-design of Spatial Planning including the collaboration and the development with Plymouth City Council o Digitalisation, ICT Service delivery model o Investment Committee o Housing Company o Town Centre Regeneration o TOR2 	ANA – critical	60	1-4
Other Audit Areas within the Joint Commissioning and Joint Operations Teams (not directly linked to the transformational change programme)			
Public Health			
Commissioned Services – Contracts Management and Monitoring (Sexual Medicines Service)	ANA – high, client request	8	1
Health Protection and Infection Control	ANA – medium, client request	10	2
Adult Services and Housing			
Housing (including joint working of fragmented service, Crisis report 'housing first model' implementation, use of community housing grant)	ANA – critical	15	1
Care Act – Better Care Fund / Section 256 monies (follow up audit, use of Improved Better Care Fund)	ANA – critical	5	4
Commissioning and Performance Management (non Integrated Care Organisation) (follow up audit)	ANA - high	3	4
Colleagues at Audit South West have been informed of key risks / challenges which include <ul style="list-style-type: none"> • Care Home Sustainability, • GDPR, • Cyber security, • business continuity, • impact of homelessness. 			Audit areas to be notified and agreed by the Director by the Director of Adult Services and Housing Audit Plan to be approved at TSDFT's Audit Committee

Risk Area / Audit Entity *	Audit Needs Assessment (ANA) – an assessment of the priority of the planned review	Proposed Timing	
		Days	Quarter
Children’s Services			
Permanency Planning (including case planning i.e. step down, exit plans and placement market management)	ANA – high	14	4
Special Guardianship Orders (including means testing)	ANA – high	10	2
Children in Need Services / Child Protection	ANA – high	14	1
Single Assessment (casework) / MASH (multi agency safeguarding hub)	ANA – high	14	3
Disability Services (specifically children with disabilities not special educational needs)	ANA – medium	10	2
Early Help Strategy	ANA – medium	8	4
Transition from Children’s to Adults	ANA – medium	14	3
Use of Agency staff and control of Safeguarding employee costs	ANA – high	10	1
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
Commercial Services & Transformation and Corporate Services & Operations			
Risk Management, Emergency Planning and Business Continuity – ‘trusted advisor’	ANA - medium	5	1-4
Payroll System – New modules implementation project ‘trusted advisor’ role (including HR workflows)	ANA - high	5	1-4
Housing Services (follow up audit, bond scheme, new grant, and Homeless Reduction Act implementation)	ANA - medium	5	2
Health & Safety	ANA - medium	15	4
Spatial Planning – Development and Planning (including new processes as result of new arrangement with PCC)	ANA - high	18	4
Commissioning and Performance Monitoring by the Council of the TDA (the trading name of the Torbay Economic Development Company Ltd) including loan, new companies, group activity)	ANA - high	10	3
Parking Services (new system, parking strategy, fees & charges and previous follow up audit)	ANA - high	15	3
Museum Services – Torre Abbey (follow up audit)	ANA - medium	4	2

Risk Area / Audit Entity *	Audit Needs Assessment (ANA) – an assessment of the priority of the planned review	Proposed Timing	
		Days	Quarter
Legal Services – cross council use of legal advice	ANA – medium	8	1
Contract Monitoring - Public Toilets, and Library Service	ANA – medium	8	3
Library Service – contribution to internal audit provision to Libraries Unlimited	ANA - medium	2	1
Tor Bay Harbour Authority	ANA - medium	15	2
Local Transport Plan / Strategic Transport	ANA - medium	8	2
TOAD Replacement (Torbay On line Asset Database)	ANA – medium	3	1-4
Core Assurance – Key Financial Systems			
General Ledger (Main Accounting System) and Bank Reconciliation	ANA – medium	14	3
Creditors & Electronic Ordering (POP)	ANA – high	15	3
Debtors and Corporate Debt	ANA – high	18	4
FIMS Sys Admin	ANA – high	8	1
Asset Register (follow up audit)	ANA – medium	4	1
Treasury Management	ANA – medium	11	2
Income Collection	ANA – medium	14	2
Payroll	ANA – high	21	4
Benefits and CTAX Support Scheme	ANA – high	28	2
Council Tax and Non Domestic Rates	ANA – medium	21	4
IBS Open Sys Admin	ANA – high	13	2
<p>* A rolling programme of audits is adopted for material systems whereby although the 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. This approach enables 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			
Client side function (IT) following outcome for service	ANA - high	15	1-4
ICT Continuity and Disaster Recovery (arrangements for key systems)	ANA - high	8	3
GDPR (General Data Protection Regulations)	ANA - high	10	1
Major ICT systems projects ('trusted advisor role')	ANA - high	15	1-4

Risk Area / Audit Entity *	Audit Needs Assessment (ANA) – an assessment of the priority of the planned review	Proposed Timing	
		Days	Quarter
Value Added and Other Activities			
Information Security Group	client request	3	n/a
Fraud Prevention and Investigation including National Fraud Initiative	business driven requirement, client request	45	n/a
Subject access and freedom of information requests	business driven requirement, client request	5	n/a
Grant Certification	business driven requirement	20	n/a
Advice	business driven requirement	18	n/a
Audit Follow Up	business driven requirement	12	2-3
Carry forward (completion of previous year work)		40	n/a
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.)		45	n/a

Risk Assessment Key

SRR / ORR – Local Authority Strategic or Operational Risk Register reference

ANA - Audit Needs Assessment risk level

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 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 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 on the 2018/19 exercise will commence later this year, with resulting data matches available from early 2019. Devon Audit Partnership will assist the Corporate Fraud Officer as necessary, and provide the subsequent review of Payroll and Creditors data matches through 2019/20.

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 2018/19
- 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).

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.



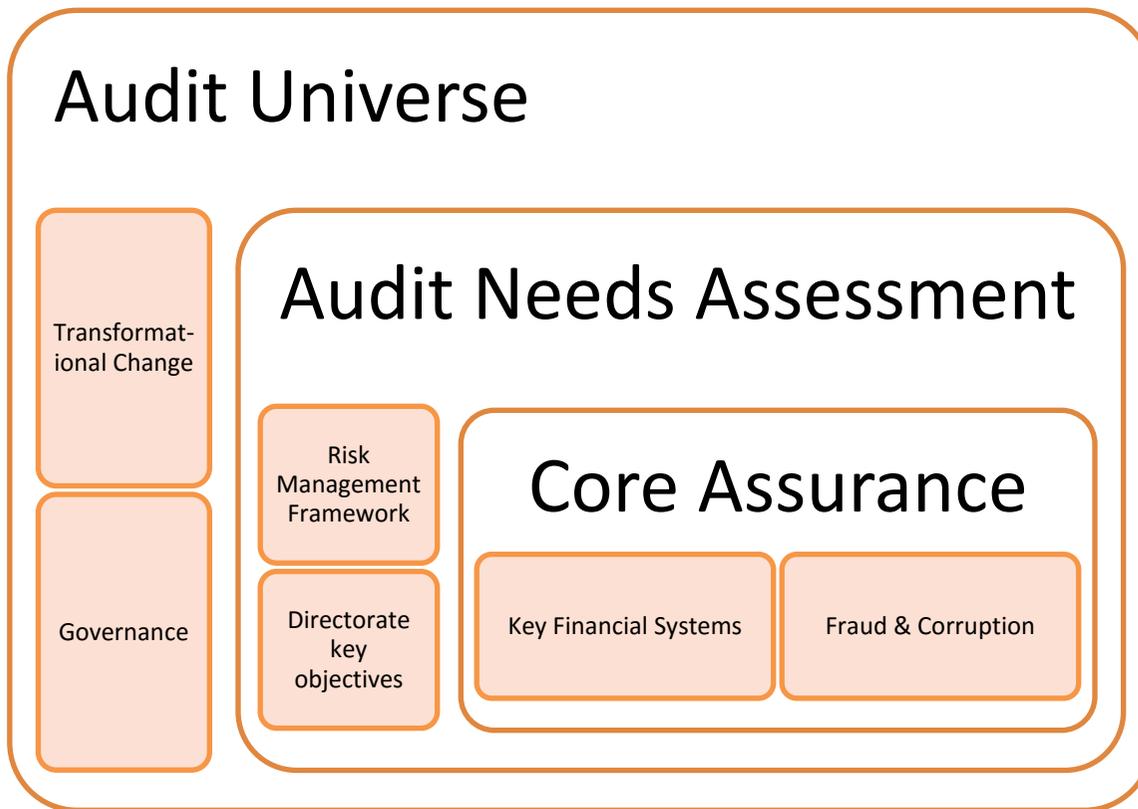
The AGS needs to be presented to, and approved by, the Audit Committee, and then signed by the Chair.

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:

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

Review and update of the audit universe

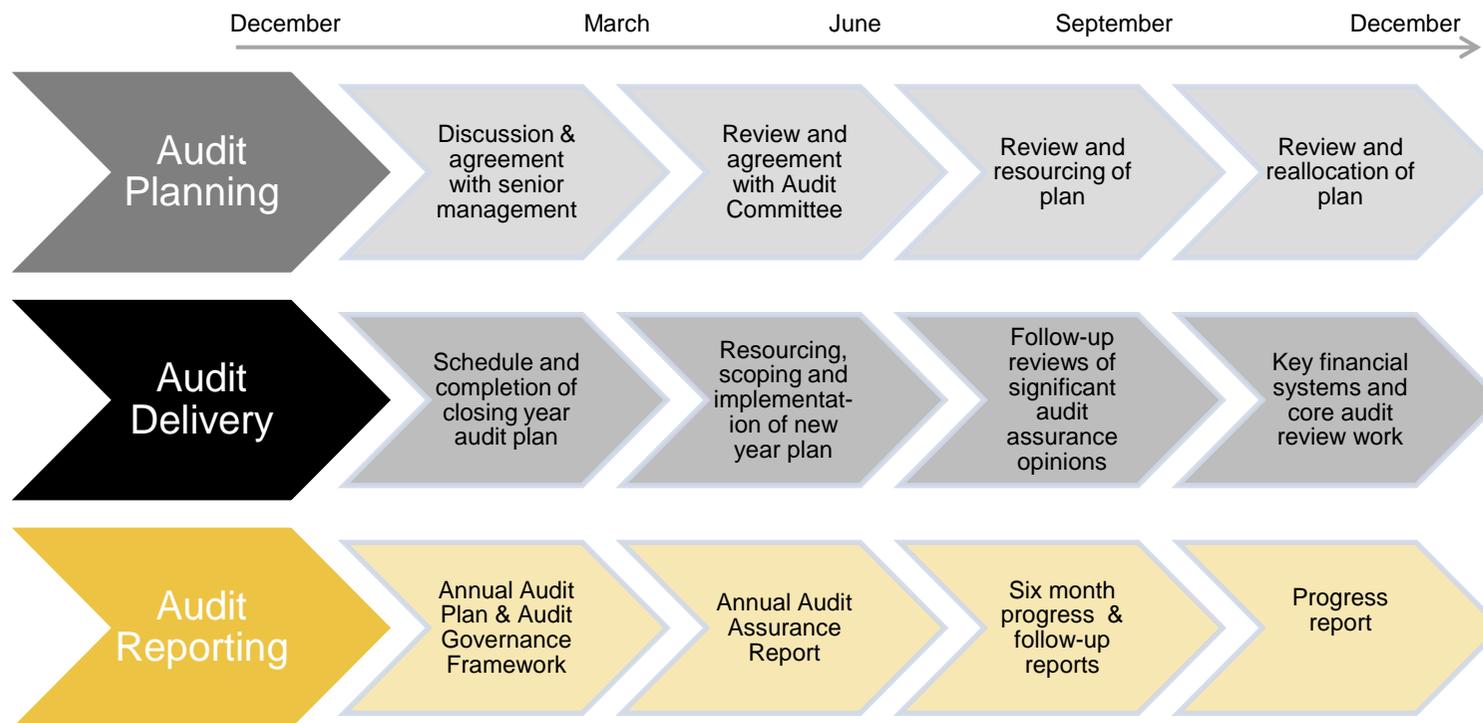
Discussions and liaison with Directors and Senior Officers regarding the risks which threaten the achievement of corporate or service objectives, including changes and / or the introduction of new systems, operations, programs, and corporate initiatives

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

Appendix 4 - Our Audit Team and the Audit Delivery Cycle



Date	Activity
Dec / Jan 2018	Directorate planning meetings
March 2018	Internal Audit Plan presented to Audit Committee
	Internal Audit Governance Arrangements reviewed by Audit Committee
	Year-end field work completed
Apr / May 2018	Annual Performance reports written
June 2018	Annual Internal Audit Report presented to Audit Committee
	Follow –up work of previous year’s audit work commences
Sept 2018	Follow-up and progress reports presented to Audit Committee
Dec 2018	Six month progress reports presented to Audit Committee
	2019/20 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 01752 306722
 E dominic.measures@devonaudit.gov.uk

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