

Internal Audit

Internal Audit Plan 2019-20

Mid Devon District Council
Audit Committee

March 2019

Robert Hutchins
Head of Audit Partnership

Auditing for achievement

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 Leadership Team.

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 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).

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 Director 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 2019/20.

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

Robert Hutchins
Head of Audit Partnership

Contents	Page
Introduction	1
Service Level Plans	2
High Level Plan	2
Fraud and irregularity	3
Audit Plan	4
Appendices	
1 – Audit Framework	9
2 – Annual Governance Framework	10
3 – Audit Needs Assessment	11
4 – Audit delivery Cycle	12

Service level plans

This years audit plan has been built using the former 4 year cyclic plan as a base for discussions with management and the Leadership Team and considering the Council's risk register and plans. The plan has been restructured in terms of resource allocation to take in a wider risk based remit including the following considerations:

- 'core work' will need to include work on what are termed "key financial systems" 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 e.g. Payroll, Creditors, Main Accounting System, Housing Benefit etc.
- We significantly streamlined this core work last year to facilitate review of other risks. This has proved effective in practice where reviews in previous years have confirmed that, generally, sound arrangements are in place for these systems – this balance will continue to be monitored.
- We have identified key risks with Directors, risks that currently affect core assurance service delivery with a key focus on:
 - safeguarding – corporate responsibility
 - key developments
 - investment
 - development
 - digitisation
 - commercialisation
 - information governance – data protection changes
 - cyber security – cyber 10 Steps - governance
 - transactional integrity

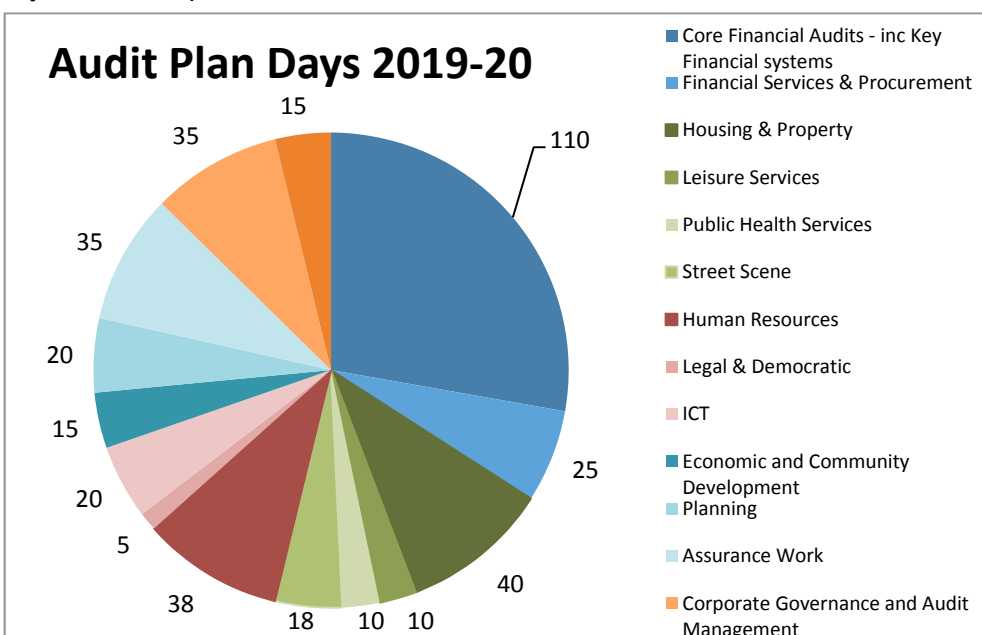
High Level Audit Plan

This chart shows a summary of planned audit coverage for the year totalling 395 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 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.

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.

A detailed analysis of proposed audit reviews is provided in the following cyclical audit plan.



Challenges and Opportunities

Transformational Change	Partnering and Collaboration	Commissioning	Information Technology	Financial & operational constraint	Compliance & Regulatory
<ul style="list-style-type: none"> • delivering more with less • commercialisation • meeting customer needs • alternative service delivery vehicles 	<ul style="list-style-type: none"> • governance arrangements • Public Sector Network (PSN) • information governance • third party assurance 	<ul style="list-style-type: none"> • flexible contracting, focused on outputs not inputs • flexible payment structures to reflect reduced budgets • performance management 	<ul style="list-style-type: none"> • infrastructure resilience • information security • desktop availability • cloud computing • channel shift 	<ul style="list-style-type: none"> • reduction of control framework • loss of experienced staff • income generation 	<ul style="list-style-type: none"> • key financial systems • housing maintenance • data protection • annual governance arrangements

Fraud Prevention and Detection and Internal Audit Governance

Fraud Prevention and Detection and the National Fraud Initiative

Counter-fraud arrangements are a recognised risk for the Council and assist in the protection of public funds and accountability. Our Counter Fraud Service is supporting the Authority's review of council tax discounts and can undertake additional services as required. 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 publication "Protecting the English Public Purse 2016". Internal Audit will liaise with the Council 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.

Corporate Governance

An element of our work is classified as "Audit Governance" – 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 Leadership 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 in the coming year;
- 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), Audit West and Audit South West (Internal Audit for NHS).

Audit Area	Year Last Audited	Days 2019/20	Days 2020/21	Days 2021/22	Days 2022/23	TOTAL	Comments
CORE FINANCIAL ASSURANCE AUDITS (- Annual)							
Council Tax and NNDR - inc.NNDR Pilot Authority Assurance 2 days	2018/19	10	15	10	12	47	System Documentation, focused risk based sample (Compliance) testing on 18/19 follow-up. Precept Calculation.
Recovery	2018/19	10	10	10	10	40	System Documentation, focused risk based sample (Compliance) testing on 18/19 follow-up. Busines rate grant
Income and Cash Collection (inc Debtors)	2018/19	10	10	10	10	40	System Documentation, focused risk based sample (Compliance) testing on 18/19 follow-up.
Main Accounting System (including Deeds Testing)	2018/19	15	10	10	10	45	System Documentation, focused risk based sample (Compliance) testing on 18/19 follow-up.
Housing Benefits	2018/19	10	10	10	15	45	System Documentation,& segregation of duties, focused risk based sample (Compliance) testing on 18/19 follow-up.
Creditors	2018/19	10	10	10	10	40	The 'Orchard System' is going 'Cloud' based - systems review.
Housing Rents (including rent arrears)	2018/19	10	10	15	10	45	System Documentation,& segregation of duties, focused risk based sample (Compliance) testing on 18/19 follow-up.
Treasury and Cashflow Management	2018/19	5	5	5	5	20	
Payroll	2018/19	15	10	10	10	45	
Car Parking Income} alternate years	2018/19		10		10	20	
Trade Waste }	2017/18	10		10		20	
ICT Core Audit	2018/19	5	5	5	5	20	
TOTAL CORE ASSURANCE AUDITS		110	105	105	107	427	
RISK BASED AUDITS (Risk Based- mainly 4-yearly)							
Human Resources							
Time Recording System	2014/15		10			10	Compliance and effectiveness review.
Sickness and Other Time Off	2016/17	15				15	
Recruitment, Selection, succession planning	2018/19				5	5	New systems design - Trusted Advisor Project Support
Appraisals and Training	2015/16	3	7			10	
Travel and Subsistence (incl Pool cars)	2017/18			10		10	Deferred from 2018-19. New on-line system to improve consistency - operational review.
Job Evaluation framework	2015/16	10				10	
Corporate Health & Safety incl Homeworking/Loneworking	2015/16		10			10	
Equality impact assessments	2018/19				10	10	
Off Payroll working - Use of Consultants (Payroll)	2017/18	Follow-up			5	5	
Safeguarding	2017/18	10	5	5	5	25	*1 Corporate Parent compliance effectiveness review (annual rolling reviews)
						0	
Human Resources Total		38	32	15	25	110	

Audit Area	Year Last Audited	Days 2019/20	Days 2020/21	Days 2021/22	Days 2022/23	TOTAL	Comments
Financial Services & Procurement							
VAT	2018/19	Follow-up			10	10	*1 Deferred from 2018-19. Effectiveness review of asset management plan - are the correct service needs requested ? The remit is extended to consider the new Capital Strategy required for 2019-20 Fleet, Alarm Call, Others risk priorities. Reduce to 5 days as the Fleet Contract is being audited in Street Scene Commercial Rents (Fore Street, Market Walk) Flags as high risk - to be considered as a risk in the income, accounting & recovery reviews
Insurance	2017/18			10		10	
Asset management inc Leasing (Property/Vehicles/Equip	2014/15	10				10	
Procurement (2-yearly)	2018/19		15		15	30	
Contract Management - Contract Register & Contracts (2	2017/18	5		15		20	
Comercial Rents		5				5	
Funding Cuts revenue and Capital						0	
Transformation - Benefits Realisation		5	5	5	5	20	
Financial Services & Procurement Total		25	20	30	30	105	
ICT							
Telephones - Fixed and Mobile	2014/15		5			5	*2 Cyber 10 Steps' assurance model. Developing ICT programme building working on ITIL Standards CRM - Project development support - possibly Firmstep being considered - contingency as required.
Cyber Security (inc Information Security)	2018/19	10			10	20	
ICT systems (ITIL Methodology)	2018/19	10	15	15	10	50	
New Projects		Contingency				0	
Gazateer Management - Street Naming & Numbering	2014/15		5			5	
ICT Total		20	25	15	20	80	
Planning							
Building Control (incl income and all other areas)	2018/19		10			10	*1 Follow-up -new system being implemented - Testing of process in 2019-20 Performance Management of the planning and listed building areas Link to Local Plan progress Trusted Partner' review of Governance risk identification and mitigation in scheme development -'agile audit'.
Development Control (incl S106)	2018/19	5		5	10	25	
Listed Buildings and Conservation Areas	2015/16	10				10	
Forward Planning	2013/14		10			10	
Projects - eg Culm Garden Village		5	5	5	5	20	
Enforcement	2017/18			10		10	
Planning Total		20	25	20	15	85	

Audit Area		Year Last Audited	Days 2019/20	Days 2020/21	Days 2021/22	Days 2022/23	TOTAL	Comments
Public Health Services								
Environmental Health	2017/18				15		15	*2 New licencing system being considered - data protection, integrity, retention - contingency as required. Houses in Multiple Occupation - Licencing and enforcement of Landlord obligations. Better Care Fund
Licensing Services	2016/17	Contingency		10			10	
Private Sector Housing	2016/17		10				10	
Emergency Planning (also Business Continuity Planning)	2015/16			10		10	20	
Public Health Services Total			10	20	15	10	35	
Leisure (one centre per year)								
Exe Valley Leisure Centre (incl income and all other area)	2016/17		10		3	follow-up	13	Benefits realisation review of the extension.
Culm Valley Sports Centre (incl income and all other area)	2018/19				3	10	13	
Lords Meadow Leisure Centre (incl income and all other area)	2017/18			10	4		14	
Leisure Total			10	10	10	10	40	
Legal & Democratic Services								
Members Allowances	2016/17		5				5	Volunteer led independent panel
Gifts & Hospitality/Register of Interests (2 yearly)	2016/17			5			5	
Electoral Registration & Elections	2017/18				10		10	
Local Land Charges	2016/17					10	10	
Legal Services	2015/16				10		10	
Legal & Democratic Total			5	5	20	10	40	
Street Scene								
Refuse & Recycling (2 yearly)	2018/19			10		10	20	*1 Management of the new contract Trusted Partner - critical friend
Vehicles & Fuel (including inventory & maintenance)	2015/16		15				15	
Business Continuity Planning			3					
District Officers	2017/18				10		10	
Street Cleansing & Public Cleaning					5		5	
Grounds Maintenance (Parks & Open Spaces)	2018/19					10	10	
Street Scene Total			18	10	15	20	50	
Customer Services								
Customer Care/Complaints	2017/18				10		10	Put back a year (cashless review 2018/19 covered some of this risk - to be followed-up) and focus on Social Media in 2020.
Electronic payments/online forms/social media	2017/18			10	10		20	
Customer Services Total			0	10	20	0	30	

Audit Area		Year Last Audited	Days 2019/20	Days 2020/21	Days 2021/22	Days 2022/23	TOTAL	Comments
Housing & Property Services								
Care Services (Alarm Income)	2017/18				5		5	
Repairs and Maintenance	2018/19		10			10	20	Adaptations process - does it meet legislation requirements (not previously audited).
Stores	2016/17		10				10	VFM cost effectiveness survey
Health & Safety Management Arrangements incl Estate Inspections (2-yearly)	2018/19			10		10	20	
Cemeteries & Bereavement Services	2016/17				10		10	
Voids Management Arrangements	2016/17			10			10	
Lettings	2016/17		10				10	Allocations and financial risk-assessments following service restructure
Housing Options	2018/19				10	10	20	Extend to next yr as new system comes into effect
Service Charges				10			10	Income recovery - not previously reviewed.
Standby	2016/17			5			5	
Data Protection in service / partner contracts			*				0	* This will form part of the Information Governance work
Housing Company (3 Rivers)	2018/19		5			10	15	* Governance arrangements including performance .
Housing & Property Services Total			35	35	25	40	135	
Economic & Community Development								
Grants, subscriptions & donations	2015/16			5			5	Commercialised approach
Community Engagement & Consultation			10		10		20	Deferred from last yr 2017-18 (staff change and plan yet to be agreed) - could bring forwards to 2019 in place of lower risk profiled review.
Economic Regeneration	2014/15						0	To be considered by external consultants
Partnership Working	2018/19		5			10	15	Housing Partnerships
Markets	2014/15				10		10	
Economic & Community Development Total			15	5	20	10	50	
RISK BASED AUDITS TOTAL			196	197	205	190	760	
ASSURANCE WORK								
Governance - inc Ethics and Culture	2018/19		Follow-up	10	5	10	25	*1 Follow-up
Corporate Information Management - Information Assets	2018/19			10		10	20	
Freedom of Information	2015/16		10				10	Is the process fit for purpose and complied with.

Audit Area	Year Last Audited	Days 2019/20	Days 2020/21	Days 2021/22	Days 2022/23	TOTAL	Comments
Business Continuity - Emergency Planning & Disaster recovery	2018/19	5		5	*	10	*1 Trusted Partner follow-up support of last years review
Risk Management - Spar/Data Quality	2018/19	Follow-up			8	8	*1 Effectiveness of the risk management system.
Audit Follow-up (key reviews from last year)	2018/19	15	15	15	15	60	*1 review Areas marked *1 - Ethics, Business Continuity, S106, Risk Management, 3Rivers
Assurance Work Total		30	35	25	43	133	

CORPORATE GOVERNANCE

Audit Governance		35	35	35	35	140	Reporting, Committee Attendance, audit planning, liaison with external auditor.
Fraud/Irregularity and prevention		10	10	10	10	40	Policy review
Consultancy/Advice/Contingency		15	15	15	10	55	*2 Possible Review Areas marked *2
Other Work Total		60	60	60	55	55	

Surplus / (Shortfall) in resources

-1	-2	0	0
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SUMMARY

Available Audit Days

Management

Core Systems

Risk Based Audit

Assurance Work

Corporate Governance

TOTAL

343	343	343	343
52	52	52	52
110	105	105	107
196	197	205	190
30	35	25	43
60	60	60	55
396	397	395	395

Notes *

*1 = proposed follow-up reviews

*2 = potential contingency work

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.

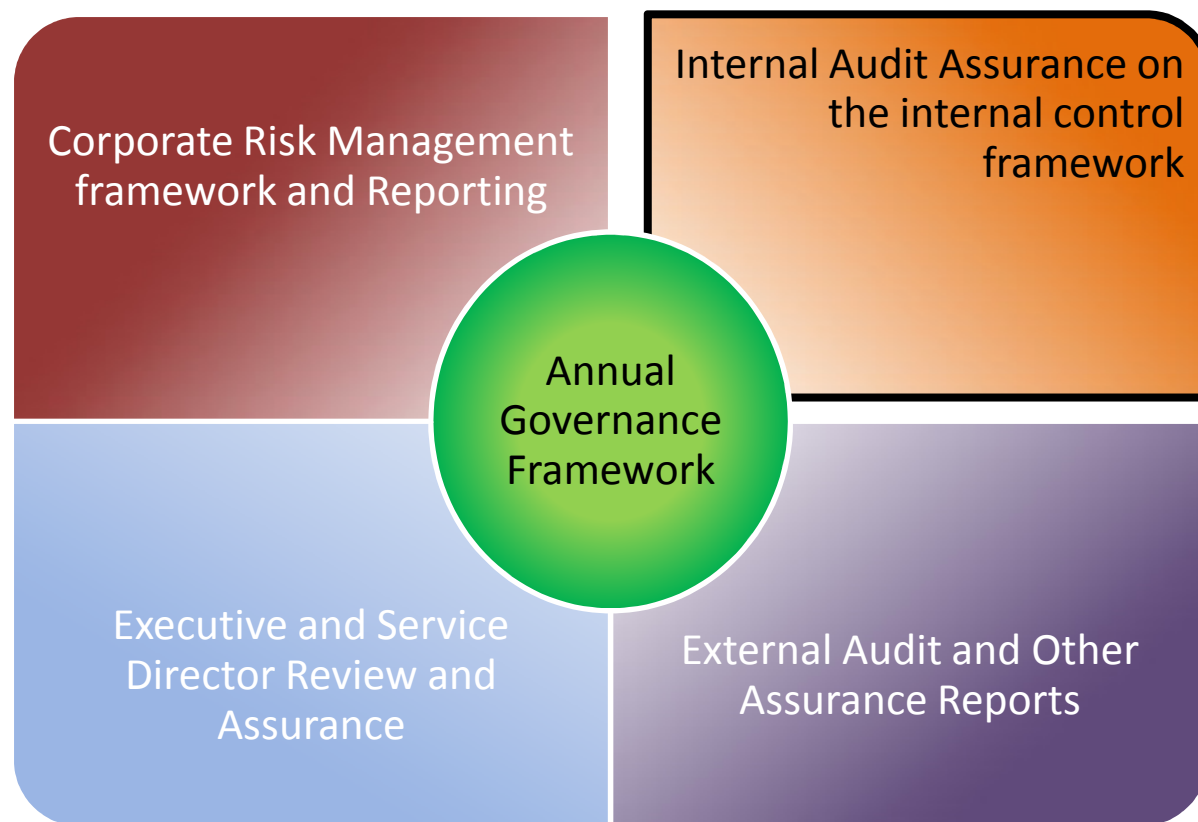
Appendix 2 - Annual Governance Framework Assurance

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.



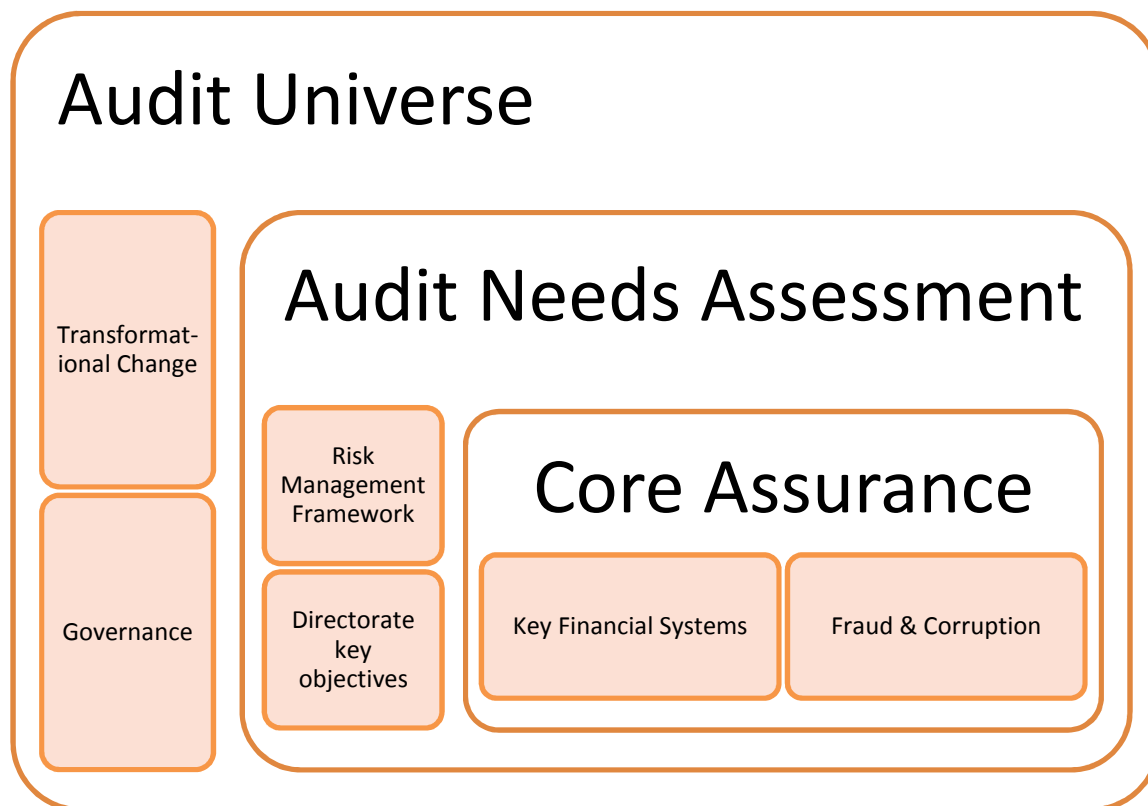
The AGS needs to be presented to, and approved by, the Audit Committee, and then signed by the Chair.

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

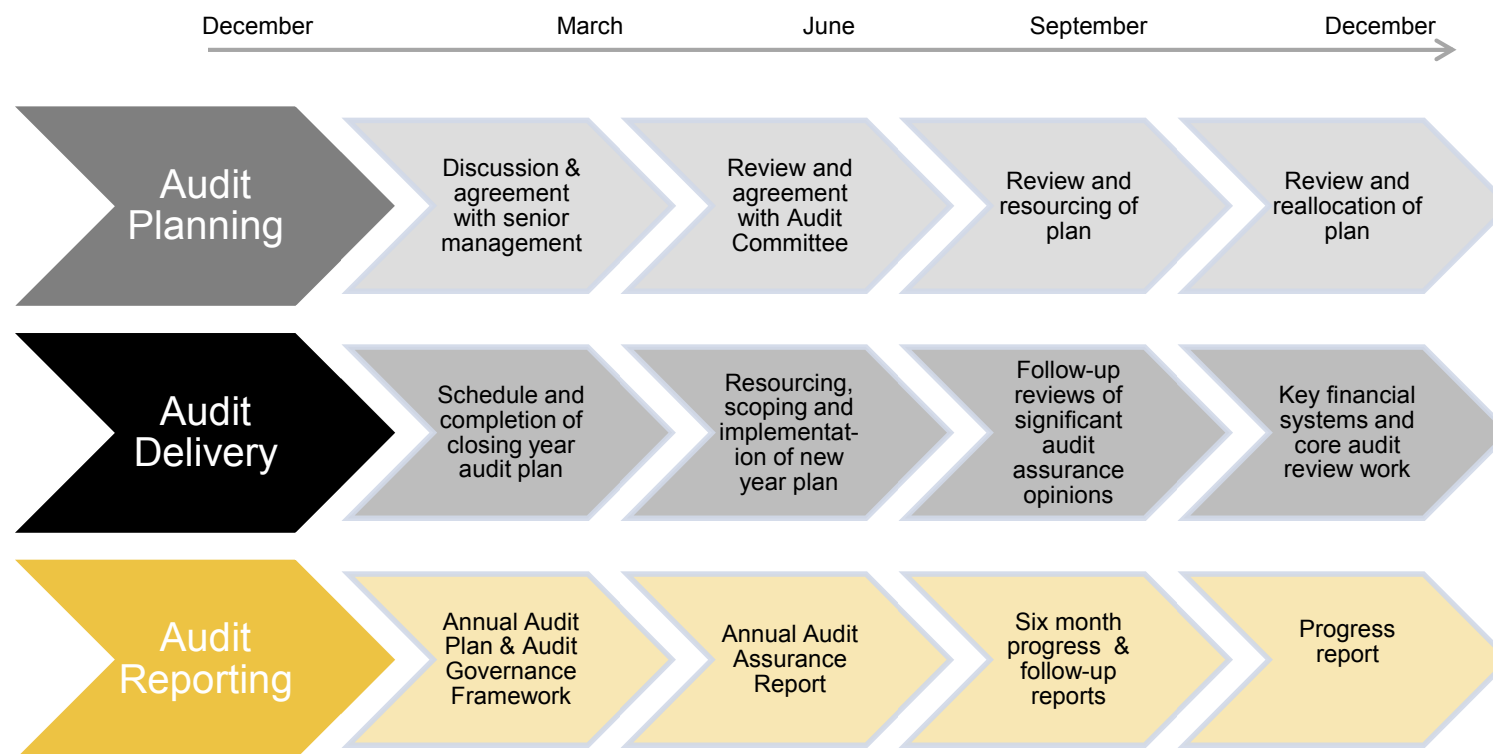
Discussions and liaison with Directors and Senior Officers regarding the risks which threaten the achievement of corporate or service objectives, including changes and / or the introduction of new systems, operations, programs, and corporate initiatives

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 2019	Directorate planning meetings
March 2019	Internal Audit Plan presented to Audit Committee
	Internal Audit Governance Arrangements reviewed by Audit Committee
	Year end field work completed
Apr 2019	Annual Performance reports written
May 2019	Annual Internal Audit Report presented to Audit Committee
	Follow –up work of previous year’s audit work commences
Sept 2019	Follow-up and progress reports presented to Audit Committee
Dec 2019	Six month progress reports presented to Audit Committee
	2020 Internal Audit Plan preparation commences

Robert Hutchins Head of Audit Partnership T 01392 383000 M 07814681196 E robert.hutchins@devonaudit.gov.uk	Nicky Skeggs Auditor T 01884 234237 E nskeggs@middevon.gov.uk	David Curnow Deputy Head of Audit Partnership T 01392 383000 M 07794201137 E david.curnow@devonaudit.gov.uk
	Susie Kingdom Auditor T 01884 234236 E skingdom@middevon.gov.uk	

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Devon Audit Partnership

The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Devon & Torridge councils. We aim to be recognised as a high quality internal audit service in the public sector. We work with our partners by providing a professional internal audit service that will assist them in meeting their challenges, managing their risks and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards.

The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at robert.hutchins@devonaudit.gov.uk.