

Internal Audit

Internal Audit Plan 2020-21

Mid Devon District Council
Audit Committee

March 2020

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 2020-21.

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	10
2 – Annual Governance Framework	11
3 – Audit Needs Assessment	12
4 – Audit delivery Cycle	13
5 – Sector Risk Model	14
6 – Unscheduled Audit reviews	15

Service level plans

This years audit plan has been developed further 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. We have aligned the plan with sector risks (see appendix 5). The plan has been extended wider again this year recognising these risks include the following considerations:

- 'core work' will need to maintain 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 continue to streamlined this core work to facilitate review of other risks. This has proved effective in practice where we have been able to add further key risks this year, maintained core audits where generally, sound arrangements are in place for these systems – and balanced this with extending periods on some service are reviews or dropping lower risk areas from the plan.
- We have identified key risks with Directors, risks that currently affect core assurance service delivery with a key focus on:
 - Corporate plan – action planning
 - Climate change - governance
 - safeguarding – corporate responsibility
 - key developments
 - investment, development, digitalisation
 - commercialisation
 - information governance – data protection changes
 - cyber security
 - Partnerships, collaboration and third-party risk
 - transactional integrity

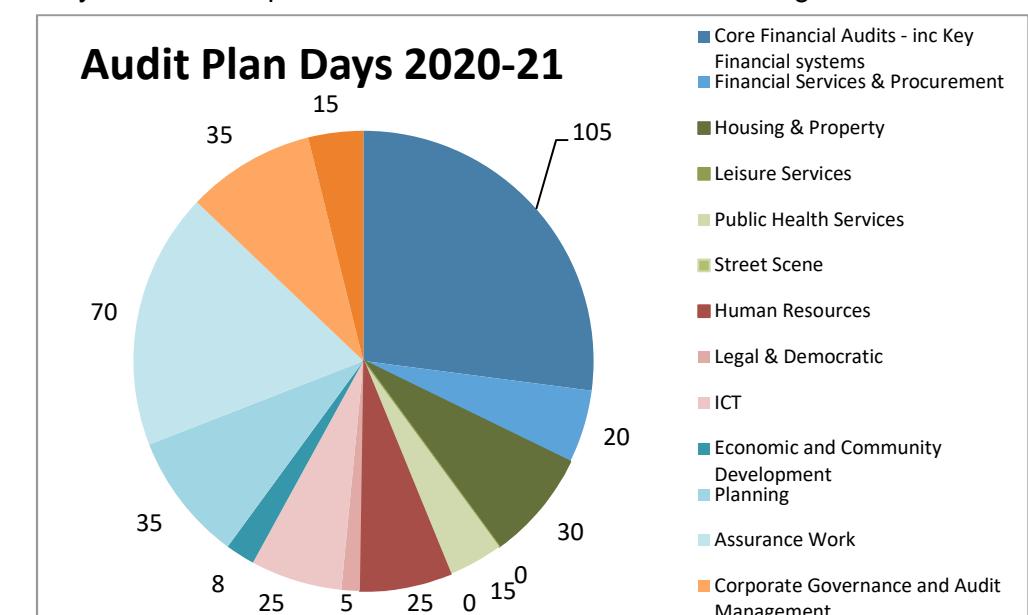
High Level Audit Plan

This chart shows a summary of planned audit coverage for the year remaining at 395 direct days; full details are in the cyclic plan (following page) . 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.

We have identified some audits (see appendix 6) that through review present as priority for the year yet do not fit within planned days. As this stands the Authority can choose to add additional days and cover this work, include them in pending work to be prioritised within year plan changes or scheduled in next years audit plan.

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.



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
2					

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 counter fraud arrangements, investigations into alleged concerns and can undertake additional services as required. The authority is encouraged to agree a separate plan of work for counter fraud work. Our Counter Fraud service will oversee investigations, instances of potential fraud and irregularities referred to it by managers, and can 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". Our services will liaise with the Council to enable resource to be focussed on identifying and preventing fraud before it happens. Additionally, guidance recently introduced by CIPFA, in their 'Code of practice on managing the risk of fraud and corruption', and also the 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 2020/21	Days 2021/22	Days 2022/23	Days 2023/24	TOTAL	Plan Comments
CORE FINANCIAL ASSURANCE AUDITS (- Annual)							
Council Tax and NNDR	2019/20	15	10	12	10	47	Compliance Review (inc. follow-up)
Income and Cash Collection (inc Debtors)	2019/20	10	10	10	10	40	Compliance review (inc. follow-up) and consideration of implications of team structure changes (linked to creditors) and data quality control.
Recovery	2019/20	10	10	10	10	40	Systems documentation and consideration of scope of operation as corporate recovery team.
Main Accounting System	2019/20	10	10	10	15	45	Compliance review (inc. follow-up) and consideration of implications of team staff changes. Review of how MTFP and Business Plans are built into budget setting and monitoring process.
Housing Benefits	2019/20	10	10	15	10	45	Compliance review (inc. follow-up) Customer On-line Access (New System)
Creditors	2019/20	10	10	10	10	40	Compliance review (inc. follow-up) and consideration of implications of team structure changes (linked to income) and data quality control.
Housing Rents (including rent arrears)	2019/20	10	15	10	10	45	Compliance Review (inc. follow-up) Progress on systems deployment to Cloud Based hoster service.
Treasury and Cashflow Management	2019/20	5	5	5	5	20	Compliance review (inc. follow-up) and consideration of staff changes.
Payroll	2019/20	10	10	10	15	45	Compliance review (inc. follow-up)
Car Parking Income} alternate years	2018/19	10		10		20	Focus on fault resolution and contract performance management controls.
Trade Waste }	2019/20		10		10	20	
ICT Core Audit	2019/20	5	5	5	3	18	Focus on BCP and resilience.
TOTAL CORE ASSURANCE AUDITS		105	105	107	108	425	

RISK BASED AUDITS (Risk Based- mainly 4-yearly)

Human Resources

Time Recording System	2014/15					0	Trusted Advisor support if there is to be systems change - meet from contingency
Sickness and Other Time Off	2019/20	5			8	13	Follow-up of implementation of new policy - Street Scene
Skills and Training		3				3	Trusted Advisor support on skills database.
Recruitment, Selection, succession planning	2018/19			5		5	
Appraisals and Training	2019/20	7				7	Review how it is working, are they being completed, are people engaging in the new competency process. Evolve Project. - sharing of knowledge Q3.

Audit Area	Year Last Audited	Days 2020/21	Days 2021/22	Days 2022/23	Days 2023/24	TOTAL	Plan Comments
Travel and Subsistence (incl Pool cars)	2017/18				10	10	
Job Evaluation framework	2019/20				6	6	
Corporate Health & Safety incl Homeworking/Loneworkin	2015/16		10			10	
Off Payroll working - Use of Consultants (Payroll)	2017/18			5		5	
Workplace Stress Management			6			6	
Human Resources Total		15	16	10	24	65	

*1

Full systems review early 2021-22 - new staff.

Financial Services & Procurement

VAT	2018/19			10		10	
Insurance	2017/18		10			10	
Asset management inc Leasing (Property/Vehicles/Equip	2019/20				10	10	Link to Corporate Plan, Capital Programme and Climate Change
Procurement (2-yearly)	2018/19	10		15		25	*1 Consideration of key contracts, follow-up of the procurement strategy with focus on themes of local engagement, climate change and social value.
Contract Management - Contract Register & Contracts (2-yearly)	2019/20	5	15		5	25	Third Party Risk - Full risk based review (link to Collaborative and Partner Working audit)
Commercial Rents	2019/20				5	5	
Funding Cuts Revenue and Capital						0	
Transformation - Benefits Realisation		5	5	5	5	20	to be considered as part of the Main Accounting audit - MTFS
Financial Services & Procurement Total		20	30	30	25	105	Project to be selected

*1

ICT

Telephones - Fixed and Mobile	2014/15					0	Not consider to be a significant risk
Cyber Security (inc Information Security)	2019/20	10		10	10	30	
ICT systems (ITIL Methodology)	2019/20	15	15	10	15	55	New Business Transformation Strategy - including change management, training and mobilisation.
New Projects		Contingency				0	Possible corporate CRM system upgrade
Gazateer Management	2014/15					0	
ICT Total		25	15	20	25	85	Not consider to be a significant risk

*2

Audit Area	Year Last Audited	Days 2020/21	Days 2021/22	Days 2022/23	Days 2023/24	TOTAL	Plan Comments
Planning							
Building Control (incl income and all other areas)	2018/19	5				5	
Development Control - (incl S106)	2019/20	10			5	15	*1 Stage 2 -Compliance review of new system - confirm systems suitability for management of key projects - Culm Garden
- Monitoring of developments		10					Statutory Returns and the Housing Delivery Test (link to GESP Partners - joint work)
Listed Buildings and Conservation Areas	2015/16		10			10	Deferred from 2019-20
Forward Planning	2013/14	10				10	Progress of Local Plan lessons learnt and Monitoring Process of the Plan
Projects - eg Culm Garden Village			5	5		10	linked to Development Control
Enforcement	2017/18		10			10	
Planning Total		35	25	5	5	60	
Public Health Services							
Environmental Health	2017/18		15			15	
Licensing Services	2016/17	5				5	Trusted Advisor review of new system
Private Sector Housing	2019/20				10	10	
Emergency Planning (also Business Continuity Planning)	2015/16	10		10		20	
Public Health Services Total		15	15	10	10	50	
Leisure (one centre per year)							
Exe Valley Leisure Centre (incl income and all other area)	2019/20		3	follow-up	4	7	
Culm Valley Sports Centre (incl income and all other area)	2018/19		3	10	3	16	
Lords Meadow Leisure Centre (incl income and all other)	2017/18		4		3	7	Compliance Review
Leisure Total		0	10	10	10	30	
Legal & Democratic Services							
Members Allowances	2019/20				5	5	
Gifts & Hospitality/Register of Interests	2016/17	5				5	
Electoral Registration & Elections	2017/18			10		10	
Local Land Charges	2016/17			10		10	

Audit Area	Year Last Audited	Days 2020/21	Days 2021/22	Days 2022/23	Days 2023/24	TOTAL
Legal Services	2015/16		10			10
Legal & Democratic Total		5	10	20	5	40

Street Scene

Refuse & Recycling (2 yearly)	2018/19
Vehicles & Fuel (including inventory & maintenance)	2019/20
Business Continuity Planning	2019/20
District Officers	2017/18
Street Cleansing & Public Cleaning	
Grounds Maintenance (Parks & Open Spaces)	2018/19

Street Scene Total

	10	10		20
			10	10
				0
	10			10
	5			5
		10		10
0	25	20	10	45

Plan Comments

Records Management

Govt looking to make garden waste non-chargeable service collection round efficiency - 3 weeks

Customer Services

Customer Care/Complaints	2017/18
Community Engagement & Consultation	2019/20
Digitalisation Electronic payments/online forms/social media	2017/18

Customer Services Total

	10			10
			10	10
	10			10
10	10	0	20	40

Housing & Property Services

Care Services (Alarm Income)	2017/18
Repairs and Maintenance	2019/20
Stores	2016/17
Health & Safety Management Arrangements incl Estate Inspections (2-yearly)	2018/19
Cemeteries & Bereavement Services	2016/17
Voids Management Arrangements	2016/17
Lettings	2019/20
Housing Options	2018/19
Service Charges	

	5			5
	10		10	20
	10			8
	10	10		20
		5		5
	10			10
			10	10
		10		10
10				10

Alternate Housing or Property

Deferred from 2019-20 (vfm review 10 days)

Property Services

Audit Area	Year Last Audited	Days 2020/21	Days 2021/22	Days 2022/23	Days 2023/24	TOTAL	Plan Comments
Standby	2016/17			5		5	Not consider to be a significant risk
Data Protection in service / partner contracts						0	part covered under Corporate Information Management and collaborative and Partnership working
Housing & Property Services Total		30	25	30	28	113	

Economic & Community Development

Grants, subscriptions & donations	2015/16		5			5	
Economic Regeneration	2014/15					0	
Housing Company (3 Rivers)	2019/20	8		10	5	23	*1 Follow-up review, focus on business case and performance monitoring reports. Company development.
Markets	2014/15			10		10	
Economic & Community Development Total		8	5	20	5	38	
RISK BASED AUDITS TOTAL		163	186	175	167	671	

Corporate Assurance

Governance - inc Ethics and Culture	2018/19	10	5	5	10	30	New Mandatory Policy Dec 2019 - embed process
Equality impact assessments	2018/19			5		5	
Safeguarding	2019/20	5	5	5	10	25	Focus Area - identification and reporting of concerns - Housing Tenant Services and Housing Repairs
Corporate Information Management - Information Assets ,Data Protection (2-yearly)	2018/19	10		10		20	Progress of Corporate information Management actions from 2018 Data Protection Act - staff compliance and management of data sharing agreements
Data Quality						0	Theme to key audit areas - focus on creditors masterfile
Freedom of Information - Subject Access Requests - EIR	2019/20				10	10	
Corporate Plan		10				10	Establishment of actions, links to business plans and KPIs
Business Continuity - Emergency Planning & Disaster recovery	2018/19		5		10	15	
Collaborative / Partnership Working	2019/20	5		5		10	*1 link to Contract Management
Political change - Brexit						0	The Auditority considers this a low level risk where it mainly has an advisory role.

Audit Area	Year Last Audited	Days 2020/21	Days 2021/22	Days 2022/23	Days 2023/24	TOTAL	Plan Comments
Performance Management			10			10	2021 Process and evidence base review of new indicators
Risk Management - Spar/Data Quality	2018/19	5		8		13	Training GMs - risk description and mitigation recording. Planning Service workshop
Climate Change - Environmental impacts		15	10	10	10	45	Strategic review of governance arrangements and alignment and transition plans
Audit Follow-up (key reviews from last year)	2019/20	10	10	10	10	40	*1
Corporate Assurance		70	45	58	60	233	

CORPORATE GOVERNANCE

Audit Governance		35	35	35	35	140	
Fraud/Irregularity and prevention		10	10	10	10	40	
Consultancy/Advice/Contingency		15	15	10	15	55	
Other Work Total		60	60	55	60	55	

Surplus / (Shortfall) in resources

-3	-1	0	0
----	----	---	---

Plan Comments	
2021 Process and evidence base review of new indicators	
Training GMs - risk description and mitigation recording. Planning Service workshop	
Strategic review of governance arrangements and alignment and transition plans	
*1	

SUMMARY

Available Audit Days	343	343	343	343
Management	52	52	52	52
Core Systems	105	105	107	108
Risk Based Audit	163	186	175	167
Assurance Work	70	45	58	60
Corporate Governance	60	60	55	60
TOTAL	398	396	395	395

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.



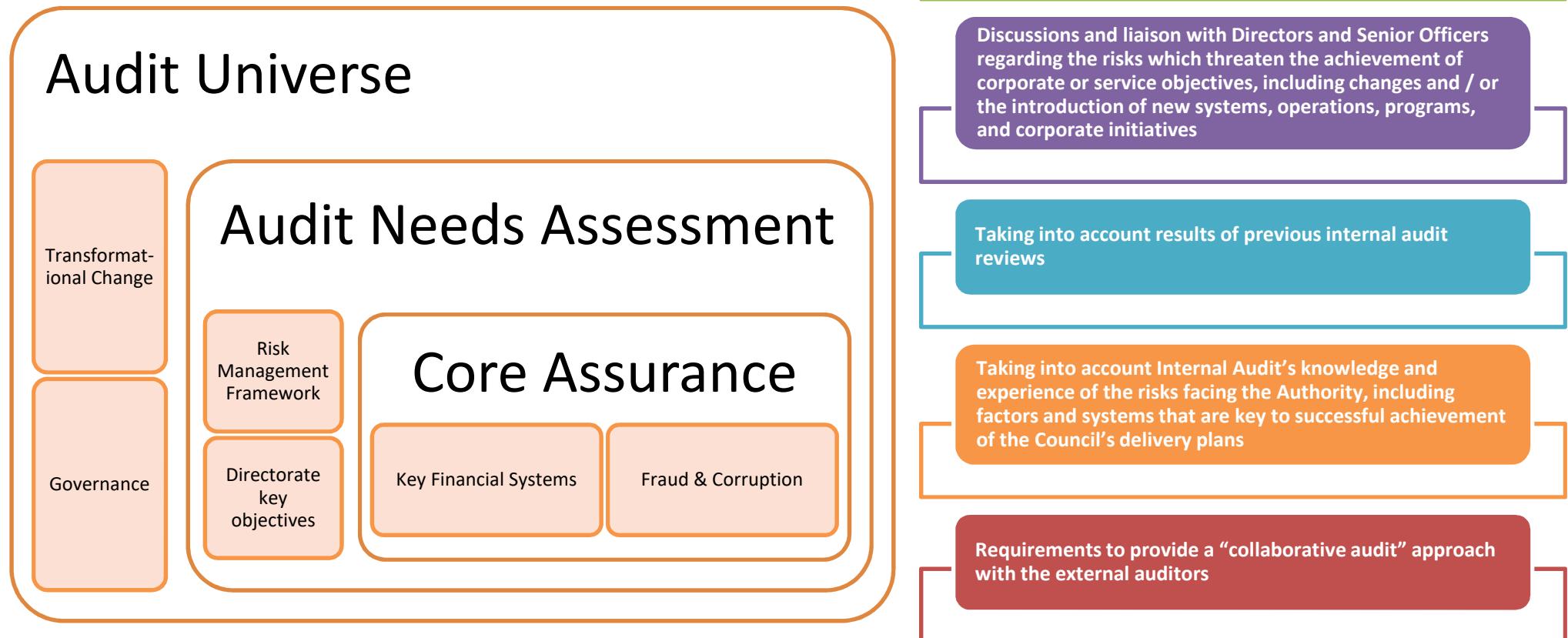
The AGS needs to be presented to, and approved by, the Audit Committee, and then signed by the Chair.

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.

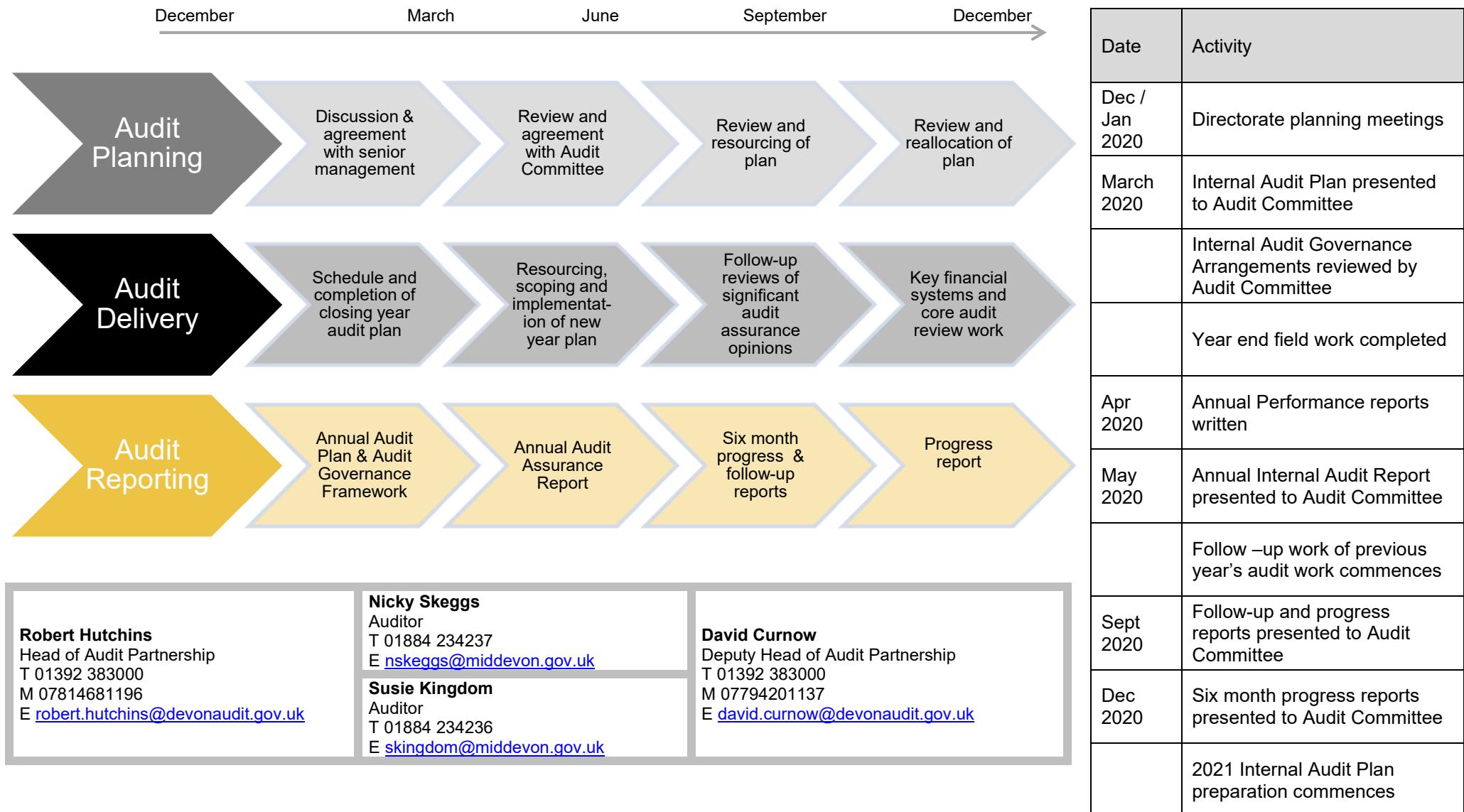
Appendix 3 - Audit Needs Assessment

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.



Appendix 4 - Our Audit Team and the Audit Delivery Cycle



Appendix 5 Sector Risk Model

Source Institute of Internal Auditors – Risk in Focus 2020

Top ten risks seen in audit plans

2018	2019	2020
1. GDPR and the data protection challenge	1. Cybersecurity: IT governance & third parties	1. Cybersecurity & data privacy: rising expectations of internal audit
2. Cybersecurity: a path to maturity	2. Data protection & strategies in a post-GDPR world	2. The increasing regulatory burden
3. Regulatory complexity and uncertainty	3. Digitalisation, automation & AI: technology adoption risks	3. Digitalisation & business model disruption
4. Pace of innovation	4. Sustainability: the environment & social ethics	4. Looking beyond third parties
5. Political uncertainty: Brexit and other unknowns	5. Anti-bribery & anti-corruption compliance	5. Business resilience, brand value & reputation
6. Vendor risk and third party assurance	6. Communication risk: protecting brand & reputation	6. Financial risks: from low returns to rising debt
7. The culture conundrum	7. Workplace culture: discrimination & staff inequality	7. Geopolitical instability & the macroeconomy
8. Workforces: planning for the future	8. A new era of trade: protectionism & sanctions	8. Human capital: the organisation of the future
9. Evolving the internal audit function	9. Risk governance & controls: adapting to change	9. Governance, ethics & culture: the exemplary organisation
	10. Auditing the right risks: taking a genuinely risk-based approach	10. Climate change: risk vs opportunity

Appendix 6 – Unscheduled Audits Priority Work

Audits identified as priority where resources do not provide for coverage in the current years audit plan

We have identified some audits below that through review present as priority for the year yet do not fit within planned days. As this stands the Authority can choose to add additional days and cover this work, include them in pending work to be prioritised within year plan changes or scheduled in next years audit plan.

- Legal Services Records Management – this is also considered to be a corporate issue (10 days)
- Work Place Stress Management (6 days)
- Leisure Services operational compliance reviews (Payroll, income and security) (10days)
- Data sharing arrangements in housing services collaborative arrangements (5 days)
- Listed Buildings – deferred from 2019/20 to 2021 (10 days)
- Refuse and recycling – deferred to 2021-22 (10 days)

This page is intentionally blank.

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.