

Internal Audit

Internal Audit Plan 2021-22

Mid Devon District Council
Audit Committee

March 2021

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 2021-22.

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

Robert Hutchins
Head of Audit Partnership

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Development of the Plan

This year's audit plan has been developed through discussions with the Councils Leadership Team, and consideration of the Council's risk register and plan. It is also informed by previous audit findings, and our awareness of current themes in Devon and elsewhere, such as Climate Change, and post C-19 (grant work, and recovery).

In the plan, we aim to provide good coverage of corporate risks, and current public sector risks (see appendix 5). We have sought to keep audit coverage to 393 direct audit days, important given the need for increased assurance that controls are effective following the Covid-19 emergency. We have maintained the 4-year plan to help identify future resource requirements and ensure good coverage of areas over the period. In due course we will need to consider the loading of the plan 2022/23 given the days currently listed. Risks and priorities will need to be considered nearer the time to ensure the focus is appropriate for the following year to meet needs at that time.

Audit Plan Summary

Our audit plan is grouped into the different business areas. Audits fall into the following types:

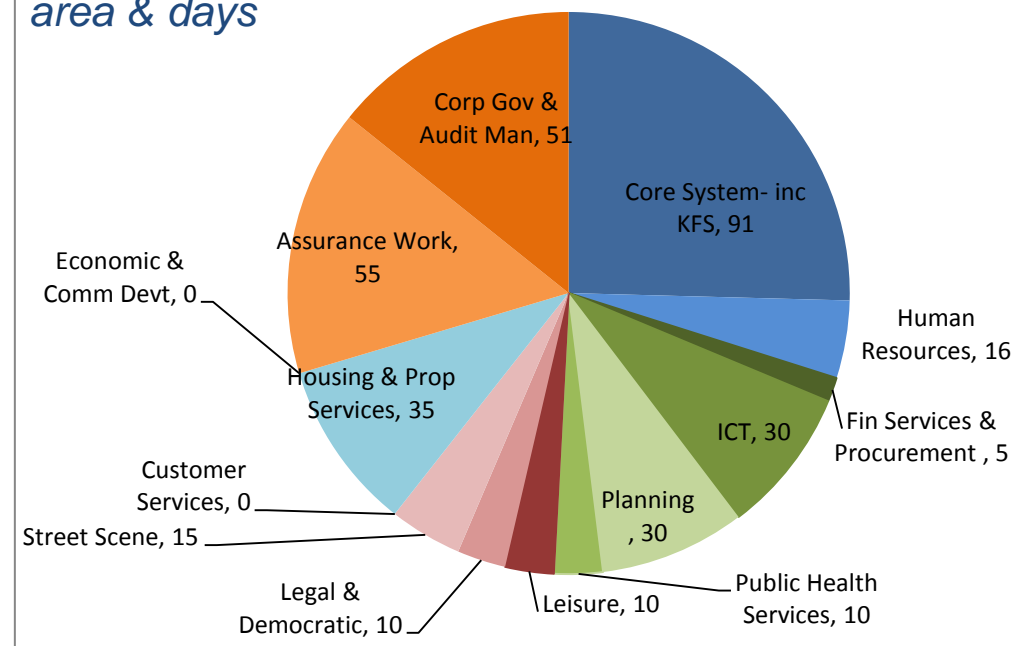
- Core System audits which are largely on what are termed "key financial systems" that process most of the Council's income and expenditure and which have a significant impact on the reliability and accuracy of the annual accounts. These include Payroll, Creditors, Main Accounting System, Council Tax, Housing Benefit. This work will provide assurance that core controls continue to be effective despite the changing environment.
- Risk based audits affecting service delivery areas.
- Corporate Assurance with focus on:
 - Governance
 - Corporate plan & action planning
 - Climate change - governance
 - Safeguarding – corporate responsibility
 - Key developments
 - investment, development, digitalisation
 - Information governance – data protection changes
 - Covid-19 grants
 - Partnerships, collaboration, and third-party risk

- Corporate Governance See the section on the next page for a summary of this area.

The chart below is a summary of planned audit coverage with the detail in the plan on pages 4 to 12. In accordance with the Public Sector Internal Audit Standards, the plan is flexible, to reflect and respond to the changing risks and priorities of the Authority. As a result, it will be regularly reviewed and updated (at a minimum in six months) to ensure it remains valid and appropriate, particularly for assurance on specific Covid-19 areas.

Detailed terms of reference will be drawn up and agreed with management prior to the start of each assignment – in this way we ensure that the key risks to the operation or function are considered in each audit.

Audit Plan for 21/22 by area & days



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 has recently input to the Council's Counter Fraud Strategy and Policy to ensure it has a systematic approach to identifying and reducing fraud. To support this the authority is encouraged to agree a separate plan of counter fraud work.

Our Counter Fraud service will oversee investigations, instances of suspected fraud and irregularities referred by managers and also carry out testing of systems considered most at risk to fraud. Our services will liaise with the Council to focus resource on identifying and preventing fraud before it happens. This work is informed by the Fraud Strategy for Local Government "Fighting Fraud Locally", and the publication "Protecting the English Public Purse". Additional guidance recently introduced by CIPFA, in their 'Code of practice on managing the risk of fraud and corruption', and the Home Office 'UK Anti-Corruption Plan', are also relevant.

Corporate Governance

An area of our plan 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 Plan for 2020/21

Audit Area	Last Audited	Revd 20/21	Days 21/22	Days 22/23	Days 23/24	Days 24/25	Comments	High Risks on SPAR
Council Tax and NNDR	20/21	15	10	10	10	10	Compliance Review (incl follow up)	REV & BENS COLLECTION RATES / REV & BENEFITS ECON DEVT
Income and Cash Collection (incl Debtors)	20/21	10	7	10	7	10	Compliance review (incl follow up) and consideration of implications of team structure changes (linked to creditors) and data quality.	
Debt Recovery	20/21	10	10	7	10	7	Systems documentation and consideration of scope of operation as corporate recovery team.	
Main Accounting System	20/21	10	7	10	7	10	Compliance review (inc. follow-up) and consideration of implications of staff changes. How MTFP and Business Plans are built in budget setting & monitoring process.	
Housing Benefits	20/21	10	10	10	10	10	Compliance review (inc. follow-up) Customer On-line Access (New System)	
Creditors	20/21	10	7	10	7	10	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)	20/21	10	10	10	10	10	Compliance Review (inc. follow-up) Progress on systems deployment to cloud based hoster service.	
Treasury and Cashflow Management	19/20	0	5	5	5	5	Compliance review (inc. follow-up) and consideration of staff changes.	FUNDING AVAILABILITY / FUNDING
Payroll	20/21	10	10	10	10	10	Compliance review (incl follow-up)	

Car Parking Income} alternate years	20/21	10		10		10	Focus on fault resolution and contract performance management controls.
Trade Waste	19/20		10		10	0	
ICT Core Audit	20/21	5	5	5	5	5	Focus on BCP and resilience - see also Cyber Security Audit and ICT Systems.
CORE ASSURANCE AUDITS		100	91	97	91	97	

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

Human Resources

			21/22	22/23	23/24	24/25	
Time Recording System	14/15		5				New processes being implemented
Sickness and Other Time Off	19/20	0	8				Include review of any impacts from the post C-19 environment.
Skills and Training		0	3				Trusted Advisor support on skills database.
Recruitment, Selection, succession planning	18/19			5			
Appraisals and Training	20/21	7				8	
Travel and Subsistence (incl Pool cars)	17/18			10			
Job Evaluation framework	19/20				6		
Corporate Health & Safety incl Homeworking/Lone working	15/16			10			Defer 10 days to 22/23 as proposals being considered for shared office space with DCC with impact on this area.
Off Payroll working - Use of Consultants (Payroll)	17/18			5			
Human Resources Total		7	16	30	6	8	

STRESS

Financial Services & Procurement			21/22	22/23	23/24	24/25	
VAT	18/19			10			
Insurance	17/18						Not considered high risk and days transferred to Cyber Security.
Asset management incl Leasing (Property/Vehicles/Equipment/I T) incl Cap Exp.	19/20				10		Link to Corporate Plan, Capital Programme and Climate Change
Procurement (2-yearly)	18/19	10		10		10	Key contracts, procurement strategy with focus on themes of local engagement, climate change and social value.
Contract Management - Contract Register & Contracts (2-yearly)	20/21	5		10		10	Third Party Risk - Full risk-based review (link to Collaborative and Partner Working audit)
Commercial Rents	20/21	5	f/up		5		Follow up of Limited Assurance in 20/21
Funding Cuts Revenue and Capital							Considered as part of the Main Accounting audit - MTFS
Transformation - Benefits Realisation		0	5	5	5	5	May need to be increased to account for C-19 recovery and resultant business re-alignments.
Fin Services & Proc Total		20	5	35	20	25	

REVENUES AND BENEFITS

ICT			21/22	22/23	23/24	24/25	
Telephones - Fixed and Mobile	14/15		5				Supporting the Telephone replacement as a critical friend role.
Cyber Security (incl Information Security)	19/20	10	15	10	10	10	Increased days given it is a high-risk area for all organisations.
ICT systems (ITIL Methodology)	19/20	15	10	10	10	10	New Business Transformation Strategy - including change management, training and mobilisation.
New Projects							Possible corporate CRM system upgrade
Gazetteer Management	14/15						Not consider to be a significant risk
ICT Total		25	30	20	20	20	

Planning			21/22	22/23	23/24	24/25		
Building Control (incl income and all other areas)	18/19	5						
Development Control - (incl S106)	19/20	0	10		5		Quarter 2 timing. Stage 2 -Compliance review of new system incl suitability for management of key projects - Culm Garden Village and HIF.	S106 AGREEMENTS
- Monitoring of developments		0	10			10	Quarter 2 timing to allow newly appointed monitoring officer to bed in. Statutory Returns and the Housing Delivery Test (link to GESP Partners - joint work)	
Listed Buildings and Conservation Areas	15/16			10				
Forward Planning	13/14	0	10			10	Quarter 3 timing due to team loading. Progress of Local Plan lessons learnt and Monitoring Process of the Plan	INFRASTRUCTURE DELIVERY
Projects – e.g. Culm Garden Village				5			Moved to 22/23 as planning is still at an early stage. Linked to Development Control.	
Enforcement	17/18			10				
Planning Total		5	30	25	5	20		

Public Health Services			21/22	22/23	23/24	24/25	
Environmental Health	17/18			10			Undertake in 22/23 to allow time following disruption of Covid-19 on the environment.
Licensing Services	20/21	5				5	Trusted Advisor review of new system
Private Sector Housing	19/20				10		
Emergency Planning (also Business Continuity Planning) (2yrs)	15/16	10	10				
Public Health Services Total		15	10	10	10	5	

Leisure (one centre per year)			21/22	22/23	23/24	24/25	
Exe Valley Leisure Centre (incl income and all other areas)	19/20				10		
Culm Valley Sports Centre (incl income and all other areas)	18/19			8			8 days as less complex leisure centre facilities
Lords Meadow Leisure Centre (incl income and all other areas)	17/18		10				Compliance Review
Leisure Total		0	10	8	10		

Legal & Democratic Services			21/22	22/23	23/24	24/25	
Members Allowances	19/20				5		
Gifts & Hospitality/Register of Interests	16/17						Adequacy of process and forms to manage risk - new members.
Electoral Registration & Elections	17/18			10			
Local Land Charges	16/17			10			
Legal Services	15/16		10				Records Management
Legal & Democratic Total		0	10	20	5	0	

Street Scene			21/22	22/23	23/24	24/25	
Refuse & Recycling (2 yearly)	18/19		10		10		Significant risk is Govt has announced Councils need to get to 65% of garden waste recycling
Vehicles & Fuel (including inventory & maintenance)	19/20					10	
Business Continuity Planning	19/20						
District Officers	17/18						Days removed as there are only four District Officers and assessed as low risk
Street Cleansing & Public Cleaning					5		
Grounds Maintenance (Parks &	2018/1			10			

Open Spaces)	9						
Street Scene Total		0	10	10	15	10	

Customer Services			21/22	22/23	23/24	24/25	
Customer Care/Complaints	17/18			10		10	
Community Engagement & Consultation	19/20			10			
Digitalisation Electronic payments /online forms / social media	20/21	10			10		
Customer Services Total		10	0	20	10	10	

Housing & Property Services			21/22	22/23	23/24	24/25		HOMELESSNESS
Care Services (Alarm Income)	17/18		5					
Repairs and Maintenance	19/20			10		10	Alternate Housing or Property	
Stores	16/17	0	10		8		Deferred from 2019-20 (vfm review 10 days). Useful to look at given value provided during the C-19 emergency.	
Health & Safety Management Arrangements - Corporate Offices incl Estate Inspections (2-yearly)	18/19	10		10			Property Services	
Health & Safety Management Arrangements - Old Road Stores Office (2-yearly)					10			
Cemeteries & Bereavement Services	16/17			5				
Voids Management Arrangements	16/17			10				
Lettings	19/20				10			
Housing Options	18/19				10			

Service Charges		0	10				Not reviewed
Standby	16/17					5	Not consider to be a significant risk
Data Protection in service / partner contracts							part covered under Corporate Information Management and collaborative and Partnership working
Housing & Prop Services Total		10	25	35	38	15	

Economic & Community Development

			21/22	22/23	23/24	24/25		
Grants, subscriptions & donations	15/16						Very few subscriptions and donations, and only modest grants.	
Economic Regeneration	14/15						Days for this may be needed related to reopening high streets following the C-19 emergency - reconsider plan later in the year.	ECONOMIC DEVELOPMENT SERVICE / ECONOMIC STRATEGY
Markets	14/15						While high risk, amount for Tiverton Pannier Market is only £70k a year, and changes to current market infrastructure not expected for some time so audit time unlikely to be needed (remove 10 days in 22/23)	TIVERTON PANNIER MARKET
Econ & Comm Develt Total		0	0	0	0	0		

RISK BASED AUDITS TOTAL

92	146	208	134	108
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Corporate Assurance

			21/22	22/23	23/24	24/25	
Governance - incl Ethics and Culture	18/19	0	5	5	10	5	
Equality impact assessments	18/19			5			
Safeguarding	19/20	0	5	5	10	10	Focus Area – identification and reporting of concerns - Housing Tennant Services and Housing Repairs

Corporate Information Management - Information Assets, Data Protection (2-yearly)	18/19	10		10		10	Progress of Corporate information Management actions from 2018 Data Protection Act - staff compliance and management of data sharing agreements	
Data Quality							Theme on key audit areas - i.e. Creditors masterfile	
Freedom of Information - Subject Access Requests - EIR	19/20				10			
Corporate Plan		0	10				Establishment of actions, links to business plans and KPIs	
Housing Company (3 Rivers)	20/21	8		10	5	5	Follow up undertaken in Q4 20/21	3 RIVERS REPUTATIONAL IMPACT / FAILURE OF THE COMPANY / GOVERNANCE ARRANGEMENTS
Business Continuity - Emergency Planning & Disaster recovery	18/19		5		10		Has a link to Contract / supplier management, and also relevant to Emergency Planning audit.	CORONAVIRUS PANDEMIC
Collaborative / Partnership Working	19/20	5		5			The Authority considers this a low-level risk where it mainly has an advisory role.	
Political change - Brexit								
Performance Management			10				2021 Process and evidence base review of new indicators	
Risk Management - Spar/Data Quality	18/19	5		8			Ongoing review of risk management system	
Climate Change - Environmental impacts		10	10	10	10	10	Following 20/21 strategic review of governance arrangements, 21/22 focus on alignment and transition plans	CLIMATE CHANGE DECLARATION
COVID 19 Review on Income Compensation Scheme	20/21	5						

COVID 19 Review of Small Business Grants and Leisure Grants	20/21	7	5				Initial 5 indicative days for 21/22 for grant checking work - may need to be increased depending on requirements.	CORONAVIRUS PANDEMIC
Covid-19 assurance on WFH policy and other business actions	NA	7						
Audit Follow-up (key reviews from last year)	19/20	5	5	10	10	10	Includes follow up of Commercial Rents	
Corporate Assurance		62	55	68	65	50		

CORPORATE GOVERNANCE

			21/22	22/23	23/24	24/25
Audit Governance		35	33	33	33	33
Fraud/Irregularity and prevention		10	8	8	8	8
Consultancy/Advice/Contingency		5	10	10	10	10
Other Work Total		50	51	51	51	51

SUMMARY

Management

Total Budgeted Audit Days

Core Systems

Risk Based Audit

Corporate Assurance

Corporate Governance

Total Audit Work (excl Man days)

2020-21	21/22	22/23	23/24	24/25
50	50	50	50	50
343	343	343	343	343
100	91	97	91	97
92	146	203	139	123
62	55	68	65	50
50	51	51	51	51
304	343	419	346	321

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.

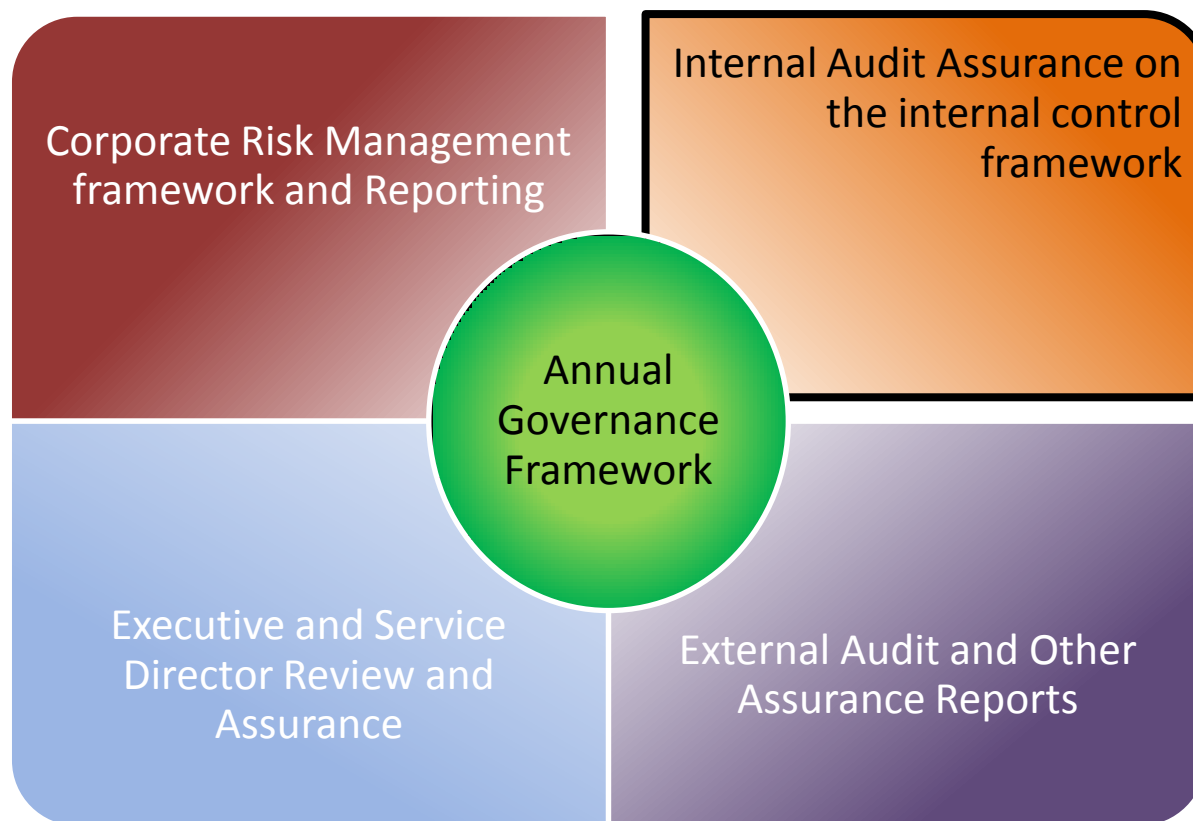
Appendix 2 - Annual Governance Framework Assurance

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

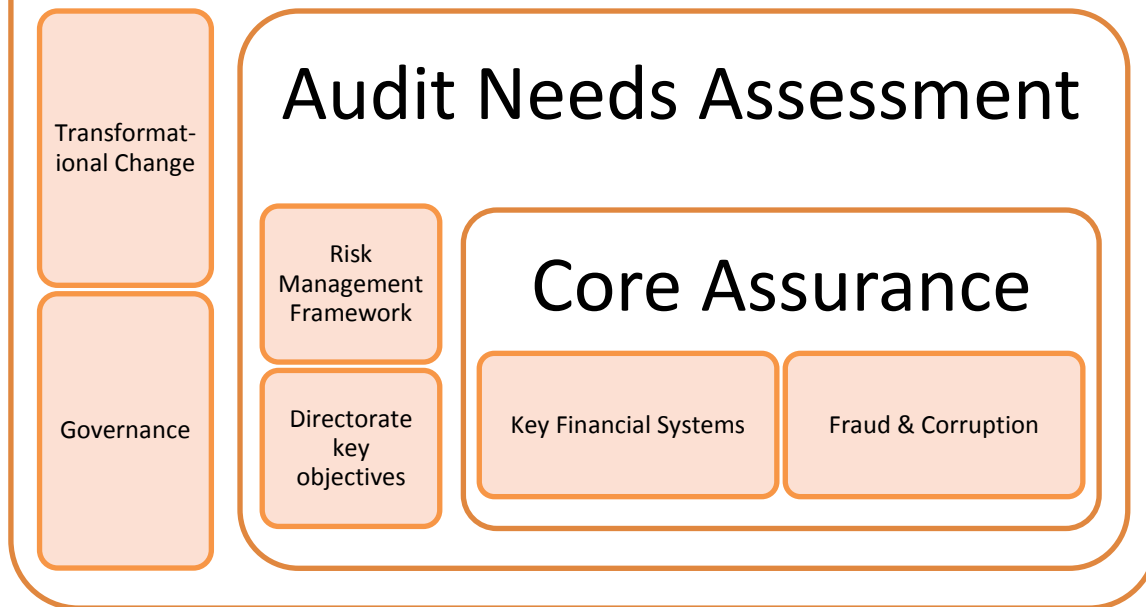


The AGS needs to be presented to, and approved by, the Audit Committee, and then signed by the Chair.

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.

required stating how other arrangements provide the same level of assurance.

Audit Universe



most usefully targeted. This involves scoring a range of systems, services and functions across the whole Authority, known as the “Audit Universe” using 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 3 - Audit Needs Assessment

We employ a risk-based priority audit planning tool to identify those areas where audit resources can be

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

Review and update of the audit universe

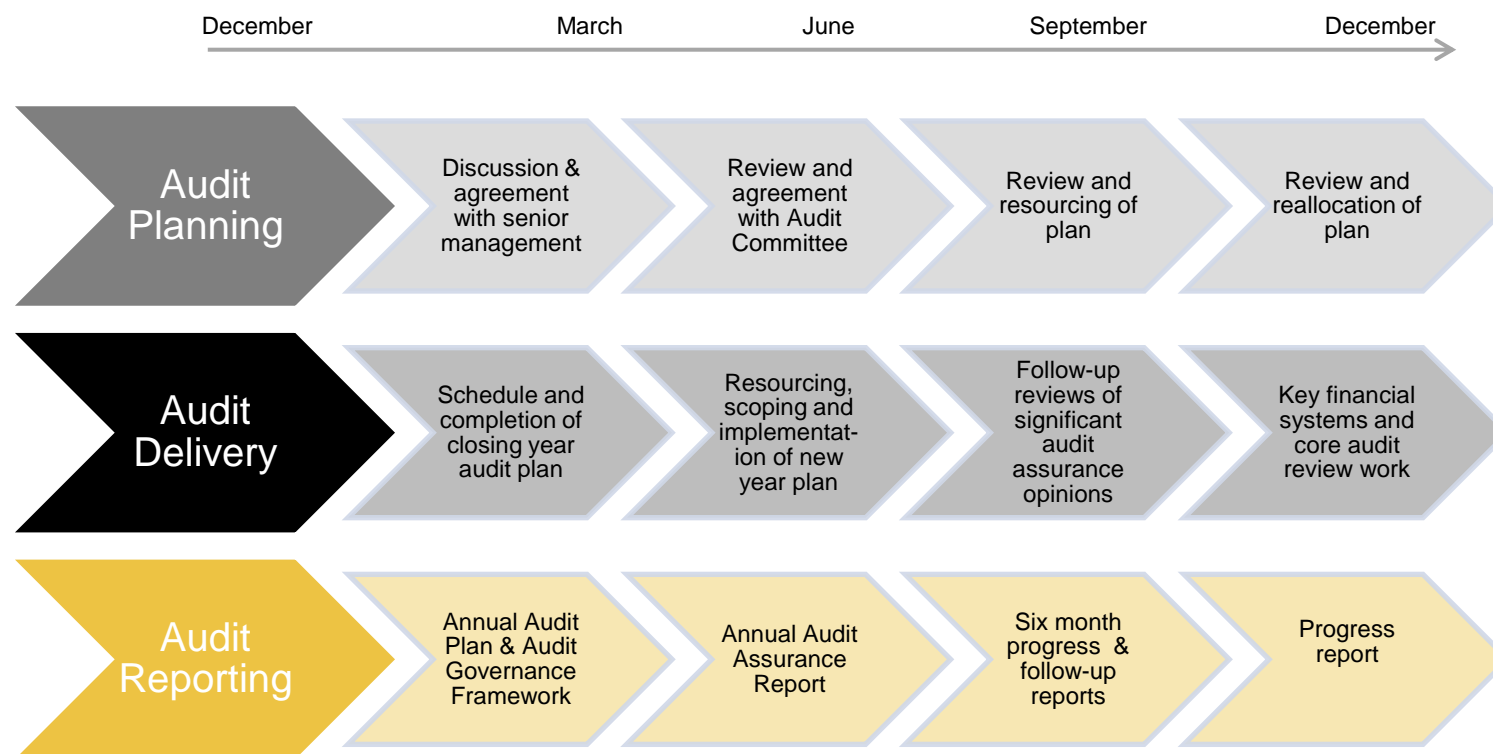
Discussions and liaison with Directors and Senior Officers regarding the risks which threaten the achievement of corporate or service objectives, including changes and / or the introduction of new systems, operations, programs, and corporate initiatives

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 / 2020 Feb 2021	Directorate planning meetings
Mar 2021	Internal Audit Plan presented to Audit Committee
Mar 2021	Internal Audit Governance Arrangements reviewed by Audit Committee
Mar/Apr 2021	Year-end field work completed
April 2021	Annual Performance reports written
May / June 2021	Annual Internal Audit Report presented to Audit Committee
Sept 2021	Progress Report and
Nov 2021	Progress Follow-up reports presented to Audit Committee
Nov 2021	Progress reports presented to Audit Committee
Dec 2021	2022 Internal Audit Plan preparation commences

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Appendix 5 Sector Risk Model

Source Institute of Internal Auditors – Risk in Focus 2021

Top risks seen in audit plans

Key Risk areas:

- Cyber security not going away.
- Digitisation increasing.
- Macro and economic uncertainty not going away.
- Climate change increasing back on the agenda.
- Ability to learn and develop increasing within 'human capital'



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 year's audit plan.

- Listed Building and Conversation Areas – last undertaken in 2015/16.
- Grants, subscriptions, and donations – last undertaken in 2015/16.
- Voids Management - last undertaken in 2016/17
- Gifts & Hospitality / Register of Interest – last undertaken in 2016/17
- Case Services (Alarm call) 2017/18
- District Officers – not undertaken in 2020/21
- Insurance – last undertaken in 2018/19.

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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.