

Internal Audit Plan 2023-24

Mid Devon District Council Audit Committee

March 2023



Tony Rose
Head of Audit Partnership

CUSTOMER
SERVICE
EXCELLENCE



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 refer 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 2023-24.

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

Tony Rose
Head of Audit Partnership

Contents

| |
|--------------------------------|
| Introduction |
| Development of the Plan |
| Audit Plan Summary |
| Fraud Prevention and Detection |
| Audit Plan |

Appendices

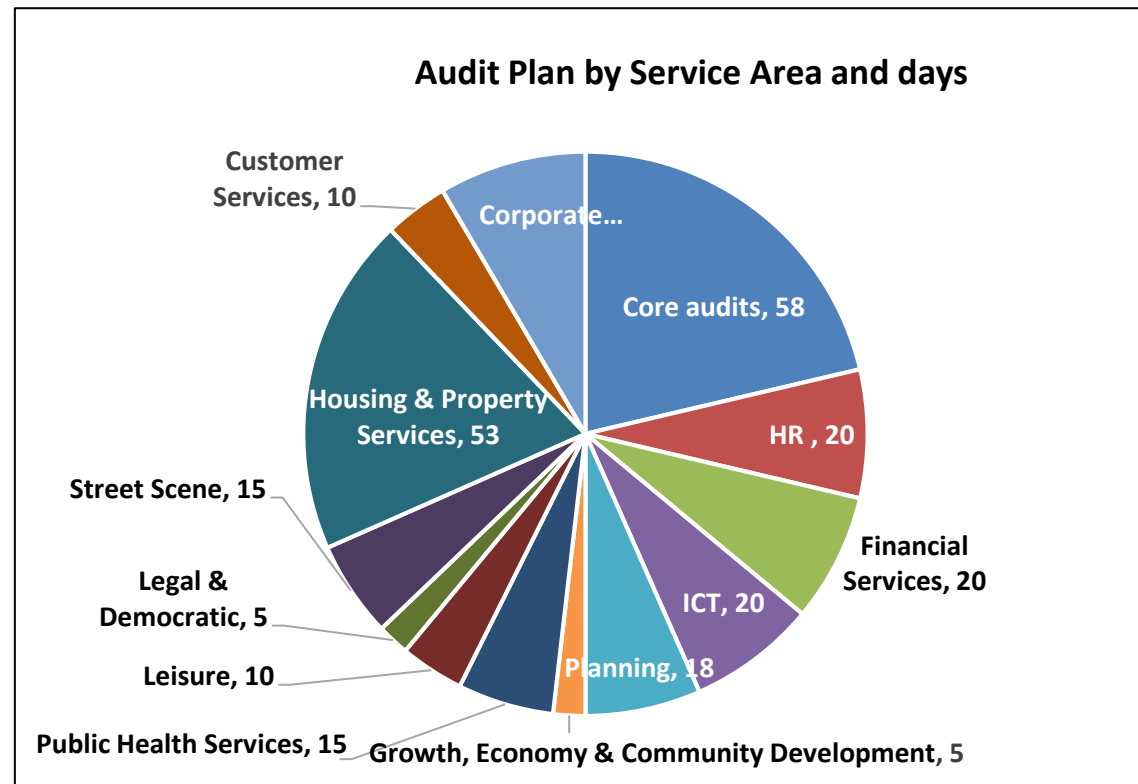
| |
|---------------------------------|
| 1 – Audit Framework |
| 2 – Annual Governance Framework |
| 3 – Audit Needs Assessment |
| 4 – Audit delivery Cycle |
| 5 – Sector Risks |

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. We also considered the Assurance Map, which is in the March update paper. It is also informed by previous audit findings, and our awareness of current themes and risks, such as Cyber Security, Climate Change, and other public sector risks (see appendix 5). We have maintained a 4-year plan to help identify future resource requirements and ensure good coverage of areas over the period. This can be provided to Audit Committee if requested.

Audit Plan Summary

Audit coverage for the year is in the region of 312 days compared to 345 days agreed for 2022/23. The audit days have been reduced from last year at management request to hold costs at current levels. We remain confident that the reduced days will still allow us to provide a good level of assurance across council areas, and creation of an annual assurance opinion.



Our audit plan is grouped into the different management areas shown in the chart, with further detail provided in the table.

The Audits fall into the following areas:

- Core audits, largely related to “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, and Housing Benefit.
- Risk based audits within the service delivery areas.
- Corporate Assurance that relates to how the council is governed and managed.

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 Management

One area of our plan is classified as “Audit Management”. 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), One West and Audit Southwest (Internal Audit for NHS).

Fraud Prevention and Detection

Counter-fraud arrangements are a recognised risk for the Council and assist in the protection of public funds and accountability. To address this, the authority is encouraged to agree a separate plan of counter fraud work.

Our Counter Fraud service oversees 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 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.

Mid Devon Draft Internal Audit Plan for 2023/24

| Audit Area | Last Audited | Frequency | Days 23/24 | Comments |
|------------|--------------|-----------|------------|----------|
|------------|--------------|-----------|------------|----------|

CORE FINANCIAL ASSURANCE AUDITS (Annual / Biennial)

| | | | | |
|--|----------------------|----------|----|---|
| Council Tax and NNDR | 2021/22 (Reasonable) | Annual | 10 | Compliance Review |
| Income and Cash Collection (incl Debtors, Electronic payments) | 2022/23 (Reasonable) | Annual | 7 | Compliance review (including follow up) and consideration of implications of team structure changes (linked to creditors) and data quality. |
| Debt Recovery | 2022/23 (TBC) | Annual | 7 | Systems documentation and consideration of scope of operation as corporate recovery team. |
| Main Accounting System | 2022/23 (Reasonable) | Annual | 7 | CORPORATE RISK: Funding Availability (20) / Budget Cuts (20) 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 | 2022/23 (Reasonable) | Annual | 10 | Compliance review (inc. follow-up) Customer On-line Access (New System) |
| Creditors | 2022/23 (Reasonable) | Annual | 7 | Compliance review (inc. follow-up) and consideration of implications of team structure changes (linked to income) and data quality control. |
| Trade Waste (Biennial) | 2021/22 (Reasonable) | 2 yearly | 10 | |

RISK BASED AUDITS

Human Resources

| | | | | |
|---|---------|----------|---|---|
| Travel and Subsistence (incl Pool cars) | 2017/18 | 3 yearly | 5 | |
| Staff survey and action plan | NA | NA | 5 | Provide critical friend support to staff survey |

Financial Services & Procurement

| | | | | |
|--|---------|----------|----|--|
| Asset management incl Leasing (Property/Vehicles/Equipment/IT) | 2022/23 | 3 yearly | 10 | Specific management and accounting of assets, assets registers |
| Contract Management - Contract Register & Contracts | 2020/21 | 2 yearly | 10 | Includes Third Party Risk - Full risk-based review (link to Collaborative and Partner Working audit) |

ICT

| | | | | |
|-----------------------|-------------------|--------|----|---|
| IT and Cyber Security | 2022/23 (Limited) | Annual | 20 | CORPORATE RISK: CYBER SECURITY To include follow up of Limited Assurance report |
|-----------------------|-------------------|--------|----|---|

Planning

| | | | | |
|--|---------------------|----------|----|--|
| Building Control (incl income and all other areas) | 2020/21(Reasonable) | 3 yearly | 8 | |
| Enforcement | 2017/18 | | 10 | |

Growth, Economy & Community Development

| | | | | |
|---------|---------|----------|---|--|
| Markets | 2014/15 | 4 yearly | 5 | While high risk, Tiverton Pannier Market is only £70k a year, and changes to current market infrastructure not expected for some time so audit time may not be needed? |
|---------|---------|----------|---|--|

Public Health Services

| | | | | |
|------------------------|----------------------|----------|----|---|
| Private Sector Housing | 2019/20 | | 10 | DFG, licensing of multiple occupation properties |
| Emergency Planning | 2021/22 (Reasonable) | 3 yearly | 5 | Follow up to assess status on implementation of recommendations |

Leisure (one centre per year)

| | | | | |
|---|---------|----------|----|--|
| Exe Valley Leisure Centre (incl income and all other areas) | 2019/20 | 3 yearly | 10 | CORPORATE RISK: SHORTAGE OF CHLORINE To include follow up of Culm Valley report (Limited Assurance report) |
|---|---------|----------|----|--|

Legal & Democratic Services

| | | | | |
|--------------------|---------|--|---|--|
| Members Allowances | 2019/20 | | 5 | |
|--------------------|---------|--|---|--|

Street Scene

| | | | | |
|-----------------------------------|-----------------------|----------|----|---|
| Waste & Recycling | 2021/22 (Substantial) | 2 yearly | 10 | Significant risk as Government has announced Councils need to get to 65% of waste recycling |
| Street Cleaning & Public Cleaning | Not Known | | 5 | |

Customer Services

| | | | | |
|-------------------------------------|----------------------|----------|----|--|
| Community Engagement & Consultation | 2019/20 (Reasonable) | 3 yearly | 10 | |
|-------------------------------------|----------------------|----------|----|--|

Housing & Property Services

| | | | | |
|---|----------------------|----------|----|---|
| Repairs and Maintenance | 2022/23 (Limited) | 2 yearly | 5 | Alternate Housing or Property. 2023 - Property Follow up for 23/24 following Limited Assurance 2022/23 |
| Stores | 2021/22 (Reasonable) | 2 yearly | 8 | |
| Health & Safety Management Arrangements - Housing Stock | Not Known | 2 yearly | 10 | |
| Void Management Arrangements (Housing Stock) | 2022/23 (NA) | 3 yearly | 5 | Follow up of work done in 2022/23 |
| Void Management Arrangements (Business Property Stock) | 2016/17 | 3 yearly | 5 | |
| Letting of Housing Stock | 2019/20 | 3 yearly | 10 | Letting of property through Devon Home Choice |
| Housing Options | 2018/19 | 3 yearly | 10 | CORPORATE RISK: HOMES FOR UKRAINE Relates to Homelessness and Homes for Ukraine etc. |

Corporate Assurance

| | | | | |
|-------------------------------------|----------------------|-------------|---|---|
| Governance - inc Ethics and Culture | 2021/22 (Reasonable) | 2 yearly | 5 | |
| Safeguarding | 2021/22 (Reasonable) | 2 yearly | 5 | Corporate Safeguarding, Housing Tenant Services and Housing Repairs etc |
| Housing Company (3 Rivers) | 2021/22 | As Required | 5 | CORPORATE RISK: FAILURE OF THREE RIVERS |
| Performance Management | Not known | 3 yearly | 8 | 2021 Process and evidence base review of new indicators |
| Grant Assurance | 2022/23 | As Required | | Days required to be taken out of contingency where possible. |

AUDIT MANAGEMENT GOVERNANCE

| | | | |
|--|--|----|--|
| Audit Governance | | 35 | Audit Plan; Recommendations; Annual Report etc |
| Fraud/Irregularity and prevention | | 5 | Includes Annual Fraud Assurance report |
| Consultancy/Advice/Contingency/Assurance Map | | 10 | |

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.

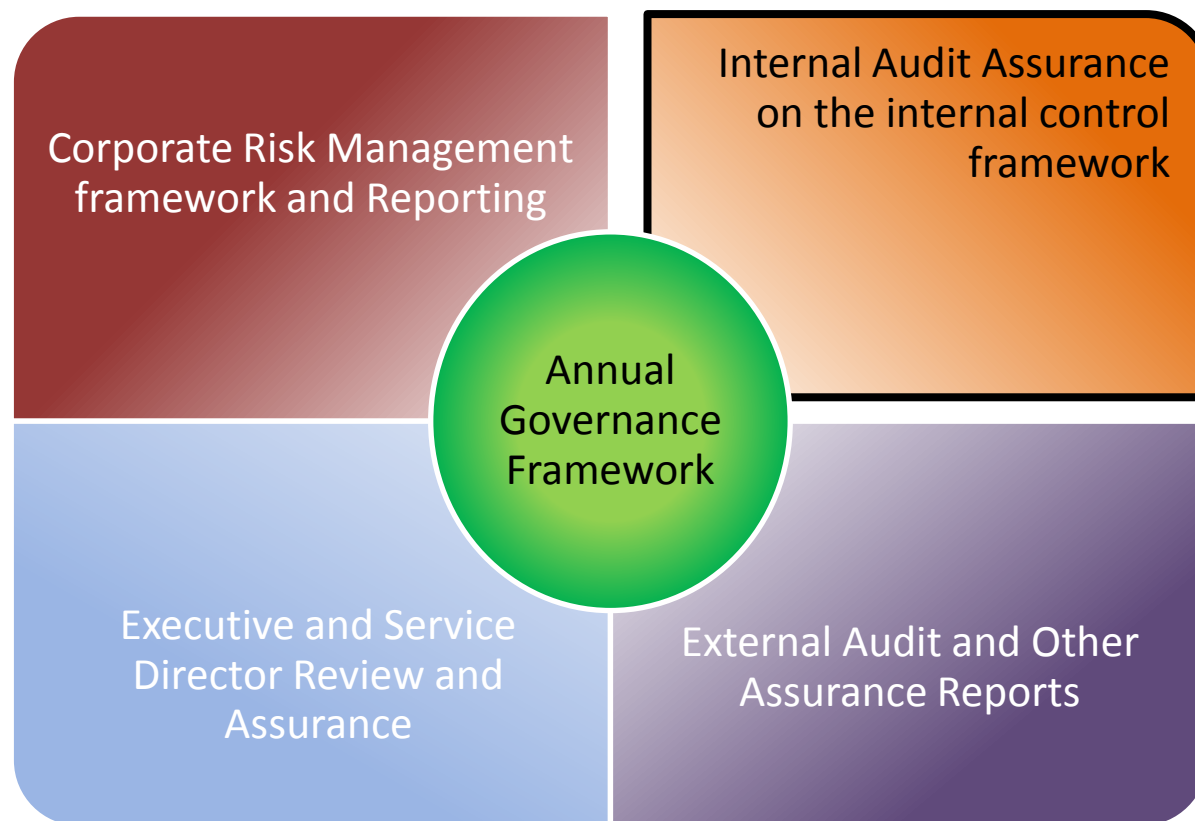
Appendix 2 - Annual Governance Framework Assurance

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.
 - Governance 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.



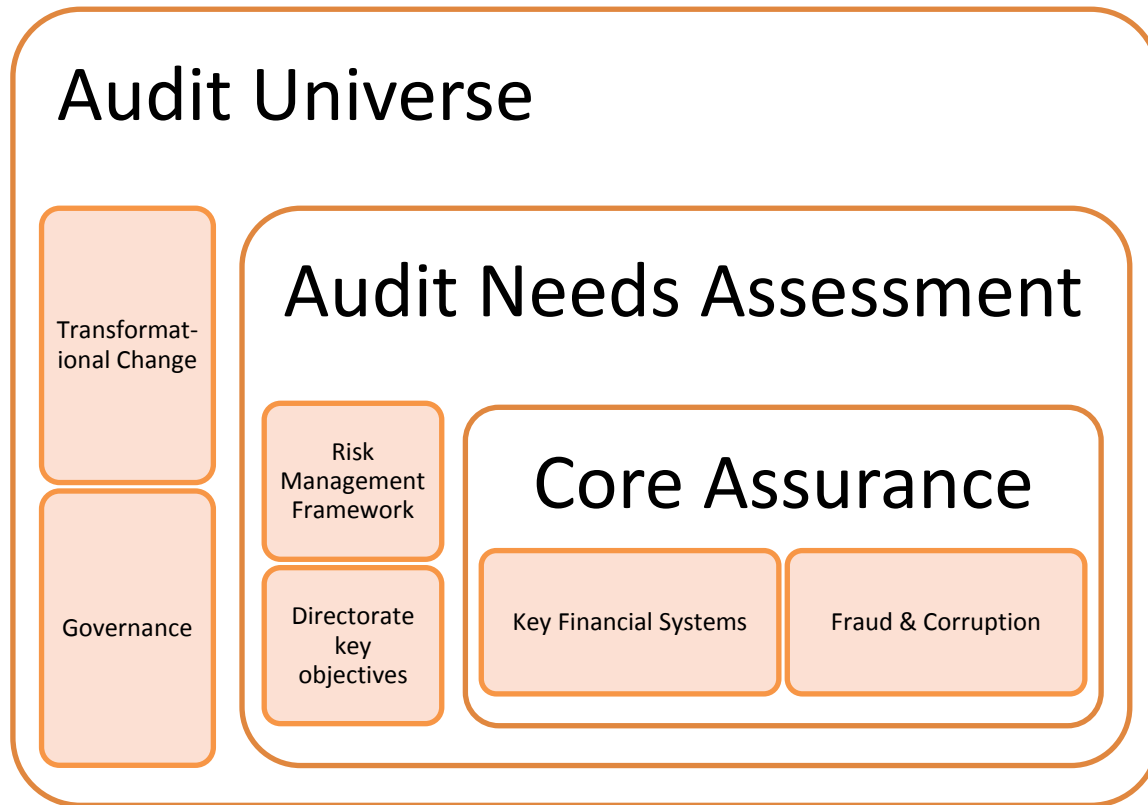
The AGS needs to be presented to, and approved by, the Governance Committee, and then signed by the Chair.

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

Our process to create the audit plan includes discussions with management, review of risk registers, consideration of previous work. We also consider the Audit Universe we maintain for the council. Ultimately, our requirement is to undertake a broad-based audit plan of work that supports provision of an end of year assurance report to support the council's own governance statement.

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

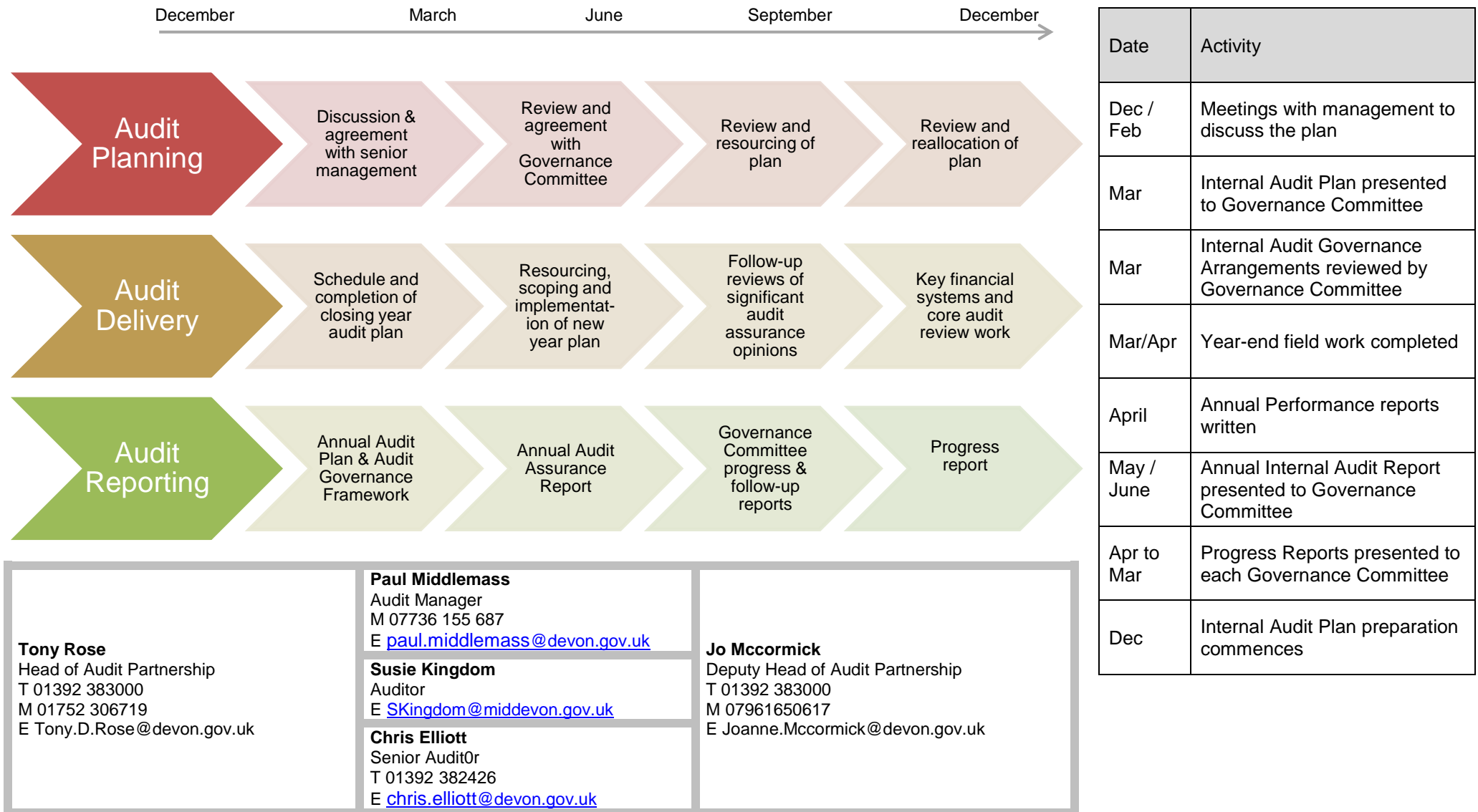
Discussions and liaison with Directors and Senior Officers regarding the risks which threaten the achievement of corporate or service objectives, including changes and / or the introduction of new systems, operations, programs, and corporate initiatives

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



Appendix 5 Sector Risk Model

(Source Institute of Internal Auditors – Risk in Focus 2023)

Key Risk areas:

Cyber security remains the number one concern for almost everyone.

Human Capital – staffing has become more important given manpower shortages.

Macroeconomic and geographical uncertainty has also increased in importance, not surprising given the international situation of conflict in Ukraine and tension with China.

Changes in laws and regulations are also important although a slight reduction since last year.

Climate change is increasingly back on the agenda.

