



**Oversight and Governance**

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**AUDIT AND GOVERNANCE COMMITTEE**

Monday 11 May 2020  
3.00 pm  
Virtual Meeting

**Members:**

Councillor Parker-Delaz-Ajete, Chair  
Councillor Kelly, Vice Chair  
Councillors Carson, P Smith and Stevens.

**Independent Members:**

Mr Shipperley and Mr Stewart

Members are invited to attend the above virtual meeting to consider the items of business overleaf.

This meeting will be broadcast live and will be available on-line for playback once the meeting has concluded. By joining the meeting, councillors are consenting to being filmed during the meeting and to the use of the recording for online viewing.

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**Tracey Lee**  
Chief Executive

## **Audit and Governance Committee**

### **Agenda**

**1. Apologies**

To receive apologies for non-attendance submitted by Committee Members.

**2. Declarations of Interest**

Members will be asked to make any declarations of interest in respect of items on this Agenda.

**3. Minutes**

**(Pages 1 - 8)**

To confirm the minutes of the meeting held on 09 December 2019.

**4. Chair's Urgent Business**

To receive reports on business which, in the opinion of the Chair, should be brought forward for urgent consideration.

**5. Remote meeting protocol**

**(To Follow)**

**6. 2019/20 Audit Plan**

**(To Follow)**

**7. Responding to COVID19**

**(Pages 9 - 18)**

**8. Internal Audit Charter & Strategy**

**(Pages 19 - 36)**

**9. Internal Audit Plan 20/21**

**(Pages 37 - 60)**

**Audit and Governance Committee****Monday 9 December 2019****PRESENT:**

Councillor Parker-Delaz-Ajete, in the Chair.  
Councillor Kelly, Vice Chair.  
Councillors Kelly, P Smith, Stevens and Stewart.

Co-opted Representatives: Mr Shipperley and Mr Stewart.

Also in attendance: Andrew Loton (Senior Performance Advisor), Jean Kelly (Service Director for Children, Young People and Families), Chris Flower (Finance Business Partner), Brenda Davis (Audit Manager), Ken Johnson (Counter Fraud Services Manager), Carolyn Haynes (Financial Controller), Andrew Hardingham (Service Director for Finance), Paul Dossett and Geri Daly (Grant Thornton), Sian Millard (Oversight and Governance Manager), Paul Looby (Head of Financial Planning and Reporting) and Jamie Sheldon (Democratic Advisor).

The meeting started at 15:00 and finished at 16:35.

*Note: At a future meeting, the committee will consider the accuracy of these draft minutes, so they may be subject to change. Please check the minutes of that meeting to confirm whether these minutes have been amended.*

**47. Declarations of Interest**

There were no declarations of interest made by Members in accordance with the code of conduct.

**48. Minutes**

The Committee agreed the minutes of the meeting held on 23 September 2019.

**49. Chair's Urgent Business**

There Chair asked the Committee to appoint a Vice Chair for the remainder of the municipal year. Councillor Peter Smith proposed Councillor Nick Kelly to be the Vice Chair, which was agreed by the Committee.

**50. Operational Risk & Opportunity Management Update Report**

Andrew Loton (Senior Performance Advisor) present this item Operational Risk & Opportunity Management Update Report. Jean Kelly (Service Director for Children, Young People and Families) was present for questions due to red risk in her service area.

- (a) Plymouth City Council's Risk and Opportunity Management Strategy was reviewed each year and updated to ensure it remained fit for purpose. The latest version was endorsed by the Audit and Governance Committee on 23 September 2019.

- (b) To comply with the Risk and Opportunity Management Strategy each Directorate must implement a robust process of managing risks to corporate, service, project and partnership objectives for which they have responsibility.
- (c) To support the promotion and co-ordination of risk management each Directorate/Service had a dedicated Risk Champion. Risk Champions represent their Directorate/Service at the Operational Risk Management Group which is chaired by the Oversight and Governance Manager.
- (d) Good progress has been and the achievements outlined in this report should provide Members with assurance that operational risks are being identified effectively, mitigation actions put in place and Operational Risk and Opportunity Registers monitored routinely alongside the delivery of objectives
- (e) The total number of operational risks now reported has increased from 111 to 112, comprising of two high (red) risks, 67 medium (amber) risks and 43 low (green) risks.

#### Red Risks –

- (f) Delivering Council services within the envelope of the resources provided in 2019/20-2021/22 Medium Term Financial Plan - Risk to Services of not delivering within reduced budgets;
- (g) Projected overspend in children's social care caused by unprecedented demand and level of support needed to keep young people safe, such as specialist residential care placements with high levels of staffing.

#### Members discussed –

- Whether any savings being made were having an impact on services being delivered in Children's Services;
- The term "Overspend" being used and how this was a funding issue, if we didn't spend we would be saying no to Children who needed to come into care.
- How there was no cap on demand within the Service and how certain budget pressures were result of Court rulings;

The Audit and Governance Committee requested clarification on the movement of operational risk scores.

The Audit and Governance Committee noted and endorsed the current position with regard to operational risk and opportunity management.

#### 51. **Treasury Management Strategy 2020/21**

Chris Flower (Finance Business Partner) presented the Treasury Management Strategy 2020/21 to the Committee -

- (a) Treasury Management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the effects of changing interest rates.
- (b) The Treasury Management Strategy sets out how Plymouth would invest to grow and meet future Infrastructure needs. It is a companion document to the Medium Term Financial Strategy which sets out Plymouth's ambitions and priorities from the Plymouth Plan.
- (c) The Treasury Management Strategy fulfils the Council's legal obligation under the Local Government Act 2003 and compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code which was updated in 2018.

Members discussed –

- Whether Plymouth City Council had any pooled funds.

The Audit and Governance Committee recommended the Treasury Management Strategy 2020/21 (Incorporating the authorised limits, operational boundaries and prudential indicators) to the Council for approval.

## 52. **Capital Financing Strategy 2020/21**

Chris Flower (Finance Business Partner) presented the Capital Financing Strategy 2020/21 to the Committee –

- (a) The capital strategy report gave a high-level overview of how capital expenditure, capital financing and treasury management activity contributes to the provision of local public services along with an overview of how associated risk was managed and the implications for future financial sustainability.
- (b) Decisions made this year on capital and treasury management would have financial consequences for the Council for many years into the future. They were therefore subject to both a national regulatory framework and to local policy framework.
- (c) It was now a requirement as part of the amendments implemented in the 2017/18 Treasury Management Code of Practice Guidance that all Local Authority's would need to produce a Capital Strategy each year.
- (d) The strategy provides an overarching policy framework for the Council's capital programme and planning, and would form part of a suite of strategies which provided a holistic view of the Council's financial planning framework.
- (e) This strategy was to be considered in conjunction with the Medium-Term Financial Strategy, Treasury Management Strategy and Investment Strategy.

Members discussed –

- Whether there were any post code boundaries for the strategy;

- What the minimum investment return Plymouth City Council were aiming for.

The Audit and Governance Committee recommended the Capital Financing Strategy 2020/21 to the Council for approval.

53. **Mid- Term Treasury Management Report 2019/20**

Chris Flower (Finance Business Partner) presented the Mid- Term Treasury Management Report 2019/20

- (a) Provided the Audit Committee and the Council with a mid-year review of the Council's treasury management activities for the first 6 months to 30 September 2019.
- (b) The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code) required that authorities report on the performance of the treasury management function at least twice yearly (mid-year and at year end).
- (c) The 2017 Prudential Code included a requirement for local authorities to provide a Capital Strategy, a summary document approved by Full Council covering capital expenditure and financing, treasury management and non-treasury investments.
- (d) The Council's Capital Strategy and the Council's Treasury Management Strategy for 2019/20 were approved by full Council on 25 February 2019.
- (e) The Council had borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The Council is reliant on the successful identification, monitoring and control of risk.

The Audit and Governance Committee noted The Mid-Year Treasury Management Report 2019/20.

54. **Internal Audit Half Year Report 2019/20**

Brenda Davis (Audit Manager) presented the Internal Audit Half Year Report 2019/20 to the Committee -

- (a) Provided Members of the Audit and Governance Committee with a position statement on the audit work carried out since April 2019. Overall, based on work performed to date during 2019/20 and experience from the current year progress and previous years' audit, the Head of Internal Audit's Opinion was of "Substantial Assurance" on the adequacy and effectiveness of the Authority's internal control framework.

Members discussed –

- How the timescale on delivery of recommendations were agreed with management;
- The Definitions of Audit Assurance Opinion Levels and why they were provided.

The Audit and Governance Committee –

- 1) Noted the findings within the report;
- 2) Noted the Head of Audit assurance opinion based on work undertaken in the first half of the year.

55. **Counter Fraud Services Half Yearly Report**

Ken Johnson (Counter Fraud Services Manager) presented the Counter Fraud Services Half Yearly Report to the Committee –

- (a) Fraud in all its forms remained the most common criminal offence in the UK costing the UK economy an estimated £193 Billion a year. This equates to £7200 per household in the UK.
- (b) Any fraud against Plymouth City Council was a fraud against the public purse and therefore would continue to acknowledge the threat from fraud, build processes and policies that would prevent fraud and pursue those who would commit fraud to ensure that the public retain confidence in the Council.
- (c) Collaboration across the public sector would continue and strengthen under the current working arrangements through DAP and its partners.
- (d) The statistics for the current year show that there are consistent savings to be made by countering fraud. There had been 215 allegations of fraud made so far this year resulting in 21 recommended prosecutions and 27 recommendations for Cautions and other forms of sanction. Along with various compliance visits a total savings figure of £1,039,868.04 had been realised at time of receiving this half yearly report. The team continued to investigate 131 fraud allegations.
- (e) The DAP, Counter Fraud Services Team continued to set the standards in the South West Peninsula in the area of counter fraud. National recognition had shown that Plymouth City Council remained committed to its moral and legal duties to the public and that it effectively acts in line with its own 'Plan, Mission, Value and Priorities'.

Members discussed –

- What the process for publicity was when we catch someone committing fraud;
- What the definition of School admission fraud was and what could be done to combat it;
- Whether there was value in putting more staff into the Counter Fraud Team as more money could be put back into the budget.

The Audit and Governance Committee noted the Counter Fraud Services Half Yearly Report.

56. **Statement of Accounts 2018/19 - Final Audited Published Accounts**

Carolyn Haynes (Financial Controller), Andrew Hardingham (Service Director for Finance) and Geri Daly (Grant Thornton) presented the Statement of Accounts 2018/19, the Audit Findings Report and the Letter of Representation to the Committee -

- (a) The Council's draft Statement of Accounts for year ending 31 March 2019 was prepared and approved ready for our external auditors by the Service Director for Finance on 31 May 2019.
- (b) The Accounts had now been audited by Grant Thornton UK (GTUK) and were being presented to Audit Committee to note the changes between the draft and final version and to approve these changes prior to final publication.
- (c) The report also contained a copy of details of the management responses to the 'Letter to Management' which was discussed at the Audit & Governance Committee on the 11 March 2019.
- (d) Grant Thornton summarised the key findings and other matters arising from the statutory audit of Plymouth City Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2019 for those charged with governance.
- (e) Grant Thornton provided a further update following the last two Audit Finding Reports which were presented to Plymouth City Councils Audit and Governance Committee on 22nd July 2019 and the 23rd September 2019.
- (f) The Accounts and Audit Regulations 2015 required Local Authorities to publish their financial statements by 31 July each year, irrespective of whether the audit has been completed. The Council complied with this date and published the draft accounts as well as a notice explaining why they were still unaudited.
- (g) Audit work was undertaken on site from late June through to December 2019. Initially, there were delays to the completion of the audit work as a result of Grant Thornton resourcing issues.
- (h) As the audit had progressed, Grant Thornton had identified a number of errors within the accounts that have required adjustments by management. The area where this has occurred the most is in capital grants, the valuation of property plant and equipment (PPE) and the detailed disclosure notes required for Financial Instruments. Our work on the valuation of PPE has identified a prior period adjustment (PPA) which management have included in the revised version of the financial statements. Our findings to date are summarised on pages 5 to 15.
- (i) Had identified seven adjustments to the Statement of Financial Position – one was a PPA as a result of the need to process the valuation of the Energy to Waste Plant for 2017/18, misclassification of investment properties which should have been recorded in other land and buildings and an error in the accounting for capital grants.
- (j) The amendments made in 2017/18 and 2018/19 had increased the net worth of the Authority by £5.931m. Unusable reserves had also increased by the same amount.



- (k) There had been six changes to the Council's Comprehensive Income and Expenditure Statement which had resulted in an increase in the surplus/ financial outturn of the Council by £8.77m for 2017/18.
- (l) Identified a possible material upward valuation regarding those assets revalued on a depreciated replacement cost basis (DRC) for those assets that have not been valued prior to 2017. Grant Thornton believe that the upward valuation will be circa £29m and the Council's valuer is currently reviewing this and applying the necessary indices to arrive at an accurate figure. Once this has been determined the Council will make the necessary adjustments in the accounts.
- (m) Audit adjustments to date were detailed in Appendix B. We have also raised recommendations for management as a result of their audit work in Appendix A. The Councils previous External Auditors did not make any recommendations in 2017/18 and so no follow-up work was required.
- (n) Our work is in its finalisation stages. We have listed below the items that will need to be completed prior to the audit opinion being issued.
- (o) Would also require specific representation from management and the Audit and Governance Committee for those items that had not been adjusted.

The key matters in progress as at 3rd December 2019 are:

- Completion of our work on the valuation of Property Plant and Equipment;
- Review and testing of the revised financial instruments disclosure notes;
- Review of the amended accounts and disclosure notes;
- Receipt of management representation letter;
- Review of the final set of financial statements, including the Annual Governance;
- Review of Post Balance Sheet Events;
- Our own internal quality checks.

Members discussed –

- The lateness of the reports received from Grant Thornton giving insufficient time to review all information;
- Why in Management's view the impact of the McCloud ruling was not material for Plymouth City Council and the fact that the financial statements would therefore not be adjusted;
- Raised concerns about the use of the reserves and what the plans were to replenish them.

The Audit and Governance Committee -

1. approved the Statement of Accounts for 2018/19 attached as Appendix B which have now been audited by GTUK for final publication.
2. noted the amendments made to the Statement of Accounts for 2018/19 as agreed with the Auditor and outlined in Appendix C.
3. ensured the Letter of Representation attached as Appendix D was authorised and submitted to the Auditor.

57. **Audit Findings report 2018/19 - Final Draft**

Please see minute number 56.

58. **Letter of Representation**

Please see minute number 56.

59. **Heart of the South West Joint Committee ToRs**

Sian Millard (Oversight and Governance Manager) presented Heart of the South West Joint Committee ToRs –

- (a) This report was based on a standard template intended to update each of the Constituent Authorities of the Heart of the South West (HotSW) Joint Committee regarding revised governance arrangements, and the budgetary position for 2019/20.
- (b) Members were asked to consider the changes required to the Council's constitution resulting from the Heart of the South West Joint Committee's governance review exercise.
- (c) The changes to the list of functions were set out in Appendix A of the attached report, and a tracked changes version is attached as Appendix C.

The Audit and Governance Committee agreed the proposed changes and recommended that the Council also approve the recommendations in the attached report, specifically the first point that amended the range of functions of the Heart of the South West Joint Committee. These changes were required to bring the Committee's role into line with developments since its establishment in March 2018.

# Audit and Governance Committee



Date of meeting:	11 May 2020
Title of Report:	<b>Internal Audit Response to the Covid-19 Pandemic</b>
Lead Member:	Councillor Mark Lowry (Cabinet Member for Finance)
Lead Strategic Director:	Andrew Hardingham (Service Director for Finance)
Author:	Robert Hutchins
Contact Email:	Robert.Hutchins@devon.gov.uk
Your Reference:	AUD/RH
Key Decision:	No
Confidentiality:	Part I - Official

## **Purpose of Report**

To update committee members on the Internal Audit Response to the Covid-19 pandemic and potential impact on the 2020/21 Internal Audit Annual Audit Opinion.

## **Recommendations and Reasons**

The Audit and Governance Committee note the update report and the changes made by DAP to ensure that internal audit can continue to operate effectively and advise management on risk and control issues, particularly those arising from Covid-19.

## **Alternative options considered and rejected**

None as the Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual audit opinion that can be used by the organisation to inform its governance statement.

## **Relevance to the Corporate Plan and/or the Plymouth Plan**

The work of the Internal Audit Service supports delivery of the values and priorities set out in Corporate Plan by ensuring that resources are used wisely, and service areas understand and deliver quality public services which meet customer and community needs and keep people safe. Our service will also support the Council as it undertakes work to address the challenges brought by Covid-19.

## **Implications for the Medium Term Financial Plan and Resource Implications:**

Delivery of the audit plan will assist the council in delivering value for money services.

## **Carbon Footprint (Environmental) Implications:**

No direct carbon/environmental impacts arising from the recommendations.

**Other Implications: e.g. Health and Safety, Risk Management, Child Poverty:**

\* When considering these proposals members have a responsibility to ensure they give due regard to the Council's duty to promote equality of opportunity, eliminate unlawful discrimination and promote good relations between people who share protected characteristics under the Equalities Act and those who do not.

The work of the internal audit service is an intrinsic element of the Council's overall corporate governance, risk management and internal control framework.

**Appendices**

\*Add rows as required to box below

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable)						
		1	2	3	4	5	6	7
A	Internal Audit Response to the Covid 19 pandemic							

**Background papers:**

\*Add rows as required to box below

Please list all unpublished, background papers relevant to the decision in the table below. Background papers are unpublished works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.

Title of any background paper(s)	Exemption Paragraph Number (if applicable)						
	1	2	3	4	5	6	7
None							

**Sign off:**

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Originating Senior Leadership Team member: Andrew Hardingham

Please confirm the Strategic Director(s) has agreed the report? Yes

Date agreed: 30/04/2020

Cabinet Member approval: Cllr Mark Lowry (approved by email)

Date approved: 30/04/2020

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## Internal Audit Update Note

### Internal Audit Response to the Covid-19 pandemic

*May 2020*

**Official**



Support, Assurance & Innovation

## Devon Audit Partnership

### Internal Audit Response to Covid 19

#### Update note for Plymouth City Council Audit and Governance Committee

#### 1 Introduction

1.1 In these extremely testing times we wanted to briefly update the Audit and Governance Committee on how we (Devon Audit Partnership (DAP) – the providers of the Internal Audit function) - are looking to adjust our ways of working, to help deliver our work, in particular the 2020/21 internal audit plan, and how we aim to provide wider support to organisations as they respond to challenges brought by Covid-19.

#### 2. Helping our Partners and Clients respond to Covid-19

2.1 As a reminder, all DAP staff are Devon County Council (DCC) employees; Devon (like other Authorities) has sought volunteers to assist front line service delivery. We know DAP is not a “front line” service and therefore our staff could be well placed to assist with requests for help. We do not yet know what roles we may be asked to complete but I am sure that any support we can provide will be helpful.

2.2 The guidance from Phil Norrey (Chief Executive of Devon) has said:-  
*“...other..... partner organisations may require staff to volunteer to support their work such as drivers and customer call handling, and we are currently bringing this information together”.*  
As a consequence, our staff who are based in locations around Devon (e.g. Plymouth, Torbay etc) may be best allocated to help those organisations.

2.4 Our Immediate Response: -

- We have prepared a skills / availability matrix of all DAP staff for the purposes of deployment to other priority services for all our partners. Some staff have already been deployed;
- We have contacted Plymouth City Council’s Workforce Bureau regarding skills and availability of DAP officers to help with COVID19 issues:
- We have been informed of, and have identified, a range of activities from across our client and partner organisations where workarounds to normal business practices are required in response to Covid-19; for example, procurement practices, payments for adult and children’s social care and purchasing cards etc. It is our intention to be proactive in providing input, advice and assurance to services on any proposed changes;
- Working with colleagues in other teams to support them as they respond to the challenges brought by Covid-19. For example, work with DCC Procurement regarding payments to contractors where services may be delayed / not provided.

2.5 Ongoing Support: -

- Head of Partnership has taken on role as Head of Devon CC Food Cell;
- Other DAP staff are supporting this through a wide range of issues including:
  - Establishing needs around food supplies for smaller Care Homes;
  - Liaising with supermarkets and other providers;
  - Assisting the “Shielded”; and
  - Working with voluntary sector organisations.

2.6 DAP staff have been deployed in different roles e.g. Supporting HR, Business Grants Processing, DCC Call centre – at time of writing **5 staff** have been subject to such deployment. Work undertaken to date, specific to Plymouth, includes:-

- Working with Co-Operative Commissioning to develop procedures for staff working across the community assisting people with shopping or accessing cash to ensure that officers have a clear, proportionate but robust process to follow.



- Applications for cash grants for businesses in receipt of small business rates relief or for retail, hospitality and leisure businesses with a rateable value of £51,000 or less are run through the government Spotlight tool which performs automated due diligence checks. Any rejections are passed to DAP who perform further manual checks, including contacting the ratepayer, to determine if the application should be rejected or if there has been an error and it should be paid. If the application appears fraudulent, it will be referred to the DAP Counter Fraud Team.
- Social distancing, coupled with many shops declining cash, has presented a real problem for Plymouth Credit Union (PCU) and some of its members. We have worked with officers setting up a cashless card system and in drawing up an Operational Agreement and Service User Agreement.

- 2.7 We remain alert to the Council's emergency procedures and associated control environment assurance needs; we are well placed to support and, ensure sound and effective arrangement are in place to deal with the current crisis.
- 2.8 We encourage officers to contact us when proposing changes to systems; if they have any concerns about what they are doing, are anxious about the risk of fraud or just want assurance that what they are planning is suitably robust. The DAP team are all working from home at this time, but have excellent IT comms, make good use of Skype, Teams etc. and are therefore readily contactable.

### 3 Internal Audit Response

- 3.1 We are very aware that we need to provide an annual assurance opinion at the end of 2020/21. We anticipate that there will be challenges in completing the 2020/21 audit plan in our traditional manner, and so have developed different practices to enable us to deliver our assurance. This will include confirmation of key controls, remote testing wherever possible of these controls (so as not to disturb / disrupt operational staff) and using data analytics generated from system data. This approach has been discussed (and agreed) with your s151 officer and the DAP Management Board.
- 3.2 In more detail we have reviewed our approach to the provision of Internal Audit and are developing this new model (see info graphics below): -



- 3.3 The focus of this model is on assurance mapping, underpinned by the well-known and recognised '3 lines of defence model' to build a more in-depth view of the risk and control framework in operation. Our plan is to build this map and model from our existing knowledge base and access levels supported by a much-reduced contact with client staff. This work will be our focus in early part of the year covering key financial systems and other areas within the audit plan that can support this engagement. This will not result in the usual and frequent issue of audit reports but produce a wider risk and control framework image.

3.4 This model can then be supported by less intrusive testing through data analytics, which we will also need to develop to support this model. As services return to normal operation during the year, we will take this assurance framework through to more specific audit reviews and more familiar reporting arrangements to provide assurance in line with the audit plan.

3.5 This info graphic also includes improvement opportunities for our service delivery which we will work on to further develop service efficiency and effectiveness.

3.6 *Completion of 2019/20 work.*

- 2019/20 Internal Audit Plans – are near full completion for the year though a small number of audits will, unfortunately, be at risk of non-completion / finalisation as audits are formally or informally cancelled, deferred or postponed whilst our partners focus is turned firmly to business-critical services.
- Currently staff are completing 2019/20 audit work “as best they can” – without putting undue pressure on service areas. we hope to have covered 90% of the audit programme and that is what we shall base our assurance opinion on.
- All staff are remote working and to date this does seem to be working effectively; this brings with it some new challenges and engagement at delivery level. This is being managed and achieved sensitively.

3.7 *Undertaking the agreed plans for 2020/21*

- 2020/21 Internal Audit Plans – Work will be undertaken as outlined above. “Traditional” audit work is unlikely to be effective during this time and we recognise that tying up key staff is unlikely to be welcomed. Our approach is to firstly identify areas within the audit plan where we have remote access to information and are likely to need minimal officer input. This approach will allow us to start 2020/21 work with minimal client disruption. We will continue to liaise closely with management to ensure that we deliver the audit assignments detailed within the audit plan as efficiently as possible.
- The recently cancelled round of Audit Committees has had an impact. At most organisations the agenda items have been:
  - deferred to the next available Committee;
  - approved by officer delegation or
  - circulated by e-mail to Committee members.
- Such meetings would have considered (and agreed / approved / noted) IA charter and work plan for 2020/21, but we shall use the prepared plans as a basis for our work, subject to any changes reported.

3.8 *External Audit*

3.8.1 It should be noted that our External Audit colleagues look to the work of internal audit when determining their work and the resources for that work. If the internal audit plan was adversely affected by Covid-19, and the 2020/21 internal audit opinion caveated due to lack of coverage, then External Audit may need to reconsider their plan, their resources and, ultimately, the cost of their services to the Council. Therefore, it is important that we stay on track to deliver our plan; despite the challenges outlined above we remain confident that we can complete our work and provide the level of assurance the Audit Committee requires and help External Audit in completing their tasks.

## **4 Counter Fraud.**

- Counter-fraud staff continue to work on referrals until such time as they are deployed into other roles.
- Advice, guidance and consultancy continues.
- Progressing investigations as far as possible in the absence of face to face interviews and court proceedings taking place.

4.1 The Department for Business, Energy & Industrial Strategy (BEIS) have put in place a process by which we can flag to you potentially fraudulent behaviour that is brought to their attention. They require a nominated individual from within the Local Authority that can be a point of contact on potential fraud. Ken Johnson, DAP Counter Fraud Team Manager has been nominated as champion at Plymouth and an offer has been made to other partners for same.

## 5 DAP Development

5.1 DAP continues to:-

- Review and develop its approach (see model above).
- Contributing to a national horizon scanning exercise to understanding what Internal Audit can do further (from a professional practice viewpoint) to support the organisation at this time (both for the organisations short and, long term plans).
- Help staff adjust to new ways of working, including MS Teams becoming the lynchpin of getting things done.

5.2 We have identified a range of service development activities that staff will work on without impacting our clients – a particular example of this is the use of data analytics to help provide some oversight of large data sets / transactions at a time where the control environment may be reduced;

5.3 Staff have been asked to complete Personal Development Objectives and any required records for CPD for their professional institutes and ensure that they are up to date with the Host Authority's E-Learning requirements.

5.4 Reviewing the suite of training material that we deliver to the Audit Committees and staff at partner organisations.

## 6 Impact on the Council and DAP

6.1 *19/20 Audit Opinion*

6.1.1 DAP will prepare the Annual Internal Audit report based on the work completed. We envisage that the work undertaken will enable the reports to be produced reasonably effectively but, may need to make reference where work has been shortened.

6.2 *Delivering in 20/21*

6.2.1 As outlined above we will undertake 2020/21 internal audit work as best we can with the expectation that we will be able to provide an annual audit opinion, albeit with an expected reduction in direct client contact and under our alternate model.

6.2.2 Audit plans for our partners may suffer from some reduction. We would normally expect to complete one quarter of our plan by end of June, but completion in this first quarter may be impacted (for example by staff deployment to Covid-19, some audit work being deferred etc). Whilst we would, ideally, like to make up lost time in the rest of the year this may not be achievable, though we still aim and expect to provide a balanced audit opinion. We recommend that the internal audit plan for 2020/21 be reviewed at the end of Q1.

6.3 *Budget issues*

6.3.1 DAP management and the Board recognise that Covid-19 presents financial challenges to the Partnership in respect of the level of external work expected to be achieved. We shall closely monitor the situation and take effective (proactive and reactive) action to minimise any negative financial impact.

## 7 Conclusion

7.1 Covid-19 presents significant challenges to organisations; DAP is adapting to the ever changing and developing situation to ensure that internal audit assurance continues to be provided and assists in meeting the Covid-19 challenge as effectively and efficiently as possible

7.2 We are advising and supporting wherever possible but have recognised that we will need to deliver our work in different ways.

7.3 We have made the whole team (from Head of Partnership to apprentice) available to support our partners and we will manage the impact of this.

7.4 We are managing our resources to ensure that the financial impact of Covid-19 on DAP is controlled and minimised.

**8 Recommendation**

- 8.1 The Audit Committee note this update report and the changes made by DAP to ensure that internal audit can continue to operate effectively and advise management on risk and control issues, particularly those arising from Covid-19.

**Robert Hutchins Head of Devon Audit Partnership May 2020**

# Audit and Governance Committee



Date of meeting:	11 May 2020
Title of Report:	<b>Internal Audit Charter &amp; Strategy 2020/21</b>
Lead Member:	Councillor Mark Lowry (Cabinet Member for Finance)
Lead Strategic Director:	Andrew Hardingham (Service Director for Finance)
Author:	Brenda Davis, Audit Manager
Contact Email:	brenda.davis@devonaudit.gov.uk
Your Reference:	AUD/BD
Key Decision:	No
Confidentiality:	Part I - Official

## Purpose of Report

Re-affirmation of the Devon Audit Partnership Internal Audit Charter and Strategy.

There are no changes to the 2020/21 Internal Audit Charter from the document approved by this Committee in March 2019 and the Internal Audit Strategy is also unchanged except for an update to staff numbers and professional qualification in Section 6 – Resources and Skills to ensure details accurately reflect resources as at March 2020.

One of the requirements of the Public Sector Internal Audit Standards (PSIAS) is that the purpose, authority and responsibility of the internal audit activity are formally defined in an internal audit charter and strategy, consistent with the Definition of Internal Auditing, the Code of Ethics and the Standards. The internal audit charter and strategy are in the accompanying documents.

The PSIAS sets additional Public Sector requirements where the internal audit charter and strategy must also:

- define the terms 'board' and 'senior management' for the purposes of internal audit activity;
- cover the arrangements for appropriate resourcing;
- define the role of internal audit in any fraud-related work; and
- include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities.

The Audit Strategy is a high-level statement of how the internal audit service will be delivered and developed in accordance with the Charter and how it links to the organisational objectives and priorities. It will communicate the contribution that Internal Audit makes to the organisation and should include:

- internal audit objectives and outcomes;
- how the Head of Devon Audit Partnership will form and evidence his opinion on the governance, risk and control framework to support the Annual Governance Statement;
- how Internal Audit's work will identify and address significant local and national issues and risks;
- how the service will be provided, and
- the resources and skills required to deliver the Strategy.

The Strategy should be approved, but not directed, by the Audit and Governance Committee.

1. The Charter and Strategy complies with the mandatory requirements of the Public Sector Internal Audit Standards.
2. Delivery of the Internal Audit Service will be by the Devon Audit Partnership.

### Recommendations and Reasons

Members of the Audit and Governance Committee agree the Internal Audit Charter & Strategy for the year 2020/21.

### Alternative options considered and rejected

None, as failure to maintain an adequate and effective system of internal audit would contravene the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards.

### Relevance to the Corporate Plan and/or the Plymouth Plan

The Internal Audit service assists the Council in delivering robust standards of public accountability and probity in the use of public funds and has a role in promoting high standards of service planning, performance monitoring and review throughout the organisation, together with ensuring compliance with the Council's statutory obligations.

Our work supports delivery of the values and priorities set out in Corporate Plan by ensuring that resources are used wisely, and service areas understand and deliver quality public services which meet customer and community needs and keep people safe.

### Implications for the Medium Term Financial Plan and Resource Implications:

Delivery of the audit plan will assist the council in delivering value for money services.

### Carbon Footprint (Environmental) Implications:

No direct carbon/environmental impacts arising from the recommendations.

### Other Implications: e.g. Health and Safety, Risk Management, Child Poverty:

*\* When considering these proposals members have a responsibility to ensure they give due regard to the Council's duty to promote equality of opportunity, eliminate unlawful discrimination and promote good relations between people who share protected characteristics under the Equalities Act and those who do not.*

The work of the internal audit service is an intrinsic element of the Council's overall corporate governance, risk management and internal control framework.

### Appendices

*\*Add rows as required to box below*

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable)						
		If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.						
		1	2	3	4	5	6	7
A	Internal Audit Charter and Strategy 2020/21							

**Background papers:**

\*Add rows as required to box below

Please list all unpublished, background papers relevant to the decision in the table below. Background papers are unpublished works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.

Title of any background paper(s)	Exemption Paragraph Number (if applicable)						
	1	2	3	4	5	6	7

**Sign off:**

Fin	pl.19.20. 271	Leg	lt/34383/ 0403	Mon Off	Click here to enter text.	HR	Click here to enter text.	Assets	Click here to enter text.	Strat Proc	Click here to enter text.
Originating Senior Leadership Team member: Andrew Hardingham											
Please confirm the Strategic Director(s) has agreed the report? Yes											
Date agreed: 04/03/2020											
Cabinet Member approval: Cllr Lowry											
Date approved: 11/03/2020											

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## **PLYMOUTH CITY COUNCIL**

### **INTERNAL AUDIT CHARTER (May 2020)**

#### **MISSION**

The Mission of Devon Audit Partnership is to enhance and protect organisational value by providing risk based and objective assurance, advice and insight across its partners.

#### **TERMS OF REFERENCE**

This 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), and the scope of Internal Audit work. This Charter complies with the mandatory requirements of the Public Sector Internal Audit Standards.

#### **DEFINITIONS**

Internal auditing is defined by the Public Sector Internal Audit Standards (PSIAS) as "an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes".

The PSIAS 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 and Governance Committee and senior management is the Council's Corporate Leadership Team.

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 (HoDAP).

#### **STATUTORY REQUIREMENTS**

Internal Audit is a statutory service in the context of The Accounts and Audit (England) Regulations 2015, which state:

*5.—(1) 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 or guidance.*

In addition, the Local Government Act 1972, Section 151, requires every local authority to designate an officer to be responsible for the proper administration of its financial affairs. In the Council, the Service Director for Finance is the 'Section 151 Officer'. One of the ways in which this duty is discharged is by maintaining an adequate and effective internal audit service.

## **THE PURPOSE AND AIM OF INTERNAL AUDIT**

The role of Internal Audit is to understand the key risks of the Council; to examine and evaluate the adequacy and effectiveness of the system of risk management and the entire control environment as operated throughout the organisation and contribute to the proper, economic, efficient and effective use of resources. In addition, the other objectives of the function are to:

- support the Section 151 Officer to discharge his / her statutory duties
- contribute to and support the Finance function in ensuring the provision of, and promoting the need for, sound financial systems
- support the corporate efficiency and resource management processes by conducting value for money and efficiency studies and supporting the work of corporate working groups as appropriate
- provide a quality fraud investigation service which safeguards public monies.

The existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.

Internal Audit for The Council is provided by Devon Audit Partnership. We aim to provide a high quality, professional, effective and efficient Internal Audit Service to the Members, service areas and units of the Council, adding value whenever possible.

## **PROFESSIONALISM, ETHICS AND INDEPENDENCE**

### **Being Professional**

We (Devon Audit Partnership) will adhere to the relevant codes and guidance. In particular, we adhere to the Institute of Internal Auditors (IIA's) mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the Public Sector Internal Audit Standards. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing within the public sector and for evaluating the effectiveness of Internal Audit's performance. The IIA's Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, Internal Audit will adhere to The Council's relevant policies and procedures and the internal audit manual.

Internal Auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not, however, imply infallibility.

### **Our Ethics**

Internal auditors in UK public sector organisations must conform to the Code of Ethics as set out by The Institute of Internal Auditors. This Code of Ethics promotes an ethical culture in the profession of internal auditing. If individual internal auditors have membership of another professional body then he or she must also comply with the relevant requirements of that organisation.

The Code of Ethics extends beyond the definition of internal auditing to include two essential components:

1. Principles that are relevant to the profession and practice of internal auditing;
2. Rules of Conduct that describe behaviour norms expected of internal auditors.

The Code of Ethics provides guidance to internal auditors serving others, and applies to both individuals and entities that provide internal auditing services.

The Code of Ethics promotes an ethical, professional culture. It does not supersede or replace Codes of Ethics of employing organisations. Internal auditors must also have regard to the Committee on Standards of Public Life's Seven Principles of Public Life.

## **Being Independent**

Internal Audit should be independent of the activities that it audits.

The status of Internal Audit should enable it to function effectively. The support of the Council is essential and recognition of the independence of Internal Audit is fundamental to its effectiveness.

The Head of Devon Audit Partnership should have direct access to and freedom to report in his or her own name and without fear or favour to, all officers and members and particularly to those charged with governance (the Audit and Governance Committee). In the event of the necessity arising, the facility also exists for Internal Audit to have direct access to the Chief Executive, the S.151 Officer and the Chair of the Audit and Governance Committee.

The Council should make arrangements for Internal Audit to have adequate budgetary resources to maintain organisational independence.

The Head of Devon Audit Partnership should have sufficient status to facilitate the effective discussion of audit strategies, audit plans, audit reports and action plans with senior management and members of the Council.

Auditors should be mindful of being independent. They;

- Must have an objective attitude of mind and be in a sufficiently independent position to be able to exercise judgment, express opinions and present recommendations with impartiality;
- Notwithstanding employment by the Partnership / Council, must be free from any conflict of interest arising from any professional or personal relationships or from any pecuniary or other interests in an activity or organisation which is subject to audit;
- Must be free from undue influences which either restrict or modify the scope or conduct of their work or significantly affect judgment as to the content of the internal audit report; and
- Must not allow their objectivity to be impaired by auditing an activity for which they have or have had responsibility.

## **AUTHORITY**

Internal Audit, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of the organisation's records, physical properties, and personnel pertinent to carrying out any engagement.

All employees are requested to assist Internal Audit in fulfilling its roles and responsibilities. This is enforced in the Accounts and Audit (England) Regulations 2015 section 5(2-3) that state that:

Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit—

- (2) (a) make available such documents and records; and
- (b) supply such information and explanations; as are considered necessary by those conducting the internal audit.
- (3) In this regulation "documents and records" includes information recorded in an electronic form.

In addition, Internal Audit, through the HoDAP, where deemed necessary, will have unrestricted access to:

- the Chief Executive
- Members
- individual Heads of Service
- Section 151 Officer
- Monitoring Officer
- all authority employees
- all authority premises.

### **ACCOUNTABILITY**

Devon Audit Partnership is a shared service established and managed via a Partnership Committee and Board with representation from each of the founding partners. The Partnership operates as a separate entity from the client authorities and Internal Audit is therefore independent of the activities which it audits. This ensures unbiased judgements essential to proper conduct and the provision of impartial advice to management. Devon Audit Partnership operates within a framework that allows the following:

- unrestricted access to senior management and members
- reporting in its own name
- separation from line operations

Every effort will be made to preserve objectivity by ensuring that all audit members of audit staff are free from any conflicts of interest and do not, ordinarily, undertake any non-audit duties.

The Head of Devon Audit Partnership fulfils the role of Chief Audit Executive at the Authority and will confirm to the Audit and Governance Committee, at least annually, the organisational independence of the internal audit activity.

The Service Director for Finance 'Section 151 Officer' will liaise with the Head of Devon Audit Partnership and is therefore responsible for monitoring performance and ensuring independence.

Internal Auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal Auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The Head of Devon Audit Partnership reports functionally to the Audit and Governance Committee on items such as:

- approving the internal audit charter;
- approving the risk based internal audit plan;
- receiving reports from the Head of Devon Audit Partnership on the section's performance against the plan and other matters;
- approving the Head of Devon Audit Partnership's annual report'
- approve the review of the effectiveness of the system of internal audit.

The HoDAP has direct access to the Chair of Audit and Governance Committee and the opportunity to meet with the Audit and Governance Committee in private.

### **RESPONSIBILITIES**

The Chief Executive, Service Directors and other senior officers are responsible for ensuring that internal control arrangements are sufficient to address the risks facing their services.

The Head of Devon Audit Partnership will provide assurance to the Service Director Finance 'Section 151 Officer' regarding the adequacy and effectiveness of the Council's financial framework, helping meet obligations under the LGA 1972 Section 151.

The HoDAP will provide assurance to the Monitoring Officer in relation to the adequacy and effectiveness of the systems of governance within the Council helping him/her meet his/her obligations under the Local Government and Housing Act 1989 and the Council's Constitution. The HoDAP will also work with the Monitoring Officer to ensure the effective implementation of the Council's Whistleblowing Policy.

Internal Audit responsibilities include but are not limited to:

- examining and evaluating the soundness, adequacy and application of the Council's systems of internal control, risk management and corporate governance arrangements;
- reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- reviewing the systems established to ensure compliance with those policies, plans, procedures and regulations which could have a significant impact on operations;
- reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
- investigating alleged fraud and other irregularities referred to the service by management, or concerns of fraud or other irregularities arising from audits, where it is considered that an independent investigation cannot be carried out by management;
- appraising the economy, efficiency and effectiveness with which resources are employed and the quality of performance in carrying out assigned duties including Value for Money Studies;
- working in partnership with other bodies to secure robust internal controls that protect the Council's interests;
- advising on internal control implications of new systems;
- providing consulting and advisory services related to governance, risk management and control as appropriate for the organisation;
- being responsible for reporting significant risk exposures and control issues identified to the Audit and Governance Committee and to senior management, including fraud risks, governance issues.

### **INTERNAL AUDIT MANAGEMENT**

The PSIAS describe the requirement for the management of the internal audit function. This sets out various criteria that the HoDAP (as Chief Audit Executive) must meet, and includes:

- be appropriately qualified;
- determine the priorities of, deliver and manage the Council's internal audit service through a risk based annual audit plan;
- regularly liaise with the Council's external auditors to ensure that scarce audit resources are used effectively;
- include in the plan the approach to using other sources of assurance if appropriate;
- be accountable, report and build a relationship with the Council's Audit and Governance Committee and S.151 Officer; and
- monitor and report upon the effectiveness of the service delivered and compliance with professional and ethical standards.

These criteria are brought together in an Audit Strategy which explains how the service will be delivered and reflect the resources and skills required.

The Head of Devon Audit Partnership is required to give an annual audit opinion on the governance, risk and control framework based on the audit work done.

The HoDAP should also have the opportunity for free and unfettered access to the Chief Executive and meet periodically with the Monitoring Officer and S.151 Officer to discuss issues that may impact on the Council's governance, risk and control framework and agree any action required.

## **INTERNAL AUDIT PLAN AND RESOURCES**

At least annually, the Head of Devon Audit Partnership will submit to the Audit and Governance Committee a risk-based internal audit plan for review and approval. The HoDAP will:

- develop, in consultation with Heads of Service, an annual audit plan based on an understanding of the significant risks to which the organisation is exposed;
- submit the plan to the Audit and Governance Committee for review and agreement;
- implement the agreed audit plan;
- maintain a professional audit staff with sufficient knowledge, skills and experience to carry out the plan and carry out continuous review of the development and training needs;
- maintain a programme of quality assurance and a culture of continuous improvement;

The internal audit plan will include timings as well as budget and resource requirements for the next fiscal year. The Head of Internal Audit will communicate the impact of resource limitations and significant interim changes to senior management and the Audit and Governance Committee.

Internal Audit resources must be appropriately targeted by assessing the risk, materiality and dependency of the Council's systems and processes. Any significant deviation from the approved Internal Audit plan will be communicated through the periodic activity reporting process.

It is a requirement of the Council's Anti-Fraud and Corruption Strategy that the Head of Devon Audit Partnership be notified of all suspected or detected fraud, corruption or impropriety. All reported irregularities will be investigated in line with established strategies and policies. The audit plan will also include sufficient resource to carry out proactive anti-fraud work.

Internal Audit activities will be conducted in accordance with Council strategic objectives and established policies and procedures.

Monitoring of Internal Audit's processes is carried out on a continuous basis by Internal Audit management, and the Council's members and management may rely on the professional expertise of the Head of the Devon Audit Partnership to provide assurance. From time to time, independent review is carried out: for example, through peer reviews; ensuring compliance with the PSIAS is an essential approach to such a review.

## **REPORTING**

The primary purpose of Internal Audit reporting is to communicate to management within the organisation information that provides an independent and objective opinion on governance, the control environment and risk exposure and to prompt management to implement agreed actions.

Internal Audit should have direct access and freedom to report in their own name and without fear or favour to, all officers and members, particularly to those charged with governance (the Audit and Governance Committee).

A written report will be prepared for every internal audit project and issued to the appropriate manager accountable for the activities under review. Reports will include an 'opinion' on the risk and adequacy of controls in the area that has been audited, which, together, will form the basis of the annual audit opinion on the overall control environment.

The aim of every Internal Audit report should be:

- to give an opinion on the risk and controls of the area under review, building up to the annual opinion on the control environment; and

- to recommend and agree actions for change leading to improvement in governance, risk management, the control environment and performance.

The Manager will be asked to respond to the report in writing, within 30 days, although this period can be extended by agreement. The written response must show what actions have been taken or are planned in relation to each risk or control weakness identified. If action is not to be taken this must also be stated. The Head of Devon Audit Partnership is responsible for assessing whether the manager's response is adequate.

Where deemed necessary, the Internal Audit report will be subject to a follow-up, normally within six months of its issue, in order to ascertain whether the action stated by management in their response to the report has been implemented.

The Head of the Devon Audit Partnership will

- submit periodic reports to the Audit and Governance Committee summarising key findings of reviews and the results of follow-ups undertaken;
- submit on an annual basis an Annual Internal Audit Report to the Audit and Governance Committee, incorporating an opinion on the Council's control environment, which will also inform the Annual Governance Statement.

### **RELATIONSHIP WITH THE AUDIT AND GOVERNANCE COMMITTEE**

The Council's Audit and Governance Committee will act as the Board as defined in the Public Sector Internal Audit Standards (PSIAS),

The Specific Functions of the Audit and Governance Committee are set out in the Council's Constitution (Part E Responsibility for Functions).

The Head of Devon Audit Partnership will assist the Committee in being effective and in meeting its obligations. To facilitate this, the HoDAP will:

- attend meetings, and contribute to the agenda;
- ensure that it receives, and understands, documents that describe how Internal Audit will fulfil its objectives (e.g. the Audit Strategy, annual work programmes, progress reports);
- report the outcomes of internal audit work, in sufficient detail to allow the committee to understand what assurance it can take from that work and/or what unresolved risks or issues it needs to address;
- establish if anything arising from the work of the committee requires consideration of changes to the audit plan, and vice versa;
- present an annual report on the effectiveness of the system of internal audit; and
- present an annual internal audit report including an overall opinion on the governance, risk and control framework

### **QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME**

The PSIAS states that a quality assurance and improvement programme must be developed; the programme should be informed by both internal and external assessments.

An external assessment must be conducted at least once in five years by a suitably qualified, independent assessor.

In December 2016 Terry Barnett, Head of Assurance for Hertfordshire Shared Internal Audit Service who completed an external validation of the Partnership. Terry concluded that;

"It is our overall opinion that the Devon Audit Partnership **generally conforms\*** to the Public Sector Internal Audit Standards, including the Definition of Internal Auditing, the Code of Ethics and the Standards.

*\* **Generally Conforms** – This is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards*

#### **CHARTER – NON-CONFORMANCE AND REVIEW**

Any instances of non-conformance with the Internal Audit Definition, Code of Conduct or the Standards must be reported to the Audit and Governance Committee, and in significant cases consideration given to inclusion in the Annual Governance Statement.

The Head of Devon Audit Partnership will advise the Audit and Governance Committee on behalf of the Council on the content of the Charter and the need for any subsequent amendment. The Charter should be approved and regularly reviewed by the Audit and Governance Committee.

**Devon Audit Partnership**

**March 2020**



## **PLYMOUTH CITY COUNCIL**

### **INTERNAL AUDIT STRATEGY (May 2020)**

#### **1 INTRODUCTION**

Internal Audit is a statutory service in the context of The Accounts and Audit (England) Regulations 2015, which state:

5.(1) 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.

In addition, the Local Government Act 1972, Section 151, requires every local authority to designate an officer to be responsible for the proper administration of its financial affairs. In the Council, the Service Director for Finance is the 'Section 151 Officer'. One of the ways in which this duty is discharged is by maintaining an adequate and effective internal audit service.

The PSIAS refers to the role of Chief Audit Executive and requires this officer to ensure and deliver a number of key elements to support the internal audit arrangements. For the Council, the role of Chief Audit Executive is provided by the Head of Devon Audit Partnership (HoDAP).

The PSIAS require the HoDAP to produce an Audit Charter setting out audits purpose, authority and responsibility. We deliver this through our Audit Strategy which:

- is a high-level statement of how the internal audit service will be delivered and developed in accordance with the Charter and how it links to the organisational objectives and priorities;
- will communicate the contribution that Internal Audit makes to the organisation and should include:
  - internal audit objectives and outcomes;
  - how the HoDAP will form and evidence his opinion on the governance, risk and control framework to support the Annual Governance Statement;
  - how Internal Audit's work will identify and address significant local and national issues and risks;
  - how the service will be provided, and
  - the resources and skills required to deliver the Strategy.
- should be approved, but not directed, by the Audit and Governance Committee.

The Strategy should be kept up to date with the organisation and its changing priorities.

## **2 INTERNAL AUDIT OBJECTIVES AND OUTCOMES**

The primary objective of Internal Audit is to provide an independent and objective opinion to the Council on the governance, risk and control framework by evaluating its effectiveness in achieving the organisation's objectives through examining, evaluating and reporting on their adequacy as a contribution to the proper, economic, efficient use of resources.

To achieve this primary objective, the HoDAP aims to fulfil the statutory responsibilities for Internal Audit by:

- identifying all of the systems, both financial and non-financial, that form the Council's control environment and governance framework, and contribute to it meeting its obligations and objectives – the 'Audit Universe';
- creating an audit plan providing audit coverage on the higher risk areas in the Audit Universe;
- undertaking individual audit reviews, to the standards set by the PSIAS, to independently evaluate the effectiveness of internal control;
- providing managers with an opinion on, and recommendations to improve, the effectiveness of risk management, control and governance processes;
- providing managers with advice and consultancy on risk management, control and governance processes;
- liaising with the Council's external auditors to ensure efficient use of scarce audit resources through the avoidance of duplication wherever possible; and
- providing the Council, through the Audit and Governance Committee, with an opinion on governance, risk and control framework as a contribution to the Annual Governance Statement.

## **3 OPINION ON THE GOVERNANCE, RISK AND CONTROL FRAMEWORK**

As stated above, one of the key objectives of Internal Audit is to communicate to management an independent and objective opinion on the governance, risk and control framework, and to prompt management to implement agreed actions.

Significant issues and risks are to be brought to the attention of the S.151 Officer as and when they arise. Regular formal meetings should also be held to discuss issues arising and other matters.

The HoDAP will report progress against the annual audit plan and any emerging issues and risks to the Audit and Governance Committee.

The HoDAP will also provide a written annual report to the Audit and Governance Committee, timed to support their recommendation to approve the Annual Governance Statement, to the Council.

The Head of Devon Audit Partnership's annual report to the Audit and Governance Committee will:

- (a) include an opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework;
- (b) disclose any qualifications to that opinion, together with the reasons for the qualification;
- (c) present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance streams;
- (d) draw attention to any issues the HoDAP judges particularly relevant to the preparation of the Annual Governance Statement;
- (e) compare the audit work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and targets; and

- (f) comment on compliance with the Public Sector Internal Audit Standards and communicate the results of the internal audit quality assurance programme.

#### **4 PLANNING, INCLUDING LOCAL AND NATIONAL ISSUES AND RISKS**

The audit planning process includes the creation of and, ongoing revision of an “audit universe”. This seeks to identify all risks, systems and processes that may be subject to an internal audit review.

The audit universe will include a risk assessment scoring methodology that takes account of a number of factors including: the Council’s own risk score; value of financial transactions; level of change, impact on the public; political sensitivity; when last audited; and the impact of an audit. This will inform the basis of the resources allocated to each planned audit area.

The results from the audit universe will be used in creating an annual audit plan; such a plan will take account of emerging risks at both local and national level.

##### *Assignment planning*

Further planning and risk assessment is required at the commencement of each individual audit assignment to establish the scope of the audit and the level of testing required.

#### **5 PROVISION OF INTERNAL AUDIT**

The Internal Audit for The Council is provided by Devon Audit Partnership

The Head of Devon Audit Partnership has established policies and procedures in an Audit Manual to guide staff in performing their duties and complying with the latest available PSIAS guidance. The manual is reviewed and updated to reflect changes in working practices and standards.

##### **Internal Audit Performance Management and Quality Assurance**

The PSIAS state that the HoDAP should have in place an internal performance management and quality assurance framework; this framework must include:

- a comprehensive set of *targets to measure performance*. These should be regularly monitored and the progress against these targets reported appropriately;
- seeking *user feedback* for each individual audit and periodically for the whole service;
- a periodic review of the service against the Strategy and the achievement of its aims and objectives. The results of this should inform the future Strategy and be reported to the Audit and Governance Committee;
- internal quality reviews to be undertaken periodically to ensure compliance with the PSIAS and the Audit Manual (self-assessment); and
- an action plan to implement improvements.

##### *Performance Measures and targets*

The Head of Devon Audit Partnership will closely monitor the performance of the team to ensure agreed targets are achieved. A series of performance indicators have been developed for this purpose (please see over).

Internal Audit Performance Monitoring Targets.

<b>Performance Indicator</b>	<b>Full year target</b>
Percentage of Audit Plan completed	90%
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%
Draft reports produced with target number of days (currently 15 days)	90%
Final reports produced within target number of days (currently 10 days)	90%

There are a number of other indicators that are measured as part of the audit process that will be captured and reported to senior management.

<b>Task</b>	<b>Performance measure</b>
Agreement of Annual audit plan	Agreed by Chief Executive, CMT and Audit and Governance Committee prior to start of financial year.
Agreement of assignment brief	Assignment briefs are agreed with and provided to auditee at least two weeks before planned commencement date.
Undertake audit fieldwork	Fieldwork commenced at agreed time.
Verbal debrief	Confirm this took place as expected; was a useful summary of the key issues; reflects the findings in the draft report.
Draft report	Issued within 15 days of finishing our fieldwork. Report is "accurate" and recommendations are both workable and useful.
Draft report meeting (if required)	Such a meeting was useful in understanding the audit issues.
Annual internal audit report	Prepared for senior management consideration by end of May. Report accurately reflects the key issues identified during the year.
Presentation of internal audit report to management and audit committee.	Presentation was clear and concise. Presenter was knowledgeable in subject area and able to answer questions posed by management / members.
Contact with the audit team outside of assignment work.	You were successfully able to contact the person you needed, or our staff directed you correctly to the appropriate person. Emails, letters, telephone calls are dealt with promptly and effectively.

Once collated the indicators will be reported to the S.151 Officer on a regular basis and will be summarised in an annual report. Performance indicator information will also be presented to the Audit and Governance Committee for information and consideration.

The Head of Devon Audit Partnership is expected to ensure that the performance and the effectiveness of the service improves over time, in terms of both the achievement of targets and the quality of the service provided to the user.

### *Customer (user) feedback*

The PSIAS and the Internal Audit Manual state that internal audit performance, quality and effectiveness should be assessed at two levels:

- for each individual audit; and
- for the Internal Audit service as a whole.

Customer feedback is also used to define and refine the audit approach. Devon Audit Partnership will seek feedback from:-

- auditees;
- senior leadership; and
- executive management.

The results from our feedback will be reported to Senior Management and the Audit and Governance Committee in the half year and annual reports.

### *Internal quality reviews*

Devon Audit Partnership management have completed a self-assessment checklist against the PSIAS and have identified that there are no omissions in our practices. We consider that we fully meet over 95% of the elements; partially meet 3% (6); and are not required to or do not meet 2% (5) of the elements. The self-assessment will be updated annually, and, if management identify areas where we could further strengthen our approaches, these will be added to the Quality Action Improvement Plan.

In December 2016 Devon Audit Partnership welcomed Terry Barnett, Head of Assurance for Hertfordshire Shared Internal Audit Service and his colleague Chris Wood, Audit Manager, who completed an external validation of the Partnership.

Terry and Chris concluded that;

“It is our overall opinion that the Devon Audit Partnership **generally conforms\*** to the Public Sector Internal Audit Standards, including the Definition of Internal Auditing, the Code of Ethics and the Standards.

*\* **Generally Conforms** – This is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards*

## **6 RESOURCES AND SKILLS**

### *Resources*

The PSIAS and the Audit Manual states that:

- Internal Audit must be appropriately staffed in terms of numbers, grades, qualifications and experience, having regard to its responsibilities and objectives, or have access to the appropriate resources;
- The Internal Audit service shall be managed by an appropriately qualified professional with wide experience of internal audit and of its management; and
- The Chief Audit Executive (Head of Devon Audit Partnership) should be of the calibre reflecting the responsibilities arising from the need to liaise with members, senior management and other professionals, and be suitably experienced.

Devon Audit Partnership currently has c.40 staff who operate from any one of our three main locations (Plymouth, Torquay and Exeter), we also operate from offices at Torridge DC (Bideford), Mid Devon DC (Tiverton) and South Hams/West Devon Councils (Totnes). The

Partnership employs a number of specialists in areas such as Computer Audit, Contracts Audit and Counter Fraud Investigators as well as a mix of experienced, professionally qualified and non-qualified staff.

The Partnership draws on a range of skilled staff to meet the audit needs. Our current staff includes: -

- 3 x CCAB qualified
- 6 x qualified IIA
- 2 x qualified computer audit (QICA & CISA)
- 1 x risk management (IRM)
- 10 x AAT qualified
- 7 x ACFS (accredited counter fraud specialists)
- 4 x ILM (Institute of Leadership & Management) level 5 or above

Devon Audit Partnership uses Pentana MK as an audit management system. This system allows Partnership management to effectively plan, deliver and report audit work in a consistent and efficient manner. The system provides a secure working platform and ensures confidentiality of data. The system promotes mobile working, allowing the team to work effectively at client locations or at remote locations should the need arise.

### *Staff Development and Training*

Devon Audit Partnership management assess the skills of staff to ensure the right people are available to undertake the work required.

Staff keep up to date with developments within internal audit by attending seminars, taking part in webinars and conferences, attending training events and keeping up to date on topics via websites and professional bodies. Learning from these events helps management to ensure they know what skills will be required of our team in the coming years, and to plan accordingly.

Devon Audit Partnership follows formal appraisal processes that identify how employees are developing and create training and development plans to address needs.

## **Devon Audit Partnership**

**March 2020**

Internal Audit

# Internal Audit Plan 2020-2021

Plymouth City Council  
Audit Committee

March 2020

Official

Robert Hutchins  
Head of Audit Partnership



Auditing for achievement

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<p><b>Devon Audit Partnership</b></p> <p>The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Devon, Torridge and Mid-Devon councils and we aim to be recognised as a high quality internal public sector service provider. We work with our partners by providing professional internal audit service and assurance services that will assist them in meeting their challenges, managing their risks and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards.</p> <p>The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at <a href="mailto:robert.hutchins@devonaudit.gov.uk">robert.hutchins@devonaudit.gov.uk</a>.</p>	<p><b>Confidentiality and Disclosure Clause</b></p> <p>This report is protectively marked in accordance with the government security classifications. It is accepted that issues raised may well need to be discussed with other officers within the Council, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies.</p> <p>This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.</p>
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## Introduction

Internal auditing is defined by the Public Sector Internal Audit Standards (PSIAS) which set out the requirements of a 'Board' and of 'senior management'. For the purposes of the internal audit activity within The Council the role of the Board within the Standards is taken by the Council's Audit and Governance Committee and senior management is the Council's Corporate Management 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 and Governance 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 Chief Finance Officer (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 and Governance Committee.

### Expectations of the Audit and Governance Committee for this annual plan

Audit and Governance 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 for 2020/21.

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

**Robert Hutchins**  
**Head of Audit Partnership**

## Annual Service Level Plans

### Customer & Corporate / Finance

Good governance lies at the heart of how councils manage change and deliver improvement and the Local Government Act 1972 and other legislation requires local authorities to make specific statutory appointments to carry out particular duties. Our work will consider the arrangements in place to enable key officers to properly discharge their statutory responsibilities and effectively contribute to the governance of the organisation.

With ever more services available digitally, the risk remains that a cyber incident could result in the loss of data as well as disruption to council services. Audit will undertake some work to assess the Cyber Security arrangements in place against standards defined by the NCSC and industry best practice. We will liaise, as appropriate, with the Corporate Information Manager and Delt.

Assurance work will be undertaken on areas termed as key financial systems; these process the majority of income and expenditure of the Council, and which have a significant impact on the reliability and accuracy of the annual accounts.

### Executive Office

As a result of a number of electoral registration issues affecting the city in the run-up to the UK Parliamentary General Election on 12 December 2019, the Select Committee have requested some audit work to be undertaken, the scope of which will be agreed with the Chair of the Select Committee and key officers.

### Place

The Council has an investment portfolio of £197m generating over £10m of rental income. The Head of Service is keen for audit to undertake a review which will evaluate the effectiveness of the systems and procedures in place to ensure prompt and accurate billing of rent.

Changes within Street Services has seen the appointment of new members of the management team who have requested time in the audit plan to review Trade Waste which has been subject to change. Within this service area there are a considerable variety and volume of consumable items and we will review the processes and procedures in operation to manage and account for these items.

As the Council continues its drive to bring long term empty homes back into use, providing much needed accommodation to those in housing need and improving the built environment. Audit will review the processes and procedures in place to enable this work to be achieved; consideration will also be given to the relationships involved and Nolan principles.

### People

Nationally, Councils continue to struggle not to overspend their allocated budgets for children with complex Special Educational Needs and Disability (SEND), known as the High Needs Block. The Head of Service is keen to identify if further efficiencies can be achieved. Our focus will be the governance, processes and procedures relating to the contractual arrangements.

Review of On Course South West following the Council's action to transfer the adult and community education provider to the City Council in August 2019.

Work will be undertaken within Community Connections once their new business solution Esuasive is fully rolled out and embedded. Consideration will be given to how it links with the Dynamic Purchasing system used to administer Disabled Facilities Grants. The Head of Service has also requested that Audit undertake a validation exercise on the way in which Anti-Social Behaviour tools are now being used.

### ODPH

Due to changes within the service a pot of days has been included for use by Director of Public Health. A meeting to discuss the work to be delivered will be arranged in due course when the picture will be clearer to determine where the days are to be used.

### Value Added

All our work aims to "add value" the authority, be this by way of improving control and minimising risk, or making the most of opportunities in an effective manner. We will undertake the annual follow up on all audit areas identified as 'Improvements Required' in 2019/20. Proactive anti-fraud work will be carried out in liaison with DAP's Counter Fraud Team.

Service Area Overview of Audit Coverage					
Thematic Overview Audit Coverage	Customer & Corporate / Finance	Executive Office	People	ODPH	Place
	Purchasing Cards		SEND Contracts		Commercial Properties – Rent Roll
	Housing Benefit Overpayments	Electoral Services	Domiciliary Care Services	Pot of Days – scope of work to be determined	Empty Homes Scheme
	Collection Fund	Minute Books	Alliance Contract		Street Lighting
	Acting Up Duties		Anti-Social Behaviour Tools		Trade Waste
		On Course South West			
Core Assurance	Business Processes & Governance – Declarations of Interest, Grant Certification, Governance Arrangements – Statutory Posts				
	Key Financial Systems – Inc. Main Accounting System, Creditors, Treasury Management, Payroll, Council Tax, Business Rates, Housing Benefits				
	ICT – Operational Arrangements (common to key systems), Cyber Security (arrangements to safeguard the Council’s logical data assets)				

The above diagram shows the thematic approach to the elements proposed for audit coverage in the coming year as identified through risk assessment and discussion with Senior Management. This overview is supported by the proposed audit reviews and associated risks.

## High Level Audit Plan

This table shows a summary of planned audit coverage for the year totalling 1,112 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 with directorates, and updated as necessary, to ensure it remains valid and appropriate. As a minimum, the plan will be reviewed in six months to ensure it continues to reflect the key risks and priorities of the Council given the significant changes across the public sector. In order to allow greater flexibility, the Internal Audit Plan includes a small contingency to allow for unplanned work

We have set out our plan based on the current organisational structure for the Authority. Detailed terms of reference will be drawn up and agreed with management prior to the start of each assignment – in this way we can ensure that the key risks to the operation or function are considered during our review.

The following pages give a brief overview of the focus of proposed audit coverage for the year.

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

In addition, we estimate that our work on maintained schools within the City will total 68 days.



## Proposed audit reviews and associated risks

### Risk Assessment Key

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

ANA - Audit Needs Assessment risk level

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA)	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
<b>Customer and Corporate / Finance</b>				
<b>Core Assurance – Key Financial System</b>				
Material Systems – System Admin	ANA - High	Review of the control environments in place to ensure the integrity of the Academy, Civica, Care First and CoreHR systems.	Q3 – Q4	15
Civica Financials: <ul style="list-style-type: none"> <li>• Creditors</li> <li>• Main Accounting</li> <li>• Debtors</li> </ul>	ANA <ul style="list-style-type: none"> <li>- High</li> <li>- High</li> <li>- Medium</li> </ul>	System walkthrough to consider the design and effectiveness of key controls with focused test sampling to determine compliance. Follow-up of any recommendations made in 19/20.	Q2 – Q4	55
Academy Revs & Bens: <ul style="list-style-type: none"> <li>• Housing Benefits</li> <li>• Council Tax</li> <li>• Business Rates NNDR</li> </ul>	ANA <ul style="list-style-type: none"> <li>- High</li> <li>- Medium</li> <li>- Low</li> </ul>	System walkthrough, focused risk-based sample testing and follow-up of 20/21 reviews for each service area.	Q3 – Q4	62
Treasury Management	ANA - Medium	System walkthrough, focused risk-based sample testing and follow-up of 19/20 review.	Q3	10
CoreHR - Payroll	ANA - High	Following implementation of the new CoreHR Payroll system we will review the adequacy and effectiveness of the control framework and perform a range of sample testing to ensure compliance with those controls.	Q3	35
<b>Core Assurance - Other</b>				
Cyber Security	ANA - High	Audit will continue to assess the Cyber Security arrangements in place to safeguard the Council's logical data assets. We will refer to standards defined by the NCSC and industry best practice and liaise, as appropriate, with the Corporate Information Manager and Delt.	Q1 – Q2	30
Governance Arrangements – Statutory Officers	ANA - Medium Client Request	Local authorities operate within a governance framework of checks and balances to ensure that decision-making is lawful, informed by objective advice, transparent and consultative. There are a number of statutory posts	Q1 – Q3	25

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA)	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
		within the Council and we will review the arrangements in place to ensure they are sufficiently robust to enable those officers to discharge their duties effectively.		
Finance Service	ANA - Medium Client Request	Review of the Finance Service to link into the modernisation programme.	Q1 – Q3	30
Income Collection	ANA - High	System review will include consideration of the effectiveness of income collection arrangements in operation across the Council.	Q3	25
Business Rates Exemptions	Client Request	Review of the business rates list across the city to review the reasons for those detailed on the exemptions lists.	Q3	5
Collection Fund	ANA – Medium Client Request	Review of the effectiveness of the administration of the collections fund, including bad debt provision for Council Tax & Business Rates.	Q1 – Q4	10
Procurement	ANA – High Client Request	Review of all procurement controls operating across the City Council.	Q2 – Q3	25
Purchasing Cards	ANA - High	Spot checks on the use of purchasing cards to ensure compliance with Council procedures.	Q1 – Q2	20
Recruitment	ANA – High Client Request	The recruitment process currently under review and a “pot of days” has been requested by the Service Director; scope and timing of work to be determined.	Q1 – Q4	20
Acting Up Duties	ANA – Medium Client Request	Review the adequacy of processes and procedures in place when officers “act up” and temporarily take on additional duties or a higher role. Some compliance testing will be undertaken and consideration given to policies, sign off and authorisation levels, legal requirements.	Q1 – Q4	15
Declarations of Interest	ANA – Medium Client Request	The public rightly expect the highest standards of behavior and we will review the policy and processes in place for officers to make any declarations of interest.	Q1 – Q4	15
Housing Benefit Overpayments	ANA – Medium Client Request	A piece of work to identify the potential loss to the City Council as claims with attachment of benefits transfer to Universal Credits.	Q2	10

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA)	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
Client Financial Services	ANA – High	Detailed follow-up to measure progress in implementing the action plan following a significant review 18/19 and will include those processes undertaken by Livewell SW.	Q2 – Q3	10
Schools Financial Value Standards (SFVS)	Statutory ANA - Low	Collection of SFVS self-assessments completed by schools. Preparation of the Direct Schools Grant (DSG) Chief Financial Officer (CFO) Assurance Statement for 19/20 to be returned to DfE by 31 <sup>st</sup> May 2020	Q1 & Q4	3
Audit Advice to Customer & Corporate / Finance and carry forward for completion of 19/20 work	n/a		n/a	37
Audit planning, monitoring and performance reporting	n/a		n/a	20
Audit Governance	n/a		n/a	18
<b>Executive Office</b>				
<b>Core Assurance - Other</b>				
Electoral Services	ANA – High Client Request	Work requested by the Select Committee. Scope to be discussed and agreed with the Chair of the Select Committee and the Asst Chief Executive.	Q1 – Q2	25
Minute Books	ANA – Low Client Request	There is a legal obligation for local authorities to retain signed minutes of committee meetings. Review of existing practice to identify opportunities to create efficiencies.	Q3	7
Gifts & Hospitality Follow-Up	ANA - Medium	Follow-up to the 19/20 review which was Improvements Required.	Q4	3
Audit Advice to Executive Office	n/a		n/a	10
Audit planning, monitoring and performance reporting	n/a		n/a	10
Audit Governance	n/a		n/a	10

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA)	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
<b>People</b>				
<b>Core Assurance – Key Financial System</b>				
CareFirst – Domiciliary Care	ANA – High Client Request	Undertake substantive testing of Dom Care returns to check for any under / over payments.	Q3 – Q4	30
CareFirst - Children Independent Placements Follow-Up	ANA – Medium	Detailed follow-up to the 19/20 review which was Improvements Required.	Q3 – Q4	10
<b>Core Assurance - Other</b>				
Finance & Assurance Review Group (FARG)	ANA – High Client Request	The purpose of FARG is to provide oversight, scrutiny and assurance of the integrated fund and under the membership requirements laid down in the terms of reference, internal audit will continue to have a seat on FARG to providing real time support and challenge through their attendance.	Q1 – Q4	3
Special Guardianships (Children) Follow-Up	ANA – High Client Request	Review undertaken in 19/20, detailed follow-up requested by the service late in 20/21.	Q4	10
Special Educational Needs & Disability (SEND) Contracts	ANA – Medium Client Request	Review of send contracts – detailed scope to be determined with the Head of Service.	Q2 -Q3	25
Alliance Contract	ANA – Medium Client Request	Review of the arrangements to ensure openness and transparency.	Q2 – Q3	10
Children’s Additional Spend	ANA – Low Client Request	Small number of days toward the end of year to look at children’s “additional spend”.	Q4	5
On Course South West (OCSW)	ANA – Medium Client Request	Review of the effectiveness of the systems and procedures operated by OCSW now that they have been brought back “in-house”.	Q3	15
Anti-Social Behaviour Tools	ANA – Medium Client Request	Audit review and validation of the way in which Anti-Social Behaviour tools are being used.	Q2	15
Fully CATERed	Regulator Req Client Request	Year-end testing to make sure that the year-end position is not understated and to provide internal audit assurance to the external auditor.	Q1	8
Community Connections – New Business Solutions		Once the new Esuasive system is fully rolled out and embedded, in liaison with the service we will review the links between Esuasive and the Dynamic	Q4	25



Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA)	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
		Purchasing System and review past audit recommendations where actions were dependent on implementation of the new system.		
Life Chances Fund (Pause Project)	Statutory Client Request	Validation of claims in Sept 2020 & March 2021.	Q2 & Q4	5
Families with a Future (Payment by Results)	Statutory Client Request	Audit review and certification for each monthly claim.	Q1 – Q4	25
Audit Advice to People and carry forward for completion of 19/20 work	n/a		n/a	30
Audit planning, monitoring and performance reporting	n/a		n/a	20
Audit Governance	n/a		n/a	18
<b>Office of the Director of Public Health</b>				
ODPH	ANA – Medium Client Request	Due to changes taking place within the directorate a pot of days has been requested. Audit to meet with key officers within the service early 20/21 when the picture will be clearer to determine how the days are to be used.	Q2 – Q4	20
Audit Advice to Public Health	n/a		n/a	10
Audit planning, monitoring and performance reporting	n/a		n/a	9
Audit Governance	n/a		n/a	7
<b>Place</b>				
Empty Homes Scheme	ANA – Medium Client Request	Review to consider the processes, procedures & relationships necessary for bringing empty homes back into use and maximising New Homes Bonus.	Q2 – Q3	20
Trade Waste	ANA – High Client Request	Changes to the trade waste operation have been introduced and we have been asked by management to undertake a full review of the system and processes.	Q3 – Q4	20

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA)	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
Control of Fuel, Fuel Cards & Fuel Containers	ANA – Medium Client Request	Fuel costs overbudget – review of the effectiveness of the procedures and practices in place. Requested by both the Service Director for Finance and the Head of Street Scene, Waste & Business Development.	Q1	15
Street Services – Stores and Stock Control	ANA – Medium Client Request	Review the effectiveness of the systems and procedures used to administer and control consumable items e.g. personal protective equipment, chemicals, wheelie bins, bags and other stock.	Q2	15
Garage	ANA –Medium Client Request	Follow-up of the 19/20 audit review of the garage.	Q3	5
Safety Camera Partnership	ANA – Low	It has been proposed that the governance arrangements for the Safety Camera Partnership are reviewed and the findings shared with partners (Plymouth City Council, Devon County Council, Torbay Council). A small number of days to be included in each audit plan for this work.	Q2	2
Street Lighting	ANA – Medium Client Request	Review of the administrative processes and procedures for the management of street lighting.	Q3 – Q4	15
Commercial Properties – Rent Roll	ANA – High Client Request	The Council's investment portfolio is worth £197m and generates over £10m of rental income. Detailed review of the rent of the rent roll process and a follow-up of the proforma process.	Q2 – Q3	30
New Business Solutions - Tech Forge (Cloud)	ANA –Medium Client Request	Audit assurance required in respect of the project to migrate of property data to Tech Forge Cloud. Work undertaken by the service will include data cleanse, centralisation of data, interfaces with Civica Financials.	Q1 – Q2	5
Grant Certification	Statutory	Those grants where the grant determination requires independent certification of expenditure by Internal Audit.	Q1 – Q4	20
Audit Advice to Place	n/a		n/a	15
Audit planning, monitoring and performance reporting	n/a		n/a	15
Audit Governance	n/a		n/a	15

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA)	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
<b>Irregularities and National Fraud Initiative (NFI)</b>				
Advice, Irregularities, NFI & Contingency		<p>Co-ordination of the NFI exercises across the Authority.</p> <p>We will also continue to investigate irregularities referred to it us managers. Cases which we consider fraudulent will be referred to the DAP Counter Fraud Team for investigation and possible prosecution. Where control weaknesses are identified, the Audit Team work with service areas to address these issues.</p>	Q1 – Q4	<p>25</p> <p>30</p>

## Fraud Prevention and Detection and Internal Audit Governance

### Fraud Prevention and Detection and the National Fraud Initiative

Counter-fraud arrangements are a high priority for the Council and assist in the protection of public funds and accountability. Devon Audit Partnership 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. The joint working arrangements between the Internal Audit and Counter Fraud teams, enables intelligence to be shared and resources focussed on higher risk areas to prevent a fraud occurring.

Additionally, guidance 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', further inform the direction of counter-fraud arrangements. Nationally, the notable areas of fraud include Housing Benefit, Council Tax, Housing and Tenancy, Procurement, Insurance, Abuse of Position, Blue Badges, and Direct Payments (Social Car

The Cabinet Office runs a national data matching exercise (National Fraud Initiative - NFI) every two years. Departments supplied datasets which were uploaded onto the NFI secure website in October 2018 in accordance with the NFI timetable. The subsequent matching reports were received back from the Cabinet Office in February 2019 and departments have been reviewing the matches throughout 2019/20. In February 2020 Electoral Registration and Council Tax data was uploaded, with further data sets to be uploaded in October 2020.

### Internal Audit Governance

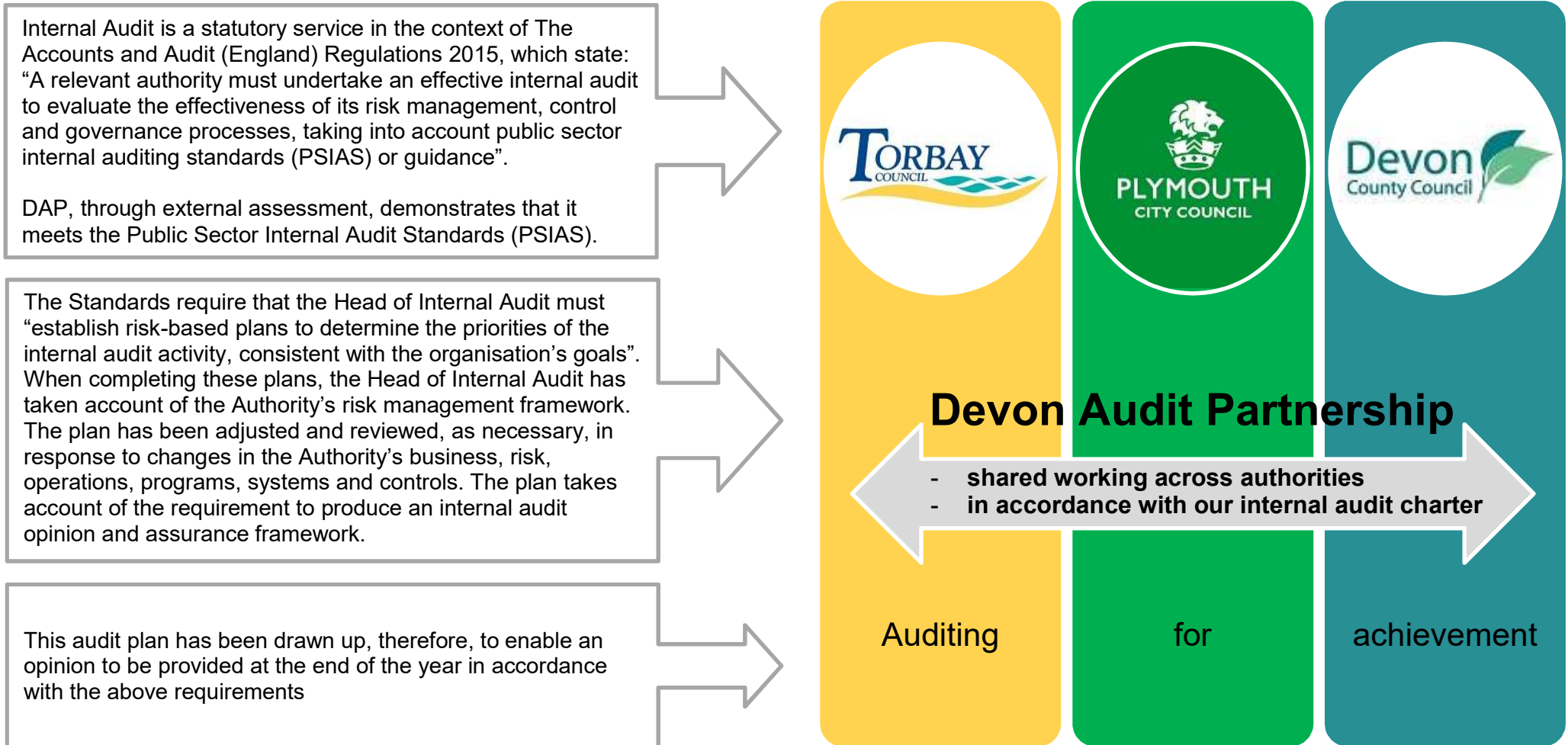
An element of our work is classified as Corporate Governance – this is work that ensures effective and efficient audit services are provided to the Council and the internal audit function continues to meet statutory responsibilities. In some instances, this work will result in a direct output (i.e. an audit report) but in other circumstances the output may simply be advice or guidance. Some of the areas that this may cover include:-

- Preparing the internal audit plan and monitoring implementation;
- Preparing and presenting monitoring reports to Senior Management and the Audit Committee;
- Assistance with the Annual Governance Statement;
- Liaison with other inspection bodies (e.g. External Audit, Audit South West);
- Corporate Governance - Over recent years Internal Audit has become increasingly involved in several corporate governance and strategic issues, and this involvement is anticipated to continue during the year;
- On-going development within the Partnership to realise greater efficiencies in the future.

### Partnership working with other auditors

We will continue to develop and maintain effective partnership working arrangements between ourselves and other audit agencies where appropriate and beneficial. We participate in a range of internal audit networks, both locally and nationally which provide for a beneficial exchange of information and practices with the aim of improving the effectiveness and efficiency of the audit process, through avoidance of instances of “re-inventing the wheel” in new areas of work.

## Appendix 1 - Audit Framework



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.

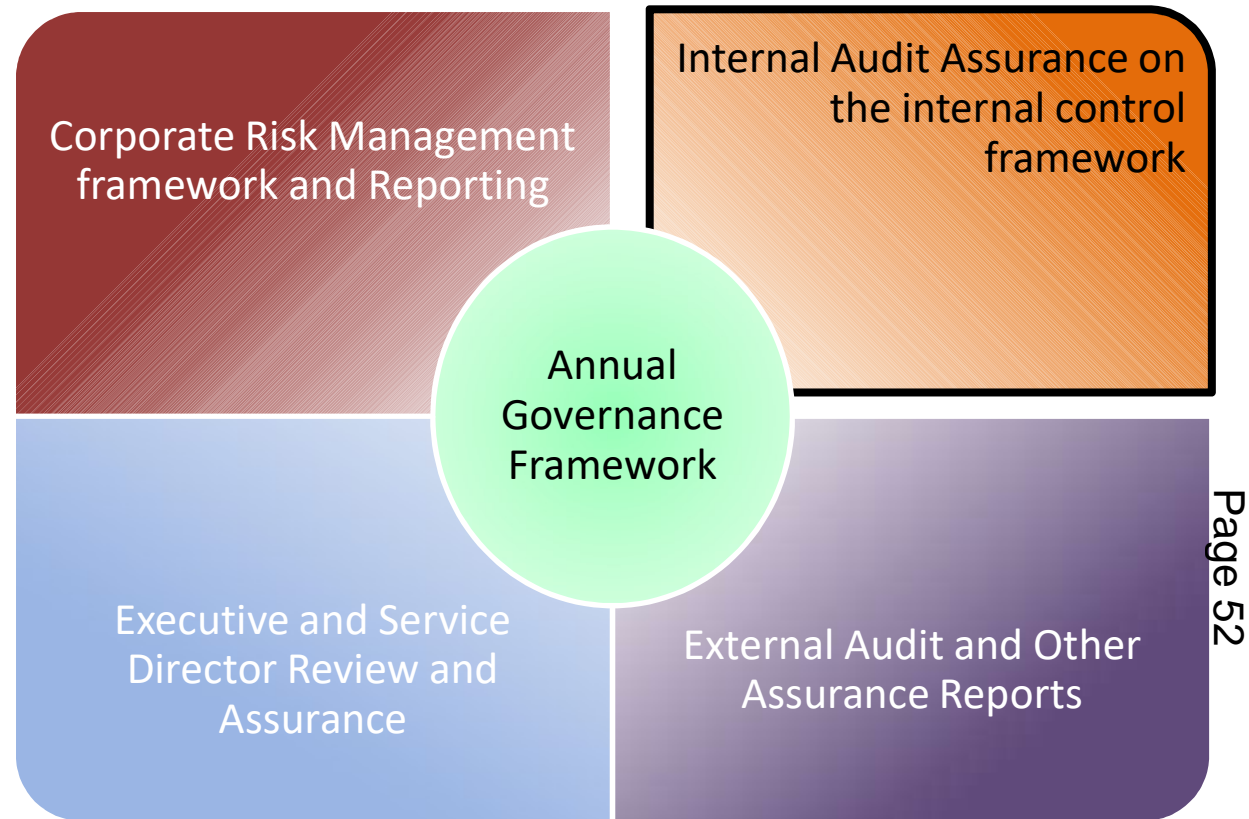
## Appendix 2 - Annual Governance Framework Assurance

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 Leader of the Council;
- 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 Framework *Delivering Good Governance in Local Government 2016*.



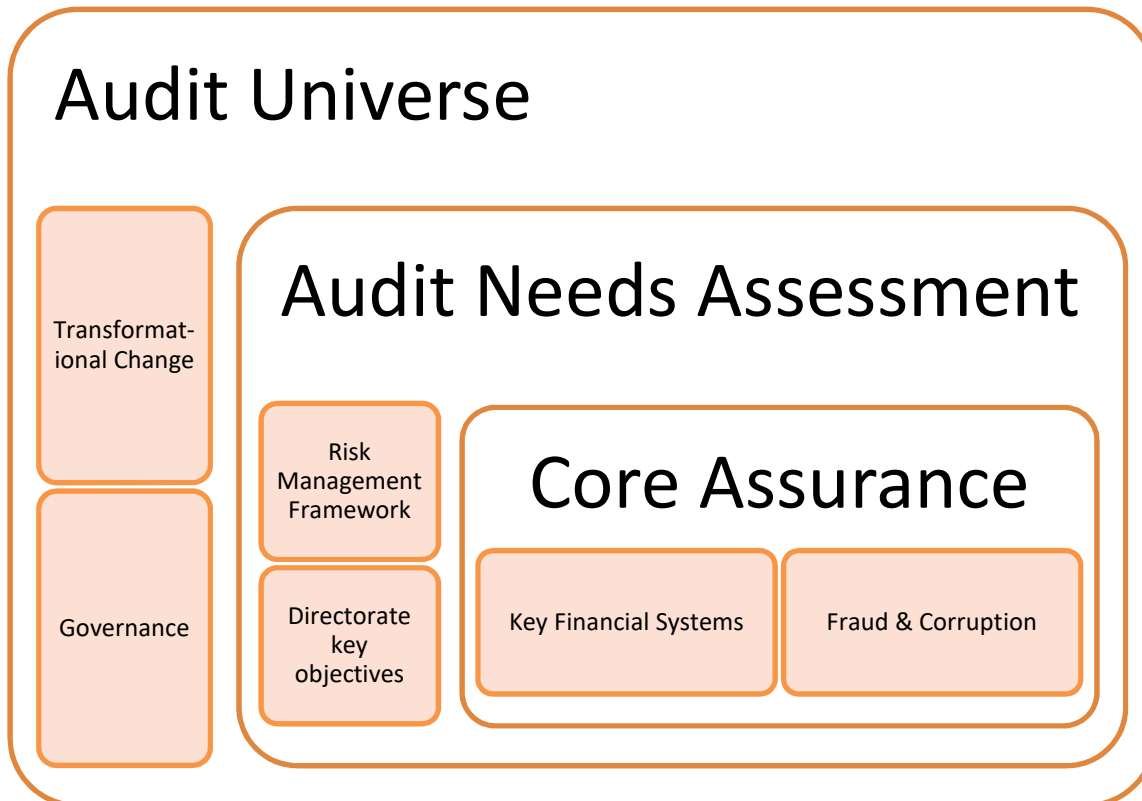
The AGS needs to be presented to, and approved by, the Audit and Governance Committee, and then signed by the Chair.

The Committee should satisfy themselves, from the assurances provided by the Annual Governance Statement Working Group, CMT and Internal Audit 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.

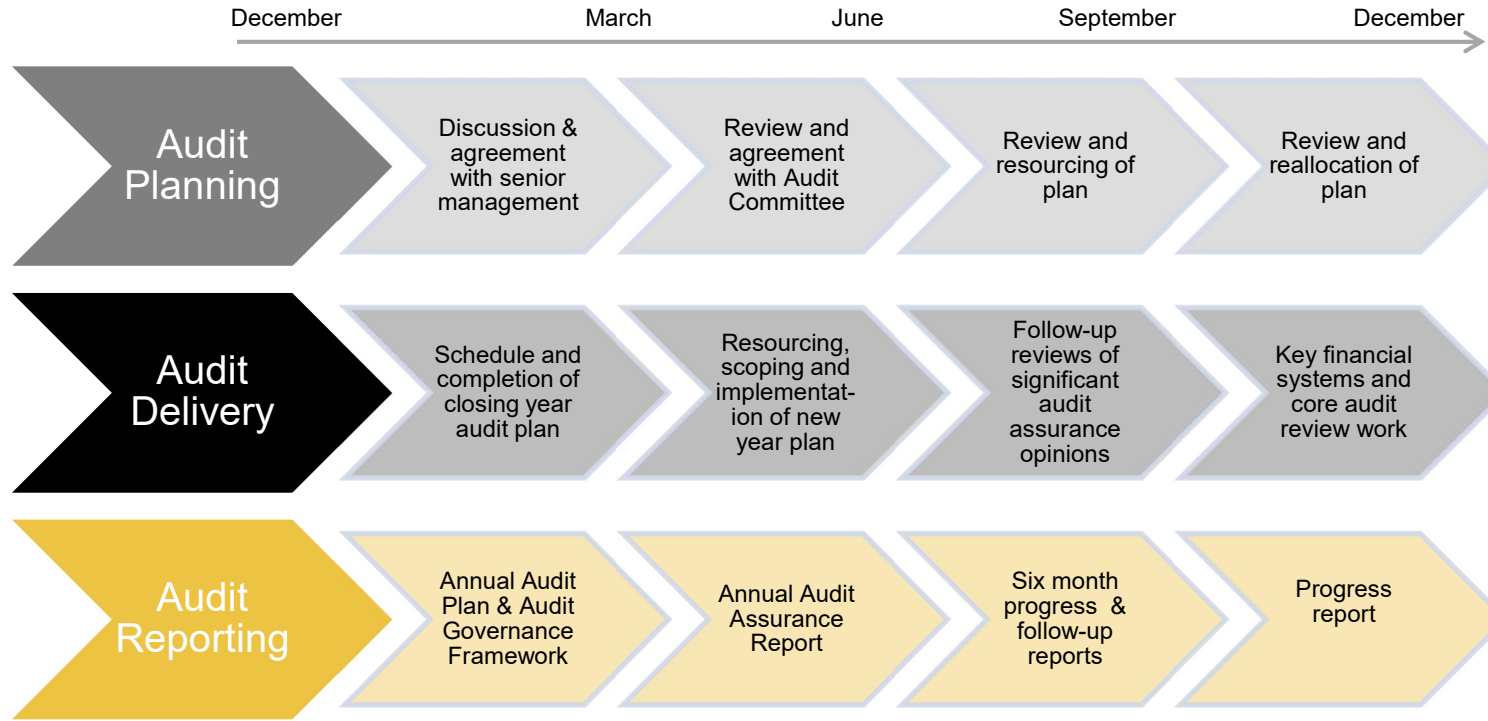
The resultant Internal Audit Plan is set out in the ‘proposed audit plan’. There are a number of areas where risk, needs assessment and discussions with management have identified audit need but where there are not sufficient resources in the plan to review them at this stage (see appendix 5). The plan will remain flexible and should priorities need these areas may for part of the planned work.



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



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Date	Activity
Dec / Jan 2020	Directorate planning meetings
March 2020	Internal Audit Plan presented to Audit & Gov Committee
	Internal Audit Governance Arrangements reviewed by Audit & Gov Committee
	Year-end field work completed
Apr 2020	Annual Performance reports written
Jul 2020	Annual Internal Audit Report presented to Audit & Gov Committee
	Follow –up work of previous year’s audit work commences
Sept 2020	Progress report presented to Audit & Gov Committee
Dec 2020	Six-month progress reports presented to Audit & Gov Committee
	2021/22 Internal Audit Plan preparation commences



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# Audit and Governance Committee



Date of meeting:	11 May 2020
Title of Report:	<b>Internal Audit Plan 2020/21</b>
Lead Member:	Councillor Mark Lowry (Cabinet Member for Finance)
Lead Strategic Director:	Andrew Hardingham (Service Director for Finance)
Author:	Brenda Davis, Audit Manager
Contact Email:	brenda.davis@devonaudit.gov.uk
Your Reference:	AUD/BD
Key Decision:	No
Confidentiality:	Part I - Official

## Purpose of Report

Standards for Internal Audit in local government are set out in the Public Sector Internal Audit Standards (PSIAS). The PSIAS confirm that the Council should periodically prepare a risk-based plan of Internal Audit activity that is designed to support an annual opinion on the effectiveness of the systems of governance, risk management and internal control and is informed by the audit strategy, consultation with stakeholders and a dynamic assessment of risks.

The PSIAS state that 'the chief audit executive' must communicate the internal audit activity's plans and resource requirements to senior management and the board (Audit & Governance Committee) for review and approval.

## Recommendations and Reasons

Members are requested to review and approve the Internal Audit Plan for 2020/21.

## Alternative options considered and rejected

None, as failure to maintain an adequate and effective system of internal audit would contravene the Accounts and Audit Regulations 2015.

## Relevance to the Corporate Plan and/or the Plymouth Plan

The Internal Audit service assists the Council in delivering robust standards of public accountability and probity in the use of public funds and has a role in promoting high standards of service planning, performance monitoring and review throughout the organisation, together with ensuring compliance with the Council's statutory obligations.

Our work supports delivery of the values and priorities set out in Corporate Plan by ensuring that resources are used wisely, and service areas understand and deliver quality public services which meet customer and community needs and keep people safe.

## Implications for the Medium Term Financial Plan and Resource Implications:

Delivery of the audit plan will assist the council in delivering value for money services.

**Carbon Footprint (Environmental) Implications:**

No direct carbon/environmental impacts arising from the recommendations.

**Other Implications: e.g. Health and Safety, Risk Management, Child Poverty:**

*\* When considering these proposals members have a responsibility to ensure they give due regard to the Council's duty to promote equality of opportunity, eliminate unlawful discrimination and promote good relations between people who share protected characteristics under the Equalities Act and those who do not.*

The work of the internal audit service is an intrinsic element of the Council's overall corporate governance, risk management and internal control framework.

**Appendices**

*\*Add rows as required to box below*

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
		1	2	3	4	5	6	7
A	Internal Audit Plan 2020/21							

**Background papers:**

*\*Add rows as required to box below*

Please list all unpublished, background papers relevant to the decision in the table below. Background papers are unpublished works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.

Title of any background paper(s)	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
	1	2	3	4	5	6	7

**Sign off:**

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Originating Senior Leadership Team member: Andrew Hardingham

Please confirm the Strategic Director(s) has agreed the report? Yes

Date agreed: 27.02.2020

Cabinet Member approval: Cllr Lowry

Date approved: 11/03/2020

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