

Internal Audit

Internal Audit Plan 2021-2022

Plymouth City Council Audit Committee

March 2021

Official

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Head of Audit Partnership



Auditing for achievement

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Devon Audit Partnership

The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Devon, Torridge 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.

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

Confidentiality and Disclosure Clause

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.

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.

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 considers the organisation's risk management framework, including risk appetite levels set by management for the different activities or parts of the organisation as represented in Appendix 3.

The need for robust and effective controls to ensure that resources are used to be best effect and deliver the authority's objectives has never been greater. Internal Audit helps provide independent assurance that risks are known, understood and addressed, and that systems and procedures are sound, effective and efficient.

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 Service Director for Finance (Section 151) and members with assurance on the control framework to manage the risks identified. The plan will remain flexible and any changes will be agreed formally with management and reported to Audit 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

High Level Audit Plan

There has been a growing trend in the sector towards more flexible audit plans to enable internal audit to be more agile and responsive to changing risks. There has been a recognition that audit plans need to be flexible to be able to reflect and respond to the changing risks and priorities of the Council and current circumstances with the pandemic have highlighted the needs and benefits of this approach, with a number of in year changes having been made to the 2020/21 audit plan; this principle looks set to continue.

The table on the right shows a summary of indicative audit coverage for the year, totalling 1046 days, with proposed areas for review listed in the table below. In addition, we have one item we are holding as a “first reserve”.

More detailed terms of reference will be drawn up and agreed with management prior to the start of each individual assignment – in this way we can ensure that the key risks to the operation or function are considered during our review.

As we progress through the year, any changes to the audit plan will be brought before this Committee.

We also continue to provide an internal audit service to the maintained schools with the City.

Anti-fraud and Corruption

Working alongside the DAP Counter Fraud Team we ensure that our work contains elements to ensure that sound and effective arrangements are in place to prevent and detect fraud and / or irregularity.



Proposed Audit Reviews

Areas of Review	Proposed Audit Work / Scope	Estimated Audit Effort (Days)
Customer and Corporate / Finance		
Material Systems – System Admin	Review of the control environments in place to ensure the integrity of the Academy, Civica, CareFirst and CoreHR systems. Follow-up of any recommendations made in 20/21.	20
Civica Financials: <ul style="list-style-type: none"> • Creditors • Main Accounting • Debtors 	System walkthrough to consider the design, any changes and effectiveness of key controls and risk-based sample testing to determine compliance. Follow-up of any recommendations made in 20/21.	55
Civica Icon	Full review of the cash receipting and e-payment system.	25
Academy Revs & Bens: <ul style="list-style-type: none"> • Housing Benefits • Council Tax • Business Rates NNDR 	System walkthrough to consider the design, any changes and effectiveness of key controls and risk-based sample testing to determine compliance. Follow-up of any recommendations made in 20/21.	50
Treasury Management	System walkthrough, focused risk-based sample testing and follow-up of 20/21 review.	10
CoreHR - Payroll	System walkthrough to consider the design, any changes and effectiveness of key controls. Risk-based sample testing will be performed to determine compliance with management controls internal to the Council and those applicable to the payroll administrators, Delt Services.	25
Cyber Security	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.	20
O365 Follow-Up	Follow-up review of the work undertaken in 2019/20 following the roll out of Office 365 to check that the lessons have been learned and recommendations implemented and embedded.	5
Cash Handling	Identify all areas across the Council where cash continues to be taken and review the collection, reconciliation and banking arrangements. Consideration will also be given as to whether these service areas can move towards taking cash-less payments only.	15

Areas of Review	Proposed Audit Work / Scope	Estimated Audit Effort (Days)
Management of Grants	Review the effectiveness of systems and procedures in operation across service areas to manage, monitor, accounts for and ensure compliance with grant funding. Work will also consider the process from the point of exploring and bidding for funding.	20
Covid-19 Grants	Pot of days to be used to perform spot checks (e.g. Test & Trace Support Payments) and provide post event assurance, lessons learned.	25
Risk Management in Treasury Management	Work to understand the basis of investment decisions. In particular, the identification of risk, where risks are reported and how those risks are mitigated.	15
Procurement	We will focus on Pot of days – scope to be determined by the Head of Procurement in conjunction with the Service Director for Finance.	20
Client Financial Services	Review of the end-to-end processes including those undertaken by Livewell SW to identify any changes to the system since previous review and to check that previous recommendations have been implemented. Work to be undertaken in parallel with CareFirst Billing review (see below under People) to ensure no overlap.	15
Recruitment	There are key areas of law affecting the recruitment and selection including discrimination, the right to work in the UK, criminal records checks and data protection. We will assess current policies and procedures against legal obligations and best practice.	15
Health & Safety	Further work requested by the Head of Health and Safety to provide independent assurance on the implementation and embeddedness of the processes and system being developed initially for the management of Hand Arm Vibration but which could be deployed more broadly.	15
Council Bank Accounts	Exercise to identify all bank accounts linked to the Council and their purpose.	5
Governance - Capital Programme	The governance arrangements for the capital programme are currently under review and audit will be available to provide “real-time” support and challenge.	5
Schools Financial Value Standards (SFVS)	Collection of SFVS self-assessments completed by schools. Preparation of the Direct Schools Grant (DSG) Chief Financial Officer (CFO) Assurance Statement for 20/21.	2

Areas of Review	Proposed Audit Work / Scope	Estimated Audit Effort (Days)
Audit Advice to Customer & Corporate and carry forward for completion of 20/21 work		25
Audit planning, monitoring and performance reporting		32
Audit Governance		26
Cross Cutting		
PFI Contracts	Check that there is awareness within the Council of all PFI Contracts, it is known when they are due to end and there are plans in place to undertake condition surveys well in advance of the end of the contract to ensure that buildings are not returned in an unsatisfactory condition.	1
Payment Modernisation Project	Seat on board and time to undertake real time work alongside the project to ensure that controls remain effective and efficient following changes to processes within service areas	15
Executive Office		
Electoral Services	Real time advice and support to be provided to the ER Team as they develop and implement new processes in response to 2020/21 audit recommendations.	15
Risk Management	Review of the Council's approach to the identification, assessment and management of risks to the achievement of its objectives and to the delivery of services. We will check that the management of individual risks is clearly allocated and that their management is reported and considered at the appropriate levels within the organisation.	20
Minute Books	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.	5
Gifts & Hospitality Follow-Up	Follow-up to the 19/20 review which was Improvements Required.	3
Audit Advice to Executive Office		10
Audit planning, monitoring and performance reporting		2
Audit Governance		1

Areas of Review	Proposed Audit Work / Scope	Estimated Audit Effort (Days)
People		
CareFirst ASC (Invoicing)	Review of the design and effectiveness of the systems and procedures in operation for the billing of adult social care services (residential and domiciliary care).	25
CareFirst (Payments)	Undertake substantive testing of Dom Care returns to check for any under / over payments.	25
CareFirst - Children Independent Placements Follow-Up	Detailed follow-up to the 19/20 review which was Improvements Required.	10
Finance & Assurance Review Group (FARG)	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.	5
Special Guardianships (Children) Follow-Up	Detailed follow-up to measure progress in implementing the management responses to the March 2020 audit report.	10
Special Educational Needs & Disability (SEND) Contracts	Review of send contracts – detailed scope to be determined with the Head of Service.	25
Social Care – New Business Solution	Real time support and challenge to the project team responsible for the migration of CareFirst 6 to Eclipse. Phase I – CYP Apr21 – Mar22, Phase II - ASC Apr22 – Mar23.	10
Pre-Paid Cards (Direct Payments Adults)	Review of controls on the administration of prepaid cards used to make direct payments for children.	15
Pre-Paid Cards (Direct Payments Children)	Review of controls on the administration of prepaid cards used to make direct payments to adult social care clients.	5
On Course South West (OCSW)	Review of the effectiveness of the systems and procedures operated by OCSW now that they are back “in-house”.	15
Anti-Social Behaviour Tools	Audit review and validation of the way in which Anti-Social Behaviour tools are being used.	20

Areas of Review	Proposed Audit Work / Scope	Estimated Audit Effort (Days)
Fully CATERed	Year-end testing to make sure that the year-end position is not understated and to provide internal audit assurance to the external auditor.	6
Community Connections – New Business Solutions	As 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 Purchasing System and review past audit recommendations where actions were dependent on implementation of the new system.	25
Life Chances Fund (Pause Project)	Validation of claims in Sept 2020 & March 2021.	6
Families with a Future (Payment by Results)	Audit review and certification for each monthly claim.	25
Audit Advice to People and carry forward for completion of 20/21 work		22
Audit planning, monitoring and performance reporting		24
Audit Governance		21
Office of the Director of Public Health		
Office of the Director of Public Health	Covid-19 and exiting the EU has brought immense pressure to PDPH. This is a “pot of days” which the service will determine in due course where they would like best to use them.	20
Audit Advice to ODPH		10
Audit planning, monitoring and performance reporting		2
Audit Governance		1
Place		
Trade Waste	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.	30

Areas of Review	Proposed Audit Work / Scope	Estimated Audit Effort (Days)
Street Services – Stores and Stock Control	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. Work will also include the control of fuel cards and containers.	30
Commercial Properties	The Council's investment portfolio is worth £197m and generates over £10m of rental income and processes have changed following migration to the Tech Forge Cloud asset management system. We will map the new system to provide assurance on the effectiveness and efficiency of the control framework. Some compliance testing will be undertaken, and consideration given to the identification, reporting and mitigation of portfolio risk.	30
City Change Fund	All available days have been allocated and this item is held as "first reserve" should there be future changes.	First Reserve
Grant Certification	Those grants where the grant determination requires independent certification of expenditure by Internal Audit.	25
Audit Advice to Place		15
Audit planning, monitoring and performance reporting		12
Audit Governance		10
National Fraud Initiative (NFI) and 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>	<p>25</p> <p>25</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.

During the unprecedented COVID 19 crisis the Government have provided a package of support mechanisms for individuals and business and the Department for Business, Energy and Industrial Strategy (BEIS) require proportionate 'assurance' that the Government's Grant Funding for schemes has been used to support only those who were legitimately entitled to claim. The DAP Internal Audit and Counter Fraud Team are working collaboratively to provide assurance to the Council.

Additionally, guidance introduced by CIPFA, in their 'Code of practice on managing the risk of fraud and corruption', and also the CIFAS 'Fighting Fraud Corruption Locally Strategy 2020', further inform the direction of counter-fraud arrangements.

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 2020 in accordance with the NFI timetable. The subsequent matching reports are due to be returned from the Cabinet Office during February 2021 and relevant departments will be contacted to agree plans for reviewing the matches and reporting outcomes.

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

Internal Audit is a statutory service in the context of The Accounts and Audit (England) Regulations 2015, which state: “A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards (PSIAS) or guidance”.

DAP, through external assessment, demonstrates that it meets the Public Sector Internal Audit Standards (PSIAS).

The Standards require that the Head of Internal Audit must “establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals”. When completing these plans, the Head of Internal Audit has taken account of the Authority’s risk management framework. The plan has been adjusted and reviewed, as necessary, in response to changes in the Authority’s business, risk, operations, programs, systems and controls. The plan takes account of the requirement to produce an internal audit opinion and assurance framework.

This audit plan has been drawn up, therefore, to enable an opinion to be provided at the end of the year in accordance with the above requirements



We will seek opportunity for shared working across member authorities. In shared working Devon Audit Partnership will maximise the effectiveness of operations, sharing learning & best practice, helping each authority develop further to ensure that risk remains suitably managed.

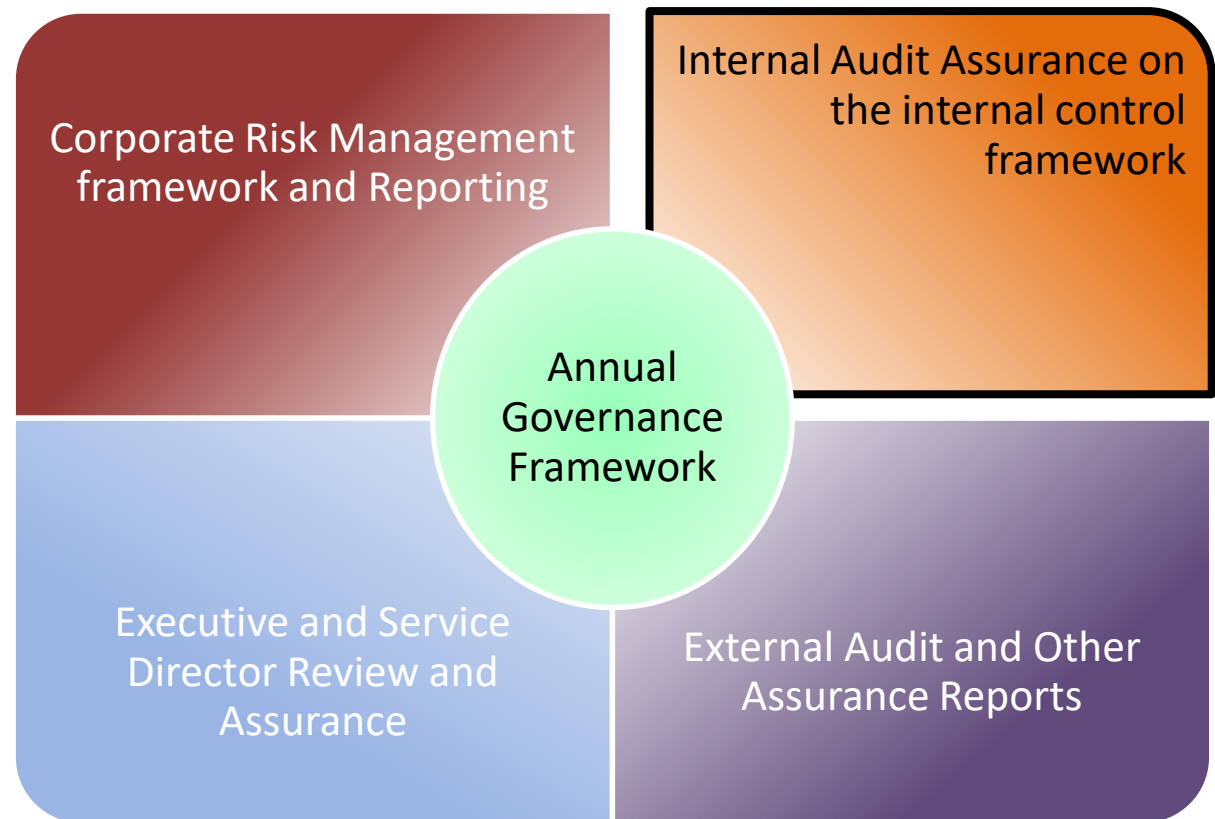
Appendix 2 - Annual Governance Framework Assurance

The Annual Governance Statement provides assurance that

- The Authority's policies have been complied with in practice;
- high quality services are delivered efficiently and effectively;
- ethical standards are met;
- laws and regulations are complied with;
- processes are adhered to;
- performance statements are accurate.

The statement relates to the governance system as it is applied during the year for the accounts that it accompanies. It should:-

- be prepared by senior management and signed by the Chief Executive and Leader of the Council;
- highlight significant events or developments in the year, including the impact of Covid-19 on governance arrangements;
- 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 *Delivering Good Governance in Local Government Framework 2016 (CIPFA and Solace)*.



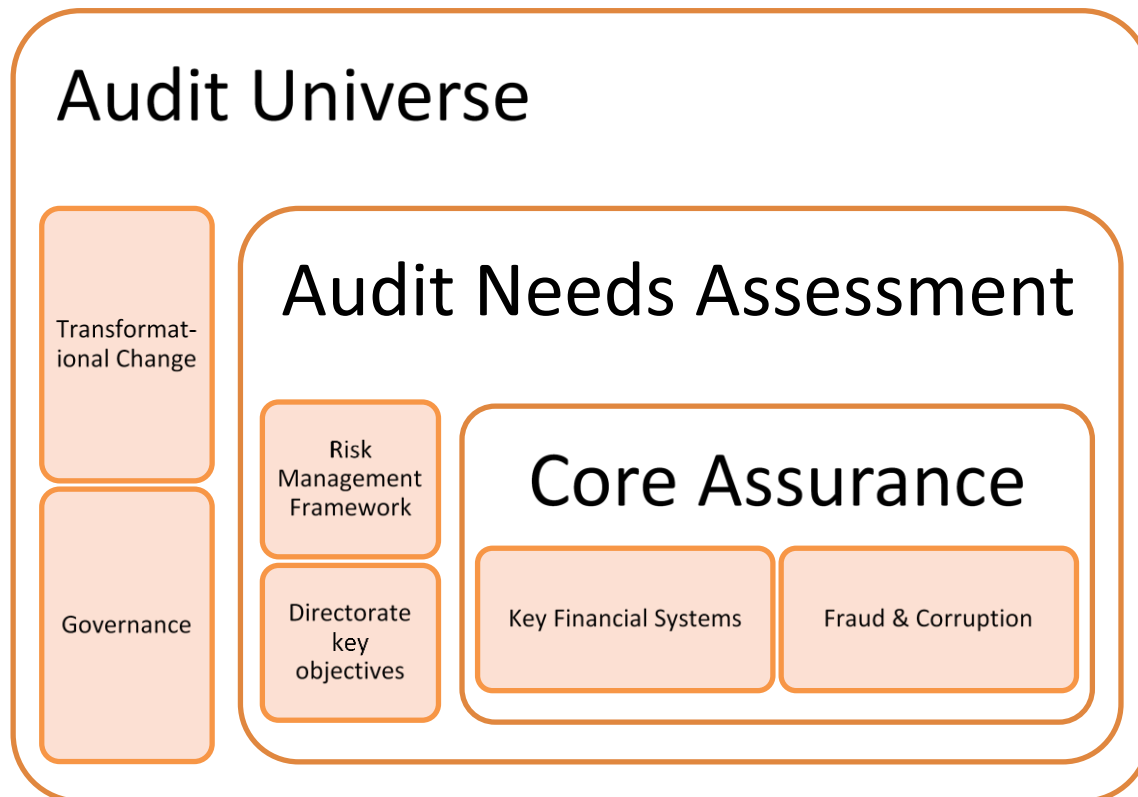
The AGS needs to be presented to, and approved by, the Audit and Governance Committee, and then signed by the Chair.

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

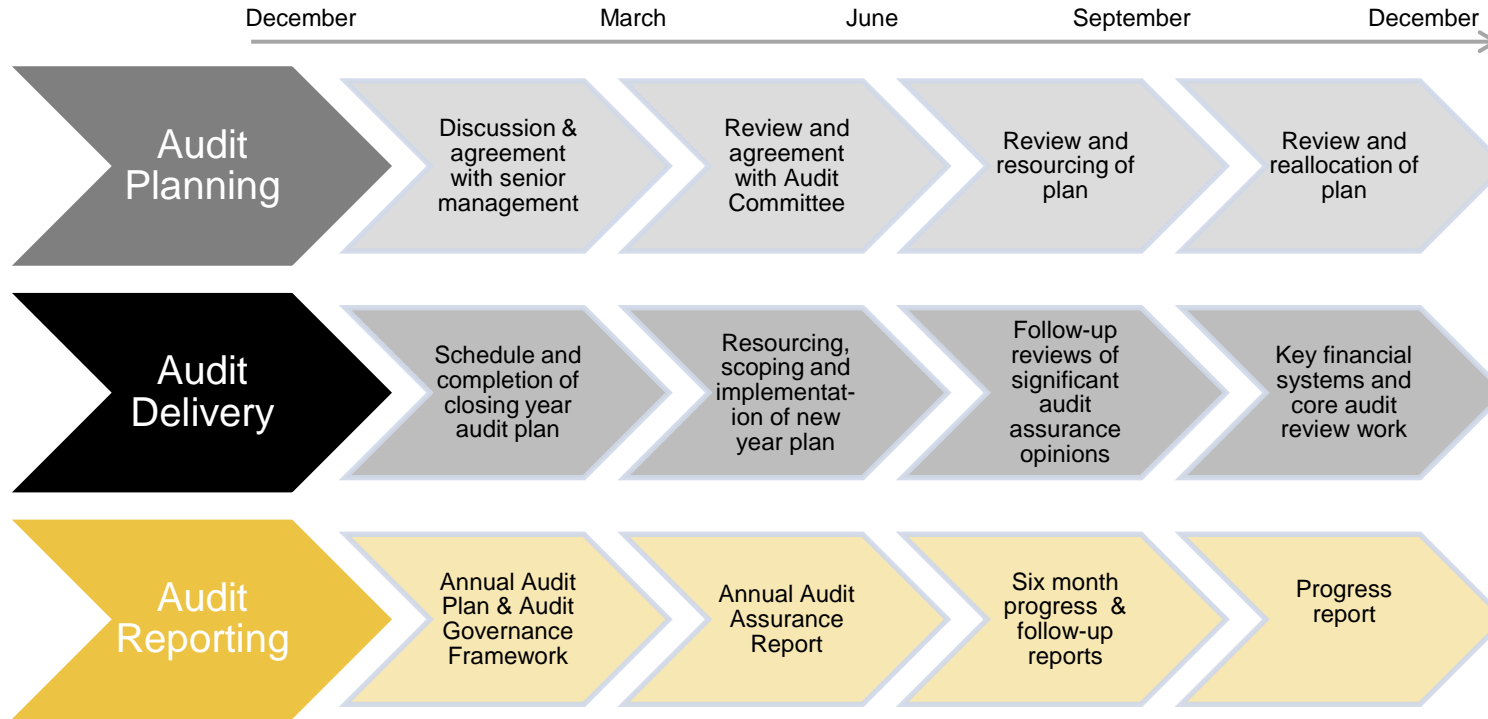
The resultant Internal Audit Plan is set out in the ‘proposed audit plan’. There are a number of areas where risk, needs assessment and discussions with management have identified audit need but where there are not sufficient resources in the plan to review them at this stage (see appendix 5). The plan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



Date	Activity
Dec / Jan 2021	Directorate planning meetings
March 2021	Internal Audit Plan presented to Audit & Gov Committee
	Internal Audit Governance Arrangements reviewed by Audit & Gov Committee
	Year-end field work completed
Apr 2021	Annual Performance reports written
Jul 2021	Annual Internal Audit Report presented to Audit & Gov Committee
	Follow –up work of previous year’s audit work commences
Sept 2021	Progress report presented to Audit & Gov Committee
Nov 2021	Six-month progress reports presented to Audit & Gov Committee
	2022/22 Internal Audit Plan preparation commences

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