

Internal Audit

# Internal Audit Plan 2022-2023

## Plymouth City Council Audit Committee

March 2022

**Official**

Robert Hutchins  
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@devon.gov.uk](mailto:robert.hutchins@devon.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 2022/23.

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. Circumstances with the pandemic have highlighted the needs and benefits of this approach, where significant in year changes have been made to the 2021/22 audit plan, the plan needs to remain fluid. This ensures that the work of Internal Audit remains aligned to current risks within Service Areas and as a whole for the Authority, enabling us to provide own Head of

Our audit plans are always built around the risks identified through risk management, audit needs and perceptions of current issues and in discussion with client management and the S151 Officer.

The table on the right shows a summary of indicative audit coverage for the year, totalling 1045 days, based on the priority areas for review listed in the table below. In addition, we have a number of items we are holding as a “first reserve”. This shows a good spread of coverage across service areas enabling us to provide assurance on the wider control framework from which to build our annual assurance opinion.

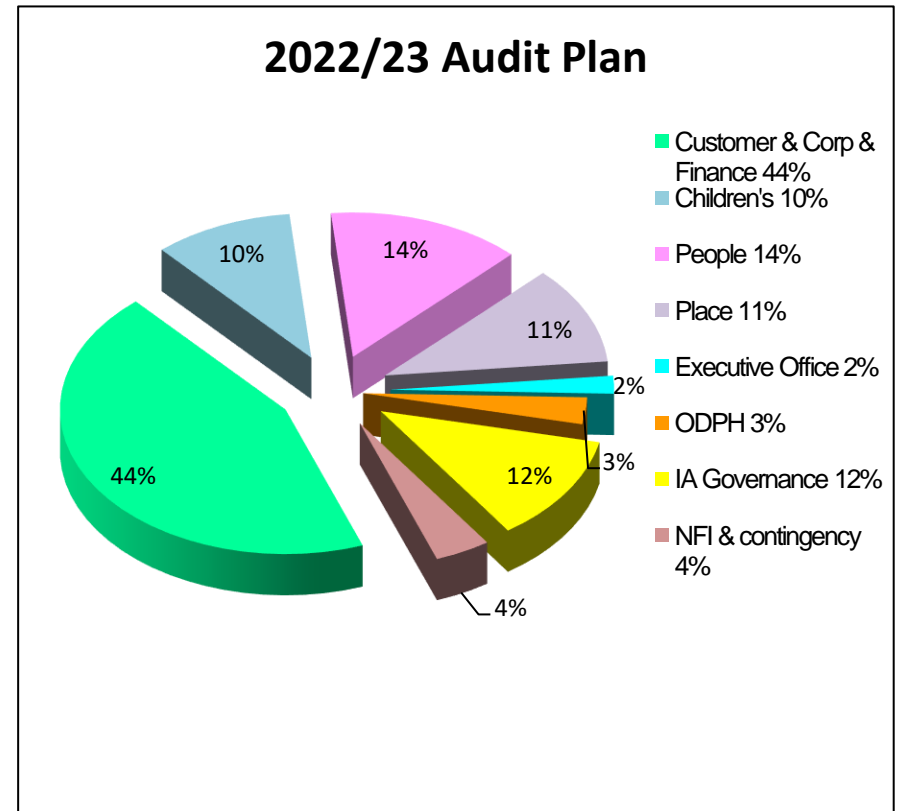
More detailed terms of reference will be drawn up and agreed with management prior to the start of each individual assignment – in this way we can ensure that the key risks to the operation or function are considered during our review.

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.



## Priority Audit Reviews

Areas of Review	Proposed Audit Work / Scope	Estimated Audit Effort (Days)
<b>Customer and Corporate</b>		
Civica Financials: <ul style="list-style-type: none"> <li>• Creditors</li> <li>• Main Accounting</li> <li>• Debtors</li> </ul>	System walkthrough to consider the design, any changes and effectiveness of key controls and risk-based sample testing to determine compliance.	60
Academy Revs & Bens: <ul style="list-style-type: none"> <li>• Housing Benefits</li> <li>• Council Tax</li> <li>• Business Rates NNDR</li> </ul>	System walkthrough to consider the design, any changes and effectiveness of key controls and risk-based sample testing to determine compliance.	60
Treasury Management	System walkthrough to consider the design, any changes and effectiveness of key controls and risk-based sample testing to determine compliance.	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.	20
Fully CATERed	Sample testing to check that the year-end position is not understated and to provide internal audit assurance to the Council's external auditor.	5
Debt Collection	Review of the governance, processes and procedures in place for the collection of debt.	15
Cyber Security & IT Functions	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. Operational areas of specific focus to include Patch Management, Back-Up, and IT asset management together with follow-up on work undertaken in 2021/22. O365 - liaising with the Information Governance Manager to assess functionality in light of any observations made as part of Devon Information Security Partnership (DISP).	45

Areas of Review	Proposed Audit Work / Scope	Estimated Audit Effort (Days)
Covid-19 Grants	Post event assurance work.	5
Core Compliance	Following the Business Support Review, once the new structure is embedded, work will be undertaken to assess core compliance in financial areas such as VAT.	15
Client Financial Services	A cross-cutting review of the end-to-end processes for the billing and collection of social care client contributions, including the early stages of the process carried out by Livewell SW.	25
Capital Programme	Review of the governance arrangements for the management and monitoring of the capital programme.	25
Electronic Signatures	Work to understand the adequacy of controls around the use of electronic signatures used in approval processes.	10
Establishment Control	Work to provide assurance that the establishment held on the CoreHR system is effectively maintained and accurate.	10
Staff Parking	Compliance with Council policy and any regulatory rules relating to staff parking arrangements.	15
Agency Staff	Review of the effectiveness of the processes and procedures in place to manage and control the use of agency staff.	15
Health & Safety	Follow-up 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
Recommendation Tracking	Ongoing follow-up and reporting to the Audit & Governance Committee of management progress in actioning audit recommendations.	30
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
Grant Certification	Those grants where the grant determination requires independent certification of expenditure by Internal Audit.	30
Audit Advice, client liaison, external audit		45

Areas of Review	Proposed Audit Work / Scope	Estimated Audit Effort (Days)
<b>Executive Office</b>		
Electoral Services	Real time support and challenge to provide assurance on the ongoing effectiveness of operational controls and quality assurance procedures.	10
Audit Advice to Executive Office		10
<b>People</b>		
Adult Social Care Reforms	An evolving programme of work which will include real-time support and challenge as the Council work to deliver Government proposals. Areas of work to include Care Cap, Fair Cost for Care Market Sustainability Plan and other assurance work.	60
Liberty Protection Safeguards (LPS)	The Deprivation of Liberty Safeguards (DoLS) is to be replaced by Liberty Protection Safeguards (LPS) and time has been requested to provide real time audit support and challenge as the new arrangements are implemented.	15
Interface with the CCG	Clinical Commissioning Groups (CCGs) will transition to Integrated Care Boards (ICBs) with a target date of 1 July 2022. Our work will look at the pooled budget arrangement and delivery outcomes for Plymouth and Devon CCG.	15
Leisure Facilities	Review of processes and procedures in operation at the various leisure facilities.	25
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. Work will also include reievew of the S75 Agreement.	5
Social Care – New Business Solution	Continued real time support and challenge to the project team responsible for the migration of CareFirst 6 to Eclipse. Phase I, CYP due to 'go live' end of May '22 and Phase II - ASC Apr22 – Mar23.	10
Audit Advice to People		20

Areas of Review	Proposed Audit Work / Scope	Estimated Audit Effort (Days)
<b>Children's Services</b>		
Joint Funding Arrangements	Review of governance processes where Children's Services have joint funding arrangements in place.	30
Special Educational Needs & Disability (SEND) Contracts	Review of governance processes for high cost spending.	25
Life Chances Fund (Pause Project)	Validation of quarterly project claims.	8
Families with a Future (Payment by Results)	Audit review and certification for each monthly claim.	20
Audit Advice to Children's Services		20
<b>Office of the Director of Public Health</b>		
Office of the Director of Public Health	Covid-19 and exiting the EU has brought immense pressure to ODPH. 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
<b>Place</b>		
City Change Fund	Governance of the City Change Fund.	15
Safety at Sports Grounds	A review of the governance and processes in operation in respect of safety at sports grounds. Consideration will also be given to any potential impact of Martyn's Law which is likely to be enacted in 2022 and is Government legislation, prepared in response to the 2017 Manchester Arena attack.	20
Plymouth & SW Devon Community Forest	Real time support as the community grants scheme is created.	5
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.	15



Areas of Review	Proposed Audit Work / Scope	Estimated Audit Effort (Days)
Commercial Properties	Following on from work in 2021/22 to understand and map the use of the new TF Cloud asset management system and associated processes, we will undertake a programme of testing to check compliance.	20
The Box	Understanding the business, including commerciality, turnover and profit.	25
Audit Advice to Place		10
<b>National Fraud Initiative (NFI) and Irregularities</b>		
NFI & Contingency	Co-ordination of the NFI exercises across the Authority. 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.	40

### Reserve List of Audit Areas

Homelessness	Review of forecasting for bed and breakfast accommodation.
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Disabled Facilities Grants	Management and forecasting arrangements for disabled facilities grants.
S106/CIL	Refresh of work undertaken previously.
Highways	Review of changes to works ordering processes.
CareFirst - Children Independent Placements Follow-Up	Detailed follow-up to the 19/20 review which was Improvements Required, also to consider new processes and procedures in operation due to staff admin changes following the business support review.
On Course South West	Mid-year review of systems in operation to ensure service is able to evidence funding outcomes.
Special School	On journey to being academized, audit review towards end of Autumn Term would be helpful with preparation.

## **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 continue to work 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 (The National Fraud Initiative - NFI). Whilst the main NFI exercise is run every two years, with 2022-23 being an 'off-year', the Council are continuing to review data matches that were generated by the 2020-21 NFI exercise, particularly in relation to Covid 19 Business Grants. Additionally, there are further Covid 19 Business Grant data matches expected by the end of March 2022 and consequently these will require processing during the next financial year. The Council will also need to supply Council Tax (CT) and Electoral Registration (ER) data to the Cabinet Office towards the end of 2022 as part of the annual CT / ER NFI exercise.

### **Internal Audit Governance**

An element of our work is classified as client 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. 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 & Governance Committee;
- Assistance with the Annual Governance Statement.

### **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.

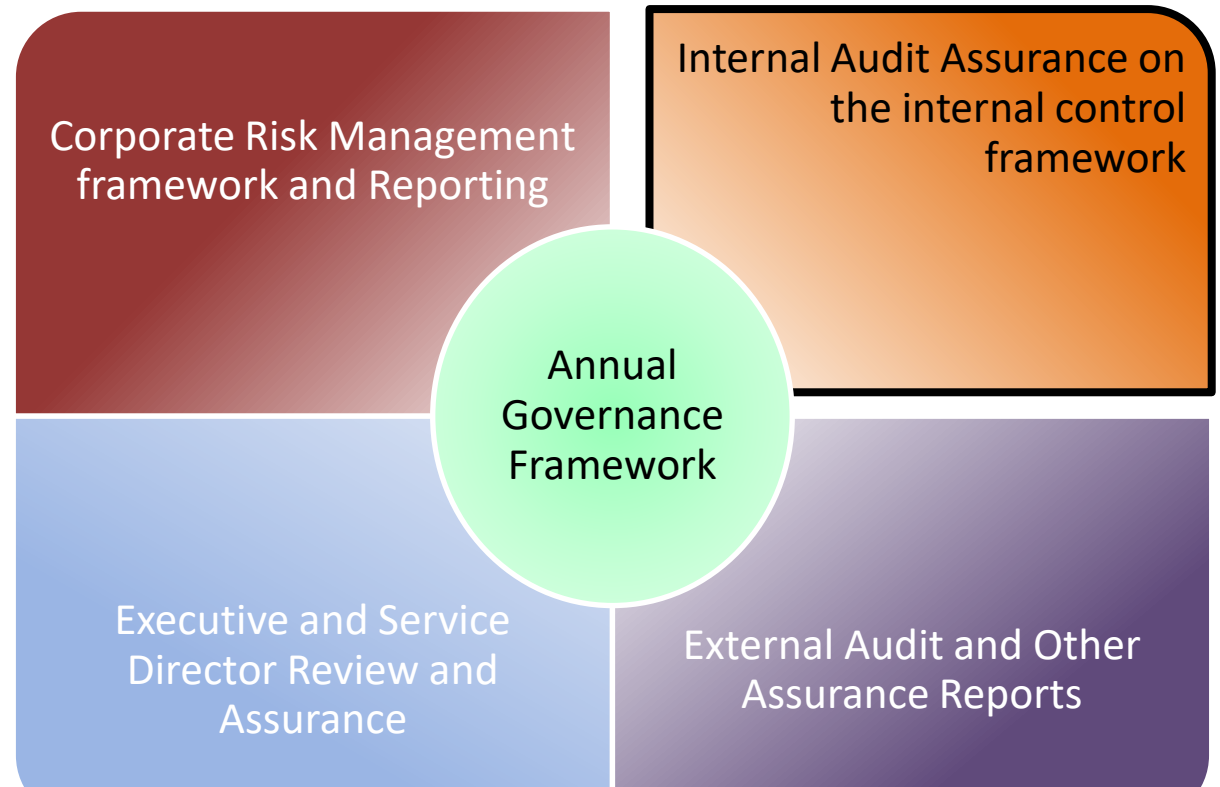
## Appendix 2 - Annual Governance Framework Assurance

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;
- 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)*.



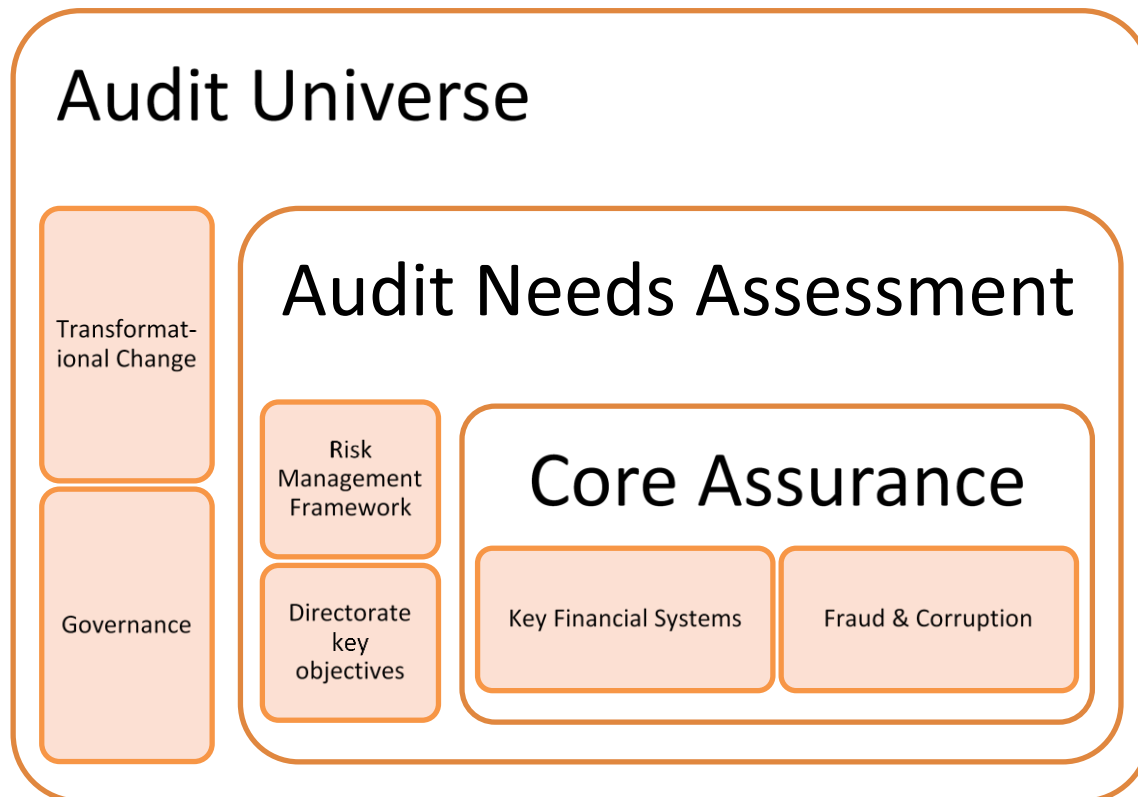
The AGS needs to be presented to, and approved by, the Audit and Governance Committee, and then signed by the Chair.

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.

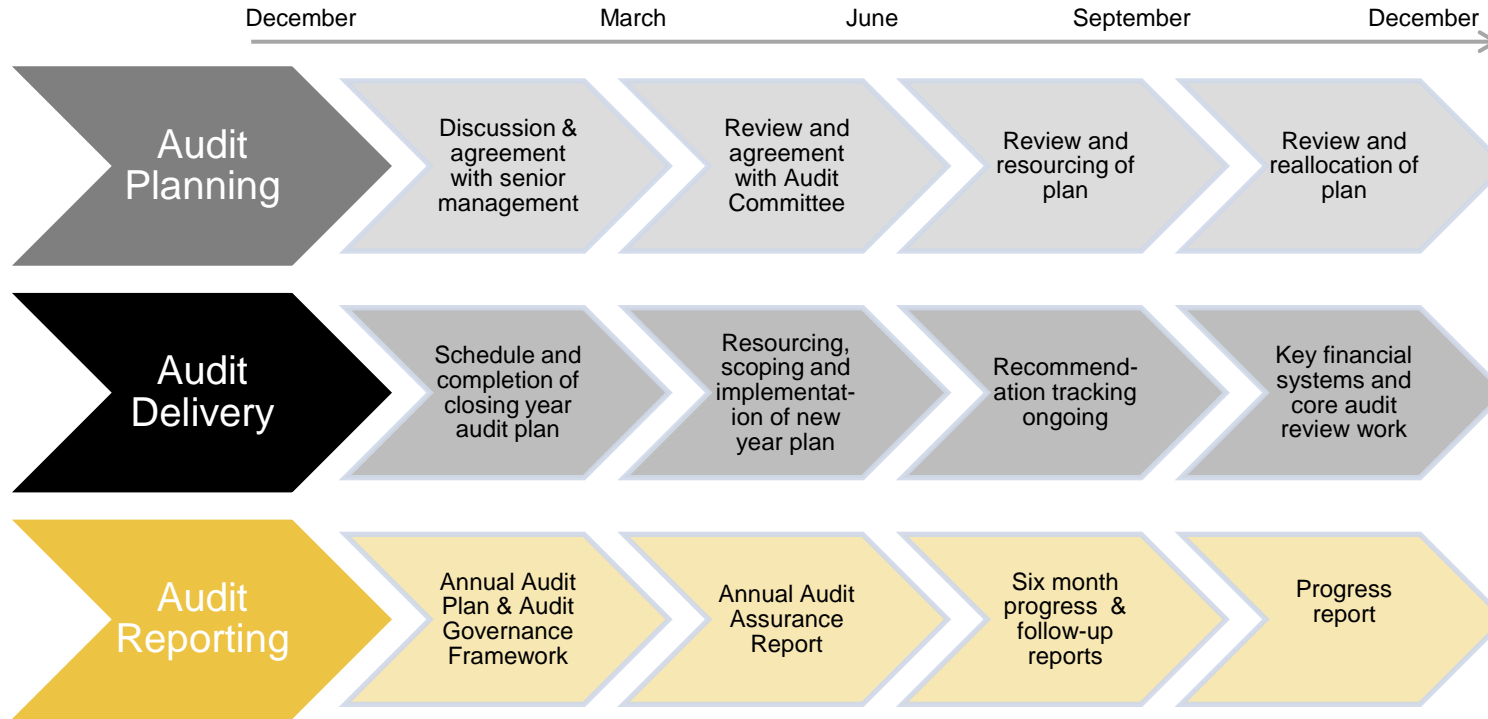
The resultant Internal Audit Plan is set out in the ‘proposed audit plan’. There are a number of areas where risk, needs assessment and discussions with management have identified audit need but where there are not sufficient resources in the plan to review them at this stage (see appendix 5). The plan 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
Jan/Feb 2022	Directorate planning meetings
March 2022	Internal Audit Plan presented to Audit & Gov Committee
	Internal Audit Governance Arrangements reviewed by Audit & Gov Committee
	Year-end field work completed
Apr 2022	Annual Performance reports written
Jul 2022	Annual Internal Audit Report presented to Audit & Gov Committee
	Recommendation tracking is an ongoing process
Sept 2022	Progress report presented to Audit & Gov Committee
Nov 2022	Six-month progress reports presented to Audit & Gov Committee
	2022/22 Internal Audit Plan preparation commences

<p><b>Robert Hutchins</b>                  Head of Audit Partnership                  T 01392 383000                  M 07814681196                  E <a href="mailto:robert.hutchins@devon.gov.uk">robert.hutchins@devon.gov.uk</a></p>	<p><b>Brenda Davis</b>                  Audit Manager – Plymouth City Council                  T 01752 306713                  M 07816934144                  E <a href="mailto:brenda.davis@plymouth.gov.uk">brenda.davis@plymouth.gov.uk</a>                  or <a href="mailto:brenda.davis@devon.gov.uk">brenda.davis@devon.gov.uk</a></p>
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