



devon **audit** partnership

Internal Audit

Internal Audit Plan
2013 - 2014

Plymouth City Council
Audit Committee

March 2013

Auditing for achievement

INTERNAL AUDIT SERVICE – ANNUAL AUDIT PLAN 2013/14

1. INTRODUCTION

- 1.1 All principal Local Authorities, including Plymouth City Council, are subject to the Accounts and Audit Regulations 2003 (as amended), and the Accounts and Audit Regulations 2006 and 2011, which require that the Authority should make provision for Internal Audit. From April 2013, organisations in the UK public sector are required to adhere to the Public Sector Internal Audit Standards.
- 1.2 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 should take account of the organisation’s risk management framework. The plan should be adjusted and reviewed, as necessary, in response to changes in the organisation’s business, risk, operations, programs, systems and controls. The plan must take account of the requirement to produce an internal audit opinion and assurance framework.
- 1.3 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.

2. AUDIT NEEDS ASSESSMENT

- 2.1 The audit plan for 2013/14 plan has been identified by:
 - Adopting 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;
 - 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 meet the “managed audit” approach with the external auditors;
 - Consideration of risks identified in the Authority’s strategic and operational risk registers.

The resultant Internal Audit Plan for 2013/14 is set out in Appendices 1 and 2.

3. INTERNAL AUDIT PARTNERSHIP

- 3.1 Since 1st April 2009 the Internal Audit Service for Plymouth City Council has been delivered by the Devon Audit Partnership (DAP). This is a shared service arrangement between Plymouth City, Devon County and Torbay Councils and is constituted under section 20 of the Local Government Act 2000.

- 3.2 The delivery of the internal audit service will be in accordance with the Internal Audit Charter. For some reviews the opportunity for shared working across other authorities may arise. In these circumstances Devon Audit Partnership will seek to maximise the effectiveness of operations, sharing learning and guidance helping each of the authorities to develop further and ensure that risk remains suitably managed.

4. INTERNAL AUDIT RESOURCES

- 4.1 Based upon our detailed risk assessment process we consider that 1,686 days of internal audit input will be required for Plymouth City Council in 2013/14.
- 4.2 In order to provide a cost-effective service and good value for money to all of our clients it is important that emphasis is given to minimising costs, particularly overheads, and maximising the efficiency and effectiveness of the audit processes. There is regular monitoring and management review of performance within the team over the year and we participate in the annual CIPFA benchmarking comparisons with other Internal Audit functions to demonstrate that Devon Audit Partnership provides a cost-effective service.

5. PLANNED AUDIT COVERAGE 2013/14

- 5.1 Appendix 1 shows a summary of planned audit coverage for 2013/14 totalling 1,686 direct days. A more detailed analysis of proposed audit reviews is provided in Appendix 2. 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 6 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 IA Plan includes a contingency to allow for unplanned work.
- 5.2 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 paragraphs give a brief overview of the focus of proposed audit coverage for the year:-

Corporate Services

- 5.3 Our work for Corporate Services includes work on what are termed "key financial systems" - these are systems that process the majority of income and expenditure for the Council, and which have a significant impact on the reliability and accuracy of the annual accounts. Our work in the area will include reviews of:-
- Payroll
 - Council Tax and Non Domestic Rates
 - Benefits
 - Main Accounting System
 - Ordering & Payments
 - Income Collection
 - Treasury Management.
- 5.4 Reviews in previous years have confirmed that, generally, sound arrangements are in place for these systems, but we will seek to ensure that previous weaknesses that have been identified have been rectified.

- 5.5 In addition to work on key financial systems, Internal Audit review, support and advise on a number of areas judged to be of high risk to the Directorate such as:-
- New HR/Payroll system - Internal Audit will continue to support the Project Board and project teams with the implementation of the new system and as it becomes operational within the Council.
 - With the forthcoming introduction of welfare reforms, Audit will look at the Council's response to their impact and work with officers in finding ways to mitigate the risks the reforms present.
 - Audit will assess the impact of the proposed ICT Shared Service on the Council and help identify and resolve any potential mobilisation issues.
 - Internal Audit will review the role of Central Buyers and identify the level of "deviant" spending by the Council i.e. where existing corporate contracts are not being used.
- 5.6 We have agreed with management the key risks that currently affect ICT for the Council. We will undertake reviews of Programme Delivery and Demand and Resource Management as part of ICT's Service Strategy, assess whether the new data centre fulfills the original business case and meets the needs of the Council and review new back-up procedures being introduced. In addition, Audit will examine Access Management processes and undertake a review of process improvements within Service Design to assess their effectiveness. Linked with a corporate review of contract management and monitoring, a review will be carried out to ensure that contracts with ICT suppliers are effectively managed and that the Council obtain value for money from existing contracts.

Cross Cutting

- 5.7 Internal Audit propose to carry out reviews and provide advice and support on a range of service areas and processes that are deemed to impact the Council as a whole. These include contract management, Transformation Programme, capital programme.
- 5.8 Internal Audit will examine the Council's strategy and policy for managing and monitoring contracts with partners, major operators and suppliers. As part of this, we will review the processes in place on existing contracts such as Highways, Leisure Management and ICT.
- 5.9 As the Council reviews its services, corporate approach and standards, Internal Audit will provide support and advice to the Transformation Programme Boards as well as specific projects and workstreams.
- 5.10 With increasing pressure on the capital programme, Internal Audit will review current governance arrangements and procedures and work with officers to ensure that they are robust whilst at the same time, allowing the process to be efficient and effective.

Place

- 5.11 Internal Audit will continue to monitor the progress of the Waste PFI project during the construction of the new facility. Advice will be provided on contract monitoring arrangements as they are developed in the run up to the facility's opening.
- 5.12 In addition Internal Audit will continue to support the Project Board set up to oversee the development of a History Centre for the City.
- 5.13 Internal Audit have been asked to provide support and assurance during the proposed procurement exercises that will see the replacement of the existing Material Recycling Facility (MRF), minibus fleet and plant and equipment.

People

- 5.14 Our plan for People covers audit reviews from across all four departments. Within Adult Social Care we will be looking at and reporting upon at the recently introduced Pre Paid Card system linked to the direct payments / personalisation agenda reviewing the process from end to end.
- 5.15 We will be undertaking the necessary works in connection with the claim submissions required to be made in respect of the 'Families with a Future' re the Government's Troubled Families programme. Further to responsibility for the administration and management of the DWP Social Fund transferring across to the authority from 1st April 2013, management has requested audit review later in the financial year.
- 5.16 As Members are aware, responsibility for Public Health also commences on 1st April 2013 and a review of Public Health Commissioning has been requested, looking at contracting and processes currently undertaken and whether possibilities exist for a joined up approach with processes and procedures currently in place within Adult Social Care.
- 5.17 An audit review will also be undertaken upon Disabled Facilities Grants. Plymouth is currently experiencing an upsurge in applications for DFGs which is thought partly to be due to changes in ways of working within Adult Social Care and how clients now access services.
- 5.18 A joint audit is detailed upon the Plymouth, Devon and Torbay plans for the 2013/14 financial year to look at the Local Integrated Service Trust: social impact bonds, where £927k has been awarded from the Big Lottery Fund.

Carry forward (completion of previous year work)

- 5.19 At the end of the year there will always be part of our work that is "work in progress" – this may require testing to be completed, the working papers to be reviewed by audit management, or the draft / final report to be agreed with management. Time has been allocated to ensure that all planned audits carried over from 2012/13 can be completed to the expected standard.

Fraud Prevention, Detection & Investigation

- 5.20 Counter-fraud arrangements are a high priority for the Council and assist in the protection of public funds and accountability. Internal Audit 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. In recognition of the guidance in the Fraud Strategy for Local Government "Fighting Fraud Locally" and the Audit Commission publication "Protecting the Public Purse", internal audit resource will be allocated to allow a focus on identifying and preventing fraud before it happens.
- 5.21 The Audit Commission runs a national data matching exercise (National Fraud Initiative - NFI) every two years. The required datasets were submitted to the Audit Commission in October 2012, and data matches were received at the end of January and mid-February 2013. During 2013/14 we shall work with Council departments to ensure that the matches are reviewed and action taken as may be necessary.

Grant Claims

- 5.22 We will review interim and final grant claims before submission to the grant awarding body. Our work will ensure that claims are accurate, complete and that income opportunities to the council are maximised.

Other Chargeable Activities

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

- Preparing and monitoring the internal audit plan;
- Preparing and presenting monitoring reports to senior management and committee;
- Liaison with other inspection bodies (e.g. Grant Thornton);
- Assistance with the Annual governance statement;
- 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 2013/14
- On-going development within the Partnership to realise greater efficiencies in the future.

Advice / Consultancy

- 5.24 Internal Audit will continue to be consulted by all departments throughout the Authority on many and varied topics including, for example, interpretation of Financial Regulations/Standing Orders, corporate governance, internal controls, legislation (e.g. Data Protection), security, letting of contracts, PC/network access etc. The pro-active involvement of Internal Audit in risk and control issues, relating to new systems and changes, assists in protecting the Authority from loss, fraud and abuse.
- 5.25 In addition, Internal Audit will continue to support major projects throughout the Council providing advice and input into key developments and initiatives some of which have been outlined in previous paragraphs.

Schools Audits

- 5.26 The Schools Financial Value Standard (SFVS) is now well established within schools. The standard helps governors, in particular, in self-evaluating the quality of their financial management and to aid in improving schools financial management.
- 5.27 The purpose of the SFVS is to make the best use of resources in the education system, to achieve the best possible outcomes for children. DfE have made this a mandatory requirement for all schools and are changing the scheme of delegation to fit this requirement.
- 5.28 Audit of the control and governance arrangements within schools is carried out on a three year cyclical basis and covers all the key elements in SFVS. Our Audit Programme is tailored to fit with the SFVS in order to support schools and maintain efficiency. We have also developed support through our webpages with:
- model answers;
 - key timelines guidance;

- training programme.

5.29 The Government's drive to encourage schools to become academies is firmly in place. However, there is no requirement for academy schools to have internal audit. We offer an audit service to Academy schools and have had success in the process of advertising and bidding for such work. The majority of non-academy schools (still within LA control) currently buy back Internal Audit services from DAP.

6. PARTNERSHIP WORKING WITH OTHER AUDITORS

- 6.1 We will continue to work towards the development of effective partnership working arrangements between ourselves and other audit agencies where appropriate and beneficial. We will participate in a range of internal audit networks, both locally and nationally, which provide for a beneficial exchange of information and practices. This often improves the effectiveness and efficiency of the audit process, through avoidance of instances of "re-inventing the wheel" in new areas of work which have been covered in other authorities.
- 6.2 The most significant partnership working arrangement that we currently have with other auditors continues to be that with the Council's external auditors, Grant Thornton and we continue to work with them to understand their requirements and to provide information that they will require. Regular liaison arrangements will continue to maximise the benefits of close working.

Robert Hutchins
Devon Audit Partnership
March 2013

Material Systems	235
Corporate Services	344
Cross Cutting	132
People	237
Place	67
Anti-Fraud (including NFI)	239
Other Chargeable Activities	432
Total Days for Plymouth City Council Internal Audit 13/14 Plan	1686
Other Related Bodies	180

Detailed analysis of proposed audit reviews 2013/14

Please note that the areas details below are subject to change as new initiatives / and or risks emerge. The start and completion dates are indicative only and may alter in accordance with changing priorities and to meet the convenience of departments.

Appendix 2

Material Systems

System	Start Date	Planned Completion
Payroll	Q3 – Q4	Q4
Housing Benefits	Q3 – Q4	Q4
Key Financial Systems - Access Controls	Q3 – Q4	Q4
Revenues & Benefits System Parameters	Q3 – Q4	Q4
Creditors	Q3 – Q4	Q4
Main Accounting System	Q3 – Q4	Q4
Council Tax	Q3 – Q4	Q4
Debtors	Q3 – Q4	Q4
IT Material Systems	Q3 – Q4	Q4
Loans & Investments	Q3 – Q4	Q4
Capital Accounting (Asset Register)	Q4	Q4
NNDR	Q3 – Q4	Q4

Corporate

System	Start Date	Planned Completion
Procure to Pay Project (P2P)	On-going throughout the year	
Payroll Implementation & Transfer	Q1	On completion of project
Absence Management	Q2	Q3
CRB / Disclosure and Barring Service	Q2	Q3
Revenues & Benefits - Policy Changes	Q1	On completion of project
Corporate Landlord	Q2	Q3
Welfare Reforms	Q1	Q2
Sale of Civic Centre	On-going until completion	
Central Buyers	Q2	Q3
Setting up of DELT	Q1	On completion of project
FM Joint Venture Project	On-going until completion	
Street Lighting Conversion to LED and dimmers	On-going throughout the year	
School Financial Value Standards	On-going throughout the year	
ICT Audit		
ICT Strategy	Q1	Q3
ICT Service Design	Q1	Q3
ICT Service Operation (Function)	Q2	Q3
ICT Service Operation (Process)	Q3	Q4
ICT Compliance Board, Project Boards, Programme Board	On-going throughout the year	

Cross Cutting

Contract Management	Q1	Q2
Capital Programme - Governance	Q3	Q4
Delivery Plans - Governance and monitoring	Timing to be agreed	
Corporate Information Management - includes Freedom of Information, Data Protection Act & Information Security arrangements	On-going throughout the year	
Transformation Programme	On-going throughout the year	
Business Continuity	On-going throughout the year	
CRC Energy Efficiency Scheme Annual Return	Q1	Q2

People

Public Health Commissioning - contracting and processes	Q3	Q4
Pre-Paid Cards - review process from end to end	Q1	Q2
Disabled Facilities Grants (DFGs)	Q3	Q4
Plymouth Safeguarding Adults Board (PSAB)	Q2	Q2
Plymouth Safeguarding Children's Board (PSCB)	Q4	Q4
Social Fund	Q3	Q3
Transitions (to Adults, from Primary to Secondary, from Pre-School to Primary)	Q3	Q4
PLUSS	Q1	Q2
Troubled Families (Families with a Future (FWAF))	On-going throughout the year	

Careers South West	Q1	Q2
Children's Centres	On-going throughout the year	
Youth Offending Team (YOT)	Q2	Q3
Academies Delivery Board & UTC	On-going throughout the year	
Easy Let Scheme	Q1	Q1
Training Schools Alliance	Q3	Q3
Excellence Cluster	Q2	Q2
Alternative Complimentary Education (ACE)	Q4	Q4
Local Integrated Service Trust (LIST)	Q3	Q4

Place

History Centre	On-going until completion of project	
Control of Fuel, Fuel Cards and Fuel Containers	Q2	Q3
Street Cleaners On-Call System	Q2	Q3
Waste PFI	On-going throughout the year	
Replacement of MRF	On-going until completion of project	
Replacement of minibus fleet, Plant and Equipment	Upon Procurement Commencement	Procurement Completion

Anti-Fraud

Anti-fraud and irregularities	On-going throughout the year	
National Fraud Initiative (NFI)	Q1	Q4

Other Chargeable Activities

Advice and Consultancy to Clients	On-going throughout the year	
Corporate Governance inc. Support for Audit Committee, Liaison with External Auditors	On-going throughout the year	
Grants and Statutory Accounts - Mount Edgcumbe Annual Accounts	Q1	Q2
Completion of 2012/13 Audits	Q1	Q1
Other Chargeable Activities inc Audit Planning, Internal Audit Standards, Customer Service Excellence	On-going throughout the year	

Total Days for Plymouth City Council 2013/14 Internal Audit Plan 1,686 days (excluding schools)

Robert Hutchins
Head of Devon Audit Partnership
March 2013



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