

PLYMOUTH CITY COUNCIL

Subject:	Internal Audit plan 2018/19
Committee:	Audit Committee
Date:	15 March 2018
Cabinet Member:	Councillor Darcy
CMT Member:	Andrew Hardingham (Interim Joint Strategic Director Transformation & Change)
Author:	Robert Hutchins, Head of Devon Audit Partnership
Contact details:	Tel: 01752 306710
Ref:	AUD/RH
Key Decision:	No
Part:	1

Purpose of the report:

This report provides information on the legislative requirement for local authorities to provide an Internal Audit (IA) service in accordance with the Accounts and Audit Regulations and Public Sector Internal Audit Standards; the need for an annual risk-based IA plan to be prepared; and the methodology of identifying the audit needs for the Authority.

Delivery of the Internal Audit Service will be by the Devon Audit Partnership (DAP), a shared service arrangement between Plymouth City, Devon County, Torbay, Torridge and Mid Devon Councils.

The planning process takes place with clients towards the end of each financial year, resulting in an updated risk-based annual plan for the coming year. The risk-based audit work planned for 2018/19 is linked through the strategic and operational risk registers to risks related to the achievement of the Council's strategic objectives.

This report comments on IA resources available to carry out the 2018/19 plan, and details the specific audits to be undertaken.

The Corporate Plan 2016 - 19:

The work of the internal audit service assists the Council in maintaining high standards of public accountability and probity in the use of public funds. The service 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.

The delivery of the Internal Audit Plan assists all directorates in delivering outcomes from the Corporate Plan:-

- Pioneering Plymouth – by ensuring that resources are used wisely and that services delivered meet or exceed customer expectations;
 - Confident Plymouth - the Government and other agencies have confidence in the Council and partners.
-

**Implications for Medium Term Financial Plan and Resource Implications:
Including finance, human, IT and land:**
None.

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

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

Equality and Diversity:

Has an Equality Impact Assessment been undertaken? No

Recommendations and Reasons for recommended action:

It is recommended that:-

1. The report be noted
 2. The proposed Internal Audit Plan for 2018/19 be approved.
-

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.

Published work / information:

None.

Background papers:

None

Sign off:

Fin		Leg		Mon Off		HR		Assets		IT		Strat Proc	
Originating SMT Member: Andrew Hardingham, Interim Joint Strategic Director Transformation & Change													
Has the Cabinet Member(s) agreed the content of the report? Rec'd copy													

Internal Audit

Internal Audit Plan 2018-19

Plymouth City Council
Audit Committee

March 2018

Not Protectively Marked

Robert Hutchins
Head of Audit Partnership

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Devon Audit Partnership	Confidentiality and Disclosure Clause
<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 robert.hutchins@devonaudit.gov.uk.</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>

Introduction

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

Expectations of the Audit Committee for this annual plan

Audit to 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 2018/19.

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

Robert Hutchins
Head of Audit Partnership

Annual Service Level Plans – Transformation & Change, Place, People and Public Health

Transformation & Change

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.

Implementing the requirements of the General Data Protection Regulation (GDPR) has significant implications and we will perform a number of reviews across the organisation to measure compliance.

We will continue work with management to ensure that effective retained client arrangements are in place to manage the statutory responsibilities which will remain with the Council following the transfer of payroll and pensions to Delt Shared Services early in 2018/19. Work will also be undertaken to assess the ongoing effectiveness of the retained client arrangements for ICT services.

Executive Office

Performance information must be underpinned by good quality data. We will work in collaboration with Oversight and Governance to review the quality and robustness of the source data used in the reporting of corporate indicators.

Place

Management have requested we review the systems in operation for Concessionary Fares and we will continue as “trusted advisor” to the South West Devon Waste Partnership, attending meetings of the Project Executive, providing support and advice on contract management issues, including recycling credits.

We will follow up our 2017-18 work in relation to the Fleet Management System and Trade Waste, as well as considering the governance arrangements and relationship with Plymouth Energy Community.

People

With a formal contractual arrangement for Plymouth to manage Torbay Council’s Children’s Services due to come into effect on 1st April 2018 and the proposal for a joint Director of Children’s Services, we will review the governance arrangements for the delivery of Torbay Children’s Services whilst looking to see that the impetus for delivery of Plymouth Children’s Services is maintained.

As pressure on education budgets increase, we will provide “critical friend” support to the Education, Participation and Skills Department as they work to develop the “Plan for Education”, a partnership with schools to run an agreed range of services.

Our work on the Multi Agency Hub will provide assurance around the effectiveness of the systems in place and if they are helping to achieve the long term aims of a more informed and joined up approach to service delivery for children and young people.

Public Health

Our work will provide assurance around the adequacy of arrangements within Environmental Services to ensure that there is sufficient separation in operation in relation to enforcement, business advice and chargeable services. We have also been asked to review the administrative process for the various licences issued by the Council and to provide assurance in respect of the Bereavement Service, in particular around customer interaction and payments.

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 2017/18. Proactive anti-fraud work will be carried out in liaison with the Corporate Fraud Team who will be transferring to Devon Audit Partnership early in 2018/19.

Service Area Overview of Audit Coverage							
Thematic Overview Audit Coverage	Transformation and Change	People	Place	Public Health	Cross Cutting	Executive Office	Value Added
	Retained Client ICT & Shared Services	Childrens Services (Shared Arrangements)	Concessionary Fares	Bereavement Service	GDPR and the Data Protection Bill 2017-19	Data Quality	Plan for Education ("Real Time" Support)
	E-Budgeting	Multi Agency Hub	Environmental Projects	Licensing			Fraud Prevention and Investigation (Inc. National Fraud Initiative)
	Deputyships	Adults Social Care Commissioned Services	Highways	Environmental Services	Customer Feedback	Community Grants	Advice
	Management of Employee Data	Schools & SFVS	Street Services New Financial Mgmt Systems				Audit Follow-Ups
Core Assurance	Business Processes & Governance – Corporate Information Management, Business Continuity Follow-Up, Shared Services Retained Client, Grant Certification						
	Key Financial Systems – Inc. Housing Benefits, Payroll, Creditors, Debtors, Main Accounting System, Council Tax & Business Rates, Income Collection						
	ICT – Information Management, Operational & Cyber Security Arrangements						

The 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

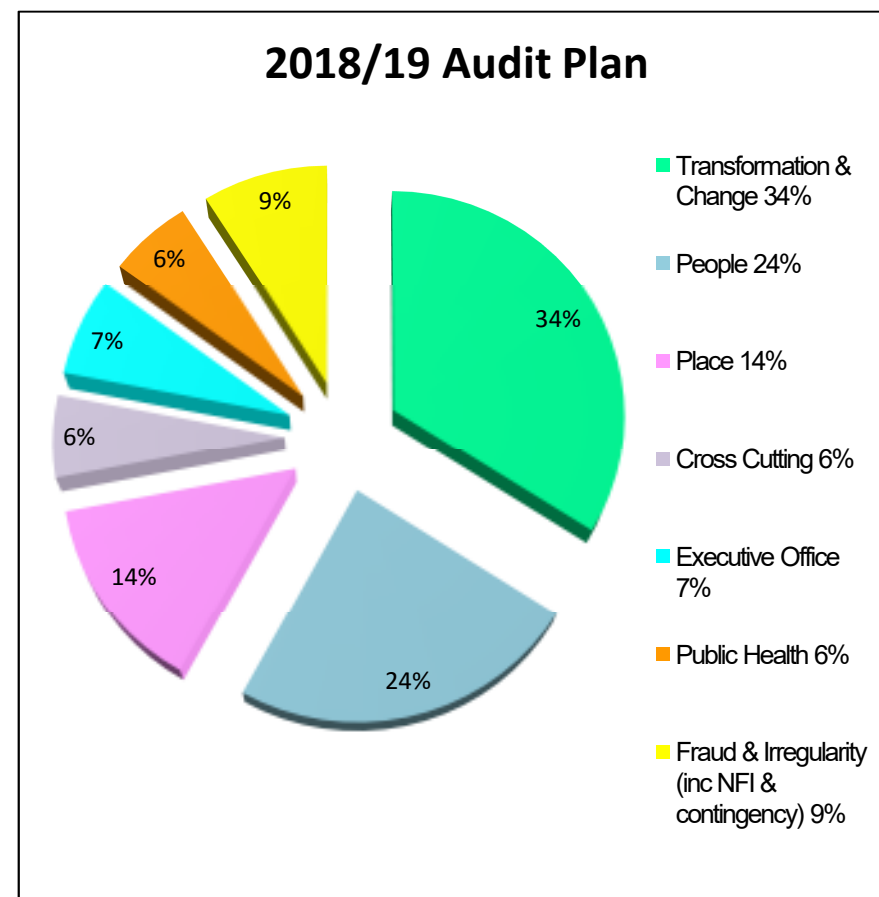
This table shows a summary of planned audit coverage for the year totalling 1,139 direct days. It should be borne in mind that, in accordance with the Public Sector Internal Audit Standards, the plan needs to be flexible to be able to reflect and respond to the changing risks and priorities of the Authority 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 69 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)
Transformation and Change				
Core Assurance – Key Financial System				
I.T. Systems	ANA - High	A review of the core I.T. systems common to all the Council's Key Financial Systems. This will include application access controls at system admin level.	Q3 – Q4	15
Civica Financials: <ul style="list-style-type: none"> • Creditors • Main Accounting • Debtors 	ANA <ul style="list-style-type: none"> - High - High - Medium 	Follow-up of the 17/18 reviews, system walkthrough plus focused risk based sample testing for each system.	Q3 – Q4	45
Academy Revs & Bens: <ul style="list-style-type: none"> • Housing Benefits • Council Tax • Business Rates NNDR 	ANA <ul style="list-style-type: none"> - High - Medium - Low 	System walkthrough, focused risk based sample testing and follow-up of 17/18 reviews for each service area.	Q3 – Q4	54
Cash / Bank Receipting System	ANA - Medium	System walkthrough, with focused risk based sample testing.	Q3	20
Treasury Management	ANA - Medium	System walkthrough, focused risk based sample testing and follow-up of 17/18 review.	Q3	8
iTrent - Payroll	ANA - Medium	System walkthrough with focused risk based sample testing.	Q3	10
Core Assurance - Other				
Corp Information Management <ul style="list-style-type: none"> • ILOG, FoI, DPA, Policies & P's, EDRMS, End User Computing 	ANA – High	Audit support the Authority's ILOG and examine policies and processes relating to the management of information held throughout the organisation.	Q1 – Q4	10
ICT Operation and Security (Cyber)	ANA - High	To assess the effectiveness of operational and (cyber) security arrangements of the Council's ICT service provider.	Q3 – Q4	16

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA)	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
Retained Client - ICT	ANA - Medium	Assessment of the effectiveness of retained client arrangements, including Intelligence, Architecture, Policy & Standards and other retained controls and functions.	Q2 – Q3	9
Retained Client – Shared Services	ANA – High Client Request	Payroll, pensions and the systems team TUPE to Delt Services in May 2018. Sense check to be undertaken on the adequacy of the retained client arrangements.	Q1	5
e-Budgeting	ANA – High Client Request	To assess if managers have embraced and are maximising the value they can obtain from the use of e-budgeting in the monitor and interrogation of their budgets.	Q1 – Q3	10
Purchasing	ANA – Medium Client Request	Following proposals to revise the thresholds within Contract Standings Orders for which quotations are obtained (subject to approval by Council), management have requested DAP involvement in how the changes are implemented, plus a post implementation review to ensure compliance.	Q1 – Q4	10
Risk Management	ANA - High	Follow-up review to be undertaken towards the end of the financial year to allow time for any changes to embed, following structure changes.	Q4	10
Management of Employee Data	ANA – High Client Request	Follow-up review to measure progress in implementing HR requirements for the management of employee data.	Q1 – Q4	25
Devon Business Rate Pilot	ANA - High	To assess the effectiveness of the processes and controls in place to administer the Devon Business Rate Pilot for which Plymouth City Council is the lead authority.	Q2 – Q3	5
Client Financial Services	ANA – High Client Request	Assessment of the effectiveness of the systems and procedures needed to deliver statutory obligations under the Care Act, including skills/knowledge and resiliance.	Q1 – Q2	15
Deputyships	ANA – Medium Client Request	Review of the processes and procedures in place for the management of the affairs of people who lack the mental capacity to manage themselves and the Court of Protection has appointed the Council as a “Deputy”.	Q2	10
Purchasing Cards	ANA – Medium	Spot checks to ensure compliance with Council and regulatory (VAT) requirements.	Q2	10
Customer Feedback	ANA – Medium Client Request	Review of the systems in operation used to record and respond to customer comments and complaints.	Q2	15
Travel & Subsistence	ANA – Medium Client Request	Spot checks to ensure compliance with Council and regulatory (VAT) requirements.	Q1	5

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA)	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
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 17/18 to be returned to DfE by 31 st May 2017	Q1 & Q4	3
Audit Advice to Transformation & Change and carry forward for completion of 17/18 work	n/a		n/a	25
Audit planning, monitoring and performance reporting	n/a		n/a	26
Audit Governance	n/a	Performance reporting to Directors and reporting to and attending Audit Committee (see p12)	n/a	35
Executive Office				
Core Assurance - Other				
Data Quality	ANA – High Client Request	Review the quality and robustness of the source data used in the reporting of corporate indicators.	Q1 – Q4	40
Community Grants	ANA – Medium Client Request	Evaluate the impact of community grants and a review of guidance to support members in making best use of the funds. This work will also include Living Streets grants.	Q1 – Q2	15
Audit Advice to Executive Office	n/a		n/a	10
Audit planning, monitoring and performance reporting	n/a		n/a	9
Audit Governance	n/a		n/a	6
People				
Core Assurance – Key Financial System				
CareFirst				
<ul style="list-style-type: none"> Follow-up of 17/18 reviews. 	ORR - Amber ANA – High	Review progress on the implementation of recommendations/actions agreed following the reviews of:-	Q2 - Q3	14

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA)	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
	ANA – Medium ANA – Medium	<ul style="list-style-type: none"> Income Collection (Deferred Payments) Payments (Care Leavers) Payments (Fostering) 		
Core Assurance - Other				
Childrens Services (Contractual Arrangements with Torbay)	SRR - Red ANA – High Client Request	Assessment of the effectiveness of the governance arrangements and single performance framework being established for the delivery of Torbay and Plymouth's Childrens Social Care to ensure that service delivery for Torbay is robust and that the impetus in Plymouth is not lost.	Q3 – Q4	15
Children's Safeguarding Board (PSCB)		The Children & Social Work Act 2017 abolishes Local Safeguarding Childrens Boards and replaces them with a Childrens Safeguarding Practice Review Panel. A small number of days to provide assurance on implementation progress.	Q4	5
Multi-Agency Hub	SRR – Amber ANA – High Client Request	A review of the multi-agency hub which went 'live' in June 2016 and determines if there is a need to carry out a child in need assessment or child protection enquiry where it is believed that a child or young person is at risk of, or is being hurt, abused or suffering neglect.	Q3	25
Carefirst Dashboard	ANA - Medium	Review of functionality being utilised in both Adults & Childrens to highlight where best practice from one area will benefit another	Q4	10
Livewell South West	ANA – High Client Request	Services are commissioned from LSW through the Integrated Fund. The scope of the work in 2018/19 will be determined in part, on the outcome of the 17/18 audit review which is currently in progress.	Q3 – Q4	20
Pre-Paid Cards - Direct Payments (Adults) Follow-up	ANA - Medium	Follow-up to 17/18 review with some compliance testing.	Q2	7
Pre-Paid Cards - Direct Payments Delivery Method (Childrens)	ANA - Medium	Review of the effectiveness of controls, processes and procedures, including written guidance for Social Workers and Business Support and the documents sent to clients or 3rd party representatives.	Q3	10
Extra Care Housing	ANA – Medium	System review of the systems in operation for the provision of social and domiciliary care services to clients in extra care housing which is designed to provide varying levels of care & support in later life.	Q3	15

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA)	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
Plan for Education	ANA – Medium Client Request	Our work will be to provide “trusted advisor / critical friend” support to officers within the Dept for Education, Participation & Skills as they work to create a partnership with schools for the provision of services.	Q3	10
Deficit Budgets (Early Years)	ANA – Medium Client Request	A look at the history linked to the deficit budget to identify "lessons learned".	Q2 – Q3	15
On Course South West Contract	Client Request	Due diligence on contract figures to be undertaken in May 2018.	Q1	5
Community Connections	ANA – Medium	Pot of days to be used on areas such as the "duty to prevent homelessness", Regulatory Reform Orders and ongoing support following on from audit work undertaken in 17/18 as required by the service.	Q1 – Q4	20
Legal Care Proceedings (Childrens)	ANA – Medium	Follow-up review to measure progress in implementing the recommendations from the 17/18 review.	Q2	3
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	10
Families with a Future (Payment by Results)	Statutory Client Request	Audit review and certification for each monthly claim. Support for the service as they develop new system.	Q1 – Q4	18
Grant Certification	Statutory	Those grants where the grant determination requires independent certification of expenditure by Internal Audit.	Q1 – Q4	2
Audit Advice to People and carry forward for completion of 17/18 work	n/a		n/a	25
Audit planning, monitoring and performance reporting	n/a		n/a	19
Audit Governance	n/a		n/a	25
Public Health				
Bereavement Service	ANA – Medium Client Request	Review of payment / financial arrangements, including ease and quality of interaction with the customer.	Q2	15

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA)	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
Licensing	ANA – Medium Client Request	Review of admin process for each licence type		20
Environmental Protection	ORR - Amber ANA – Medium Client Request	Review of systems in place to ensure they provide for adequate separation of duties taking into account enforcement activities, advice to businesses and income generating activities.	Q3 - 4	10
Business Continuity Follow -Up	ANA - High	Light touch follow-up to measure progress in implementing audit recommendation following work in 17/18 which considered the resilience of Council partners and contractors in the supply chain for critical services.	Q2	3
Audit Advice to Public Health	n/a		n/a	10
Audit planning, monitoring and performance reporting	n/a		n/a	7
Audit Governance	n/a		n/a	5
Place				
Concessionary Fares	ANA – Medium Client Request	Review of the effectiveness of the procedures and controls in operation for Concessionary Fares.	Q1 – Q4	10
Plymouth Energy Community	ANA – Medium Client Request	Review of the governance arrangements and relationships, both financial and legal (existing and potential for future).	Q3	12
Building Control	ANA – Medium Client Request	This review is in response to a Management request for a perspective from audit on processes following building control reforms.	Q1	10
Highways	SRR - Red ANA – High Client Request	Review the systems and processes in operation to enable the service to mount a robust defence against insurance claims.	Q1 – Q4	10
Street Services	ANA –High Client Request	New financial management systems being implemented - catch up early 18/19 to scope.	Q1 – Q4	15
Fleet Management System Follow-Up	ANA - Medium	Light touch follow-up to measure progress in implementing audit recommendation following work in 17/18 and consideration of the "new more commercial systems" being introduced.	Q2	6

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA)	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
Trade Waste Follow-Up	ANA - Medium	Follow-up on progress the new manager is making on implementing audit recommendations and how the service is evolving with the introduction of "new, more commercial systems"	Q2 – Q3	6
Commercial Properties	ANA - Medium	Work to progress in implementing audit recommendation following work undertaken in 17/18	Q4	6
Grant Certification	Statutory	Those grants where the grant determination requires independent certification of expenditure by Internal Audit.	Q1 – Q4	33
Audit Advice to Place and carry forward for completion of 17/18 work	n/a		n/a	30
Audit planning, monitoring and performance reporting	n/a		n/a	13
Audit Governance	n/a		n/a	14
Cross Cutting				
General Data Protection Regulation (GDPR)	SRR – Amber ANA – High Client Request	Review of arrangements in place across the organisation to measure compliance.	Q1 – Q4	35
Health & Safety	ANA – High Client Request	In collaboration with the Health, Safety & Wellbeing Team we will undertake system reviews to evidence the effectiveness of the arrangements in place across the organisation to sustain health, safety and wellbeing.	Q1 – Q4	30
Fraud, Irregularity and National Fraud Initiative (NFI)				
Advice, Investigations, NFI & Contingency	n/a	Internal Audit will continue to investigate instances of potential fraud and irregularities referred to it by managers, carry out pro-active anti-fraud and corruption testing of systems considered to be most at risk to fraud. Co-ordinate the NFI exercises across the Authority.	Q1 – Q4	65 25

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. 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 TEICCAF (The European Institute for Combatting Crime and Fraud) publication “Protecting the English Public Purse 2016”. In February 2018 Cabinet approved the transfer of the Council’s Corporate Fraud Team (CFT) to Devon Audit Partnership. This arrangement will further cement the joint working arrangements of the Internal Audit and Corporate Fraud teams, enabling intelligence to be shared and resources focussed on higher risk areas and in identifying and preventing fraud before it happens.

Additionally, new guidance recently introduced by CIPFA, in their ‘Code of practice on managing the risk of fraud and corruption’, and also the new Home Office ‘UK Anti-Corruption Plan’, will further inform the direction of counter-fraud arrangements going forwards. 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 Care).

The Cabinet Office runs a national data matching exercise (National Fraud Initiative - NFI) every two years. Work on the 2018/19 exercise will commence later this year, with resulting data matches available from early 2019.

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 will 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.

Information is provided as required to BDO, the authority’s external auditors, maximising the benefits of closer working. We have also developed an effective working relationship with Audit South West, internal auditors for the NHS Trust and the CCG, as the Council’s integration with Health continues to evolve.

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.

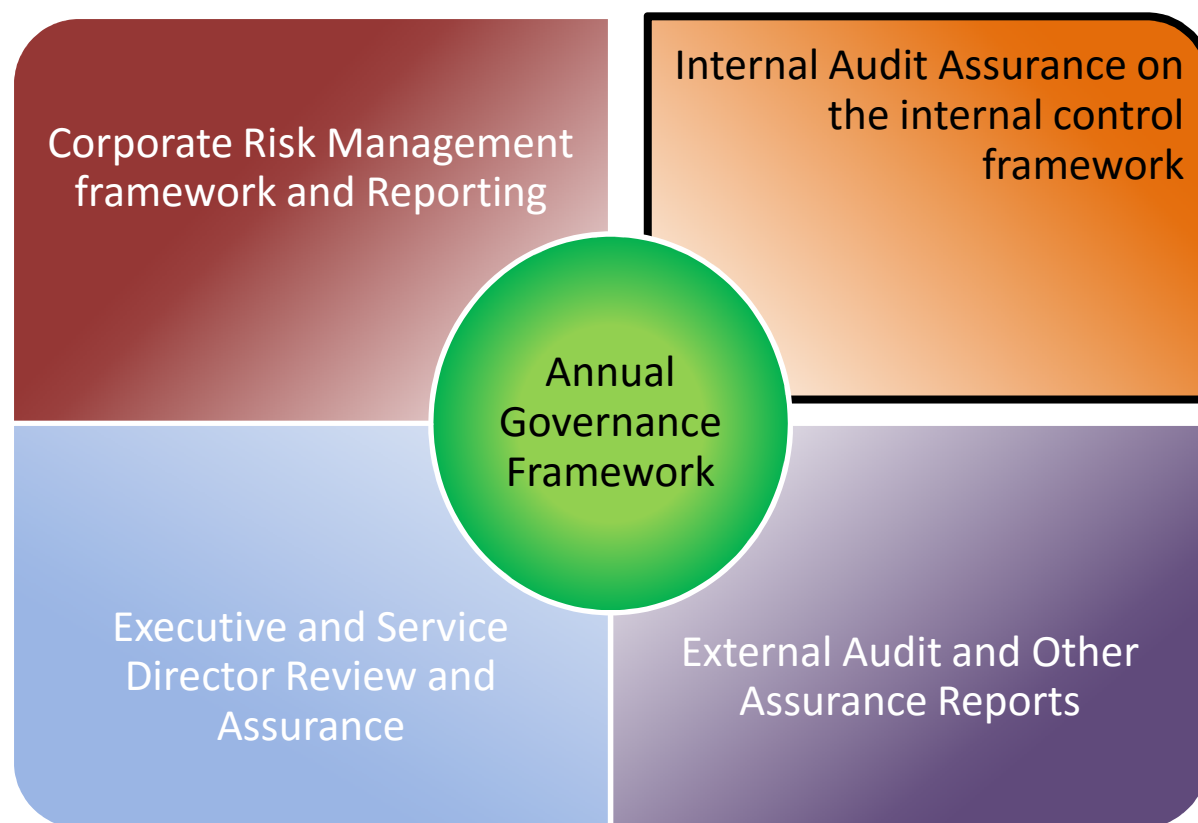
Appendix 2 - Annual Governance Framework Assurance

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 CIPFA Framework *Delivering Good Governance in Local Government 2016*.



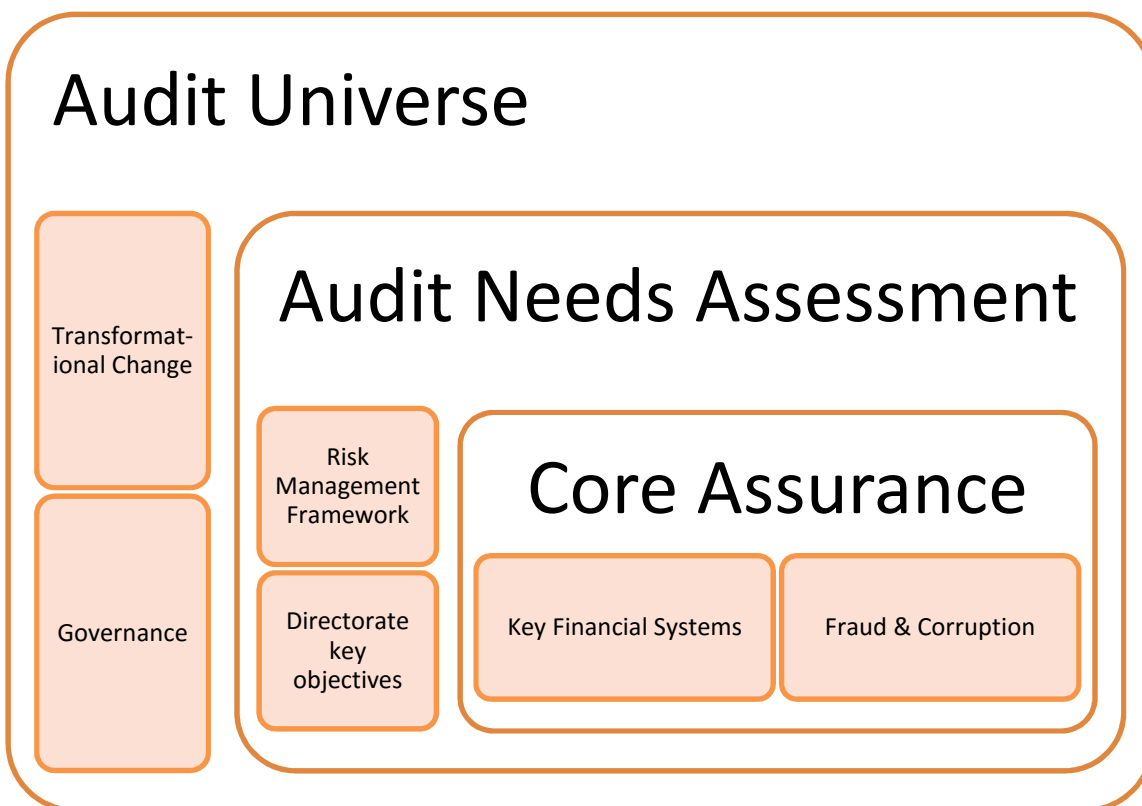
The AGS needs to be presented to, and approved by, the Audit Committee, and then signed by the Chair.

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

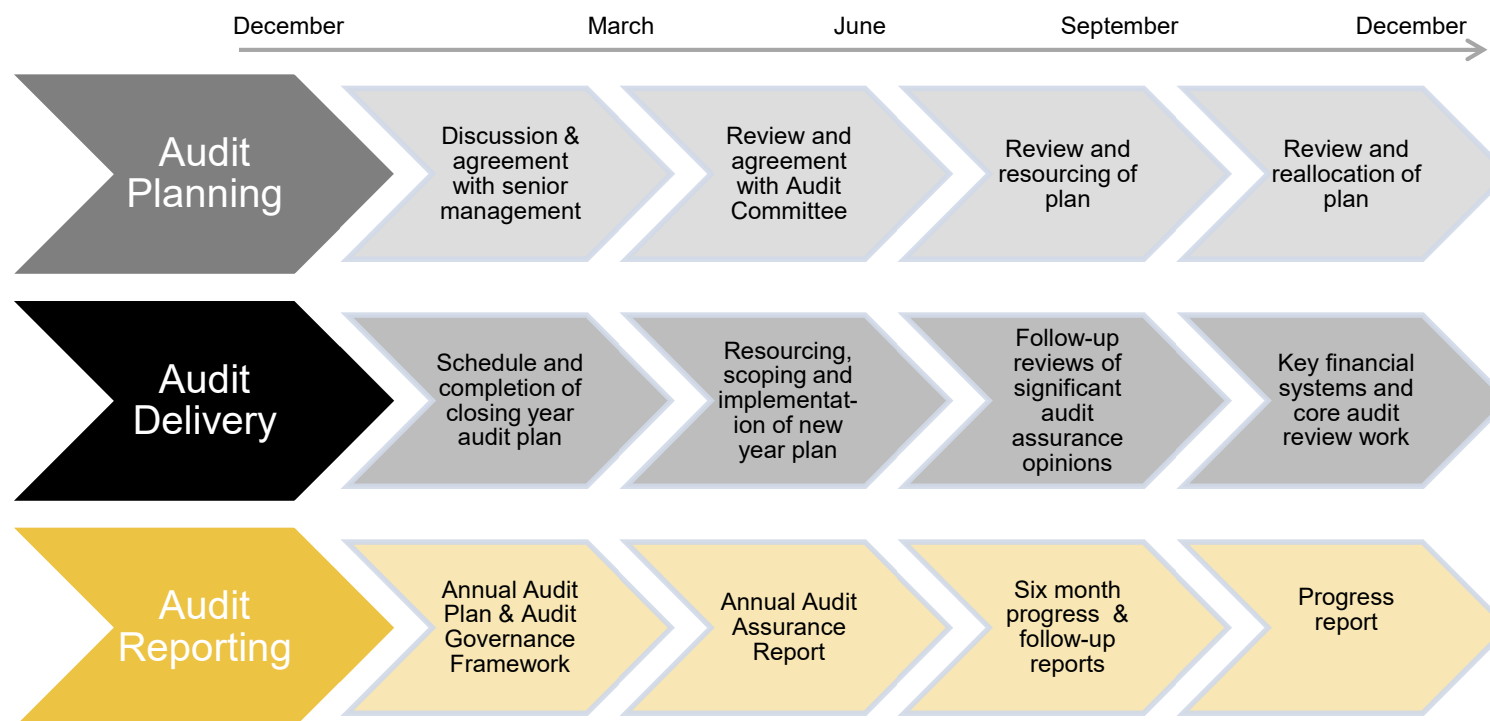
Discussions and liaison with Directors and Senior Officers regarding the risks which threaten the achievement of corporate or service objectives, including changes and / or the introduction of new systems, operations, programs, and corporate initiatives

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 2018	Directorate planning meetings
March 2018	Internal Audit Plan presented to Audit Committee
	Internal Audit Governance Arrangements reviewed by Audit Committee
	Year end field work completed
Apr 2018	Annual Performance reports written
May 2018	Annual Internal Audit Report presented to Audit Committee
	Follow –up work of previous year's audit work commences
Sept 2018	Follow-up and progress reports presented to Audit Committee
Dec 2018	Six month progress reports presented to Audit Committee
	2019 Internal Audit Plan preparation commences

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