

Internal Audit

Draft Internal Audit Plan  
2015-16

Devon County Council  
People's Scrutiny Committee

March 2015



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 and Devon councils. We aim to be recognised as a high quality internal audit service in the public sector. We work with our partners by providing a professional internal audit service 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](mailto:robert.hutchins@devonaudit.gov.uk).

## Confidentiality and Disclosure Clause

This report is protectively marked in accordance with the National Protective Marking Scheme. 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

This report provides a summary of the proposed audit plan for 2015/16.

The key objectives of the Devon Audit Partnership (DAP) are to provide assurance to senior management on the adequacy, security and effectiveness of the systems and controls operating within the Authority and Services and to provide advice and assurance to managers and staff.

The report summarise audit summarises the audit plan for the Authority in overview and details the proposed audit plan for People. This plan is based upon the current risks affecting People and takes into account previous audit involvement. The plan is still “draft” at this stage; although the audit team has met with senior management within People to fully discuss risks and how audit resources can be used most effectively. This process has been combined with audit plans for Corporate Services, Place and Public Health to form an overall audit plan for the Council. This overall plan will be presented to the Audit Committee (27<sup>th</sup> March 2015).

The responsibility for review, direction and approval of the internal audit plan rests with the Audit Committee. However, we see that there is value to be added by working with and supporting Scrutiny in the provision of assurance to the Authority and therefore suggest open communication to this aim. Although draft at this stage, the plan attached is provided to People’s Scrutiny for consideration and for input into areas that Scrutiny consider would be useful for internal audit to consider in the planning process.

### Expectations of People’s Scrutiny Committee from this report

The members of the committee are requested to consider:

- the proposed audit plan for 2015/16;
- provide input which will assist the ongoing internal audit planning process for 2015/16.

## Audit Framework

All principal Local Authorities, including Devon County 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.

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.

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

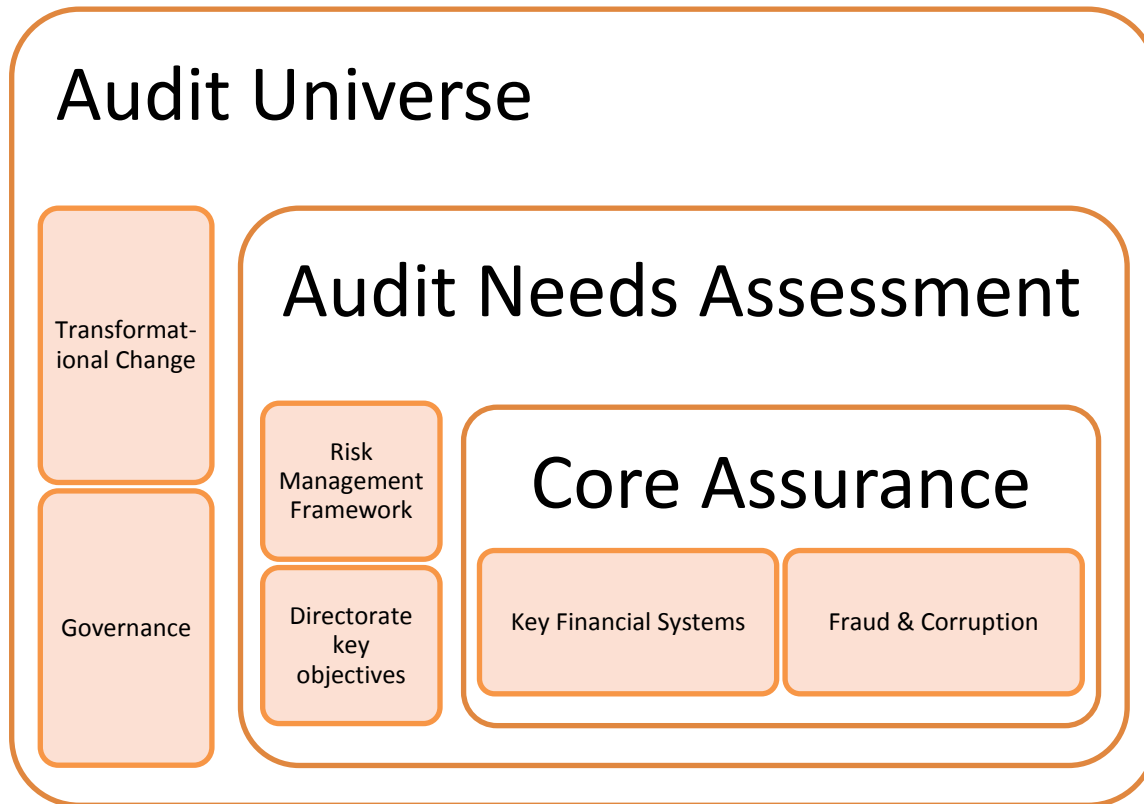


We will seek opportunity for shared working across member authorities. In shared working Devon Audit Partnership will maximise the effectiveness of operations, sharing learning & best practice, helping each authority develop further to ensure that risk remains suitably managed.

## 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.

We see that there is value to be added by working with and supporting scrutiny in provision of assurance to the Authority. Outline indication of areas for audit assurance are identified in appendix 1, denoted ( \*Scr ) for scrutiny.



The audit plan for 2015/16 plan has been created by:

**Consideration of risks identified in the Authority’s :**  
 - strategic & operational risk registers  
 - scrutiny committee review programmes

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

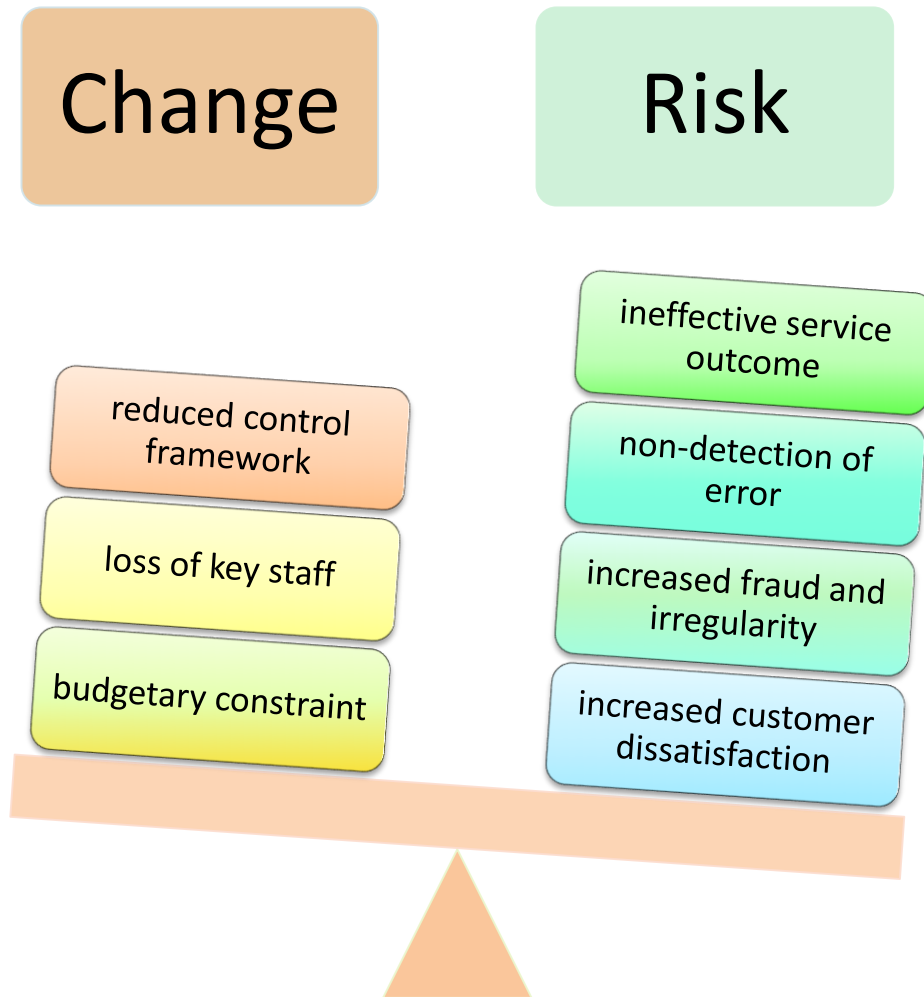
Taking into account results of previous internal audit reviews

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

The resultant Internal Audit Plan for 2015/16 is set out in the high level plan and Appendix 1

## Consideration of the consequences of change



Times are changing; the expectation of the public for services provided by the public sector has never been greater; yet the money that is available for these services needs is being reduced by Government. All public sector organisations are looking at how services can be transformed; what worked in the last decade may not meet new challenges. The use of, and dependency on, IT for service delivery will only increase further; this brings rewards but also carries its own risk.

The Internal Audit function has a key role in helping management fully understand their risks and in designing effective and efficient controls that mitigate these risks; a consistent application of a quality internal audit opinion assists the organisation to develop alternative and new delivery solutions that will deliver the service required.

We will work with you to understand the changes you are making, the risks you face and help you design and operate effective governance and delivery solutions.

## Consideration of your business objectives

From consideration of the corporate goals and strategic risk registers we have discussed the key challenges and opportunities the Authority is facing with senior management. Our consideration and proposed action is set out below.

Challenges / Opportunities					
<b>Transformational Change</b> <ul style="list-style-type: none"> <li>• new ways of working - delivering more with less</li> <li>• one stop shops</li> <li>• meeting customer needs</li> <li>• alternative service delivery vehicles</li> </ul>	<b>Partnering and Collaboration</b> <ul style="list-style-type: none"> <li>• governance arrangements</li> <li>• Public Sector Network (PSN)</li> <li>• information governance</li> </ul>	<b>Commissioning</b> <ul style="list-style-type: none"> <li>• developing an effective market place</li> <li>• flexible contracting, focused on outputs not inputs</li> <li>• flexible payment structures to reflect reduced budgets</li> </ul>	<b>Information Technology</b> <ul style="list-style-type: none"> <li>• infrastructure resilience</li> <li>• information security</li> <li>• desktop availability</li> <li>• cloud computing</li> <li>• channel shift</li> </ul>	<b>Financial &amp; operational constraint</b> <ul style="list-style-type: none"> <li>• reduction of control framework</li> <li>• loss of experienced staff</li> <li>• income generation</li> </ul>	<b>Compliance &amp; Regulatory</b> <ul style="list-style-type: none"> <li>• key financial systems</li> <li>• Ofsted</li> <li>• Data Protection</li> <li>• Annual governance arrangements</li> </ul>



Internal Audit Consideration					
<b>We will support the implementation Boards</b> <ul style="list-style-type: none"> <li>• re-engineer internal controls</li> <li>• advise on delivery plans</li> </ul>	<b>Review partner contracts</b> <ul style="list-style-type: none"> <li>• test performance monitoring arrangements</li> <li>• review governance arrangements</li> </ul>	<b>Advise on procurement processes</b> <ul style="list-style-type: none"> <li>• 'best practice' for procurement arrangements</li> <li>• transparency and consistency of approach</li> <li>• wider 'peninsula' approach</li> </ul>	<b>Undertake service management review</b> <ul style="list-style-type: none"> <li>• review information governance</li> <li>• review strategic infrastructure roadmap</li> <li>• test data security and compliance</li> </ul>	<b>Advise on reduction in control framework</b> <ul style="list-style-type: none"> <li>• use of automated controls</li> <li>• use of continuous auditing approaches</li> <li>• managing residual risks</li> <li>• determine 'cost of control'</li> </ul>	<b>Compliance reviews on all material systems</b> <ul style="list-style-type: none"> <li>• follow-up implementation plans on material systems reviews</li> <li>• review performance progress on action plans</li> <li>• contribute to Annual Governance Statement</li> </ul>

### Service Area Overview of Audit Coverage

Service Area Overview of Audit Coverage						Infrastructure / Business Projects	Value Added
Proposed Audit Coverage	Corporate Services	People	Place	Public Health			
		Strategic financial planning Payroll functions Town & Parish Fund Business Strategy & Support	<b>Quality Assurance Procedures</b> <b>The Virtual School</b> (CIC – Children in Care) <b>Assistive Technology</b> <b>Mental Health Commissioning</b> <b>Care Act implementation</b> <b>Client Finance Services</b> <b>Schools &amp; SFVS</b> (School Financial Value Standard)	Development Management Growth Deal / LEP (Local Enterprise Partnership) Civil Parking Enforcement Highways TMC (Term Maintenance Contract) Public Transport	Ongoing Delivery of Services	Self Service RTI (Real Time Information) Finance Projects South West Devon Waste Partnership Highways Virtual Joint Venture Performance Management Framework Alternative Service Delivery Vehicles	Tax Compliance Forum Teachers' Pensions Return CRMG (Corporate Risk Management Group) Fraud Prevention and Investigation National Fraud Initiative Advice Audit Follow Up

Core Assurance	Business Processes & Governance - Ethics & Culture, Accounting for Infrastructure Assets, Accounts Payable System, Budgeting System, Settlement Agreements, Absence Management, Pension Changes, VAT, Procurement, Supplier Resilience, Contract Lifecycle, Information Governance, Community Interest / Challenge Panels, Grant Certification, Audit Assurance Planning & Reporting, and other Related Bodies.					
	Key Financial Systems - Payroll, Debtors / Debt Recovery, Bank Reconciliation, Finest System Admin, Creditors, Fixed Asset Register, Income Collection, Treasury Management. Main Accounting System					
	ICT – CareFirst 6 (ACS), Service Strategy, Service Transition, Service Operation, Service Design					

The elements proposed for audit for the coming year are those identified through risk assessment and discussion with Senior Management. This overview is supported by the detailed plans by area in appendix 1.



## High Level Audit Plan 2015-16

This table shows a summary of planned audit coverage for 2015/16 totalling **1,150** direct days highlighting the time proposed for People. 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 IA Plan includes a 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 Appendix 1.

In addition, audits reviews that have been requested but for which there is insufficient resource are detailed in Appendix 2.

Core Activity for internal Audit Review	Coverage in Days
Material Systems	134
Corporate Services - (excluding Anti-Fraud & NFI)	298
Grant Work	90
<b>People</b>	<b>258</b>
Place	155
Public Health	15
Anti-Fraud and Corruption including NFI	130
Other Chargeable Activities	70
<b>Total internal audit plan for Devon County Council</b>	<b>1150</b>
Other Related Bodies (including Schools)	594

## Service Level Plans - People

### People

This service area continues to develop processes and procedures in light of Ofsted recommendations, and we shall continue to support the process, providing critical friend analysis of procedures planned and introduced.

Audit reviews will include the virtual school, 14+ care leaver's pathways, integrated children's services, assistive technology, residential care homes closure programme and client finance services. We will also examine quality assurance processes in commissioning, ISP (Integrated Service Plan) education, children's social care and adults, along with reviewing commissioning and contract management arrangements.

Further, our work will consider the implementation and delivery of SEND (Special Educational Needs & Disabilities) Single Point of Assessment and notably we will cover the Care Act Implementation and Better Care Fund primarily providing a consultancy, advisory and support function to facilitate an effective implementation of new legislation and funding sources.

### Value Added

The National Fraud Initiative this year will cover a range of areas across the Council, including for the first time, data relating to Personal Budgets. Work has commenced on the data matches, and will continue throughout 2015/16. Proactive fraud work has been commissioned in relation to Internet Usage Monitoring. We will undertake the annual follow up on all audit areas identified as 'Improvements Required' or 'Fundamental Weaknesses' in 2014/15.

## 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 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. Additionally, new guidance 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 Procurement, Payroll, Pensions, Blue Badges, and Direct Payments.

The Audit Commission runs a national data matching exercise (National Fraud Initiative - NFI) every two years. The 2014/15 exercise has now provided the Council with the resulting data matches, and work has begun (and will continue throughout 2015), with Council departments, to ensure that the matches are reviewed and action taken as may be necessary.

### Internal Audit Governance

An element of our work is classified as “other chargeable activities” – 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. Grant Thornton);
- 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 2015/16;
- On-going development within the Partnership to realise greater efficiencies in the future.

### Partnership working with other auditors

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.

We have developed sound working arrangements with Grant Thornton, the Council’s external auditors and have regular liaison meetings to understand their requirements and provide the information that they require, maximising the benefits of close working. We have also developed an effective working relationship with the Health internal audit service and anticipate more opportunities to work collaboratively as integration between the Council and Health progresses.

## Annual Governance Framework Assurance

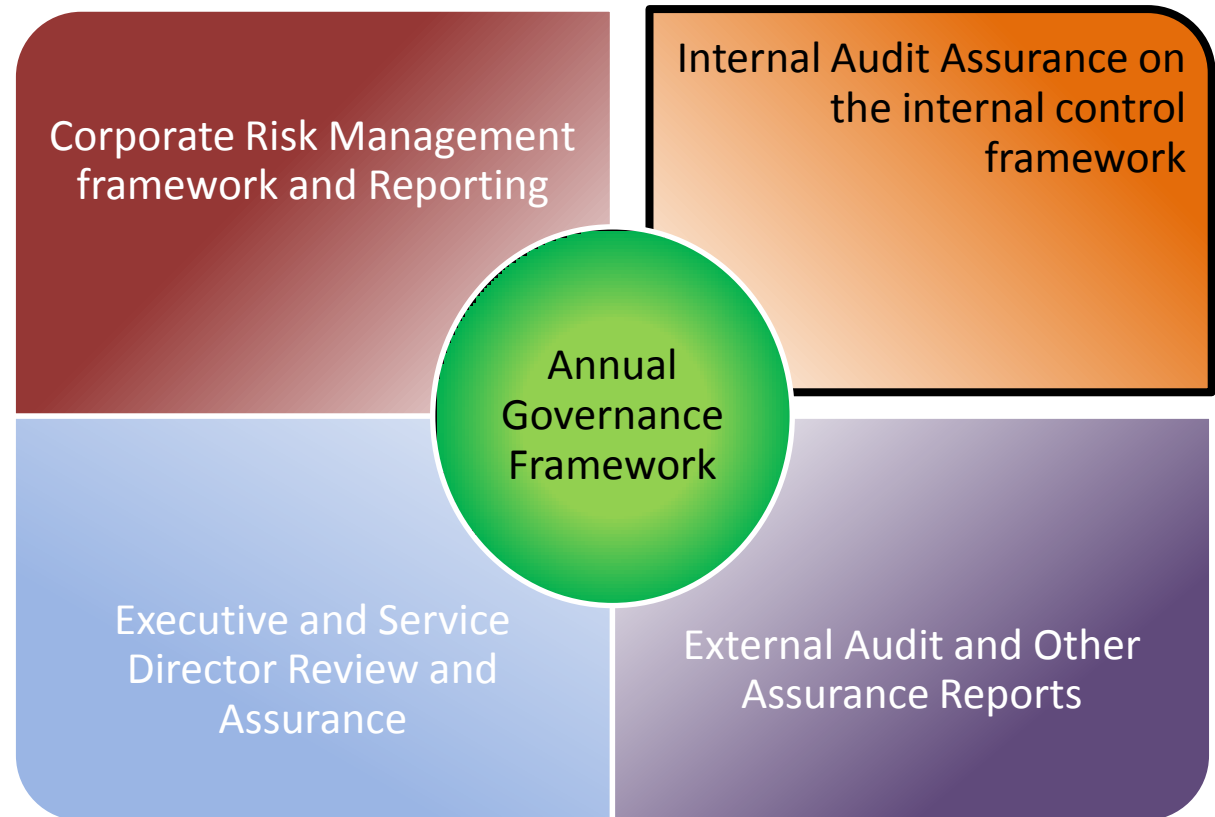
The Annual Governance Statement (AGS) provides assurance that

- 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 has been 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 / SOLACE Framework *Delivering Good Governance in Local Government*. If not, a statement is required stating how other arrangements provide the same level of assurance.

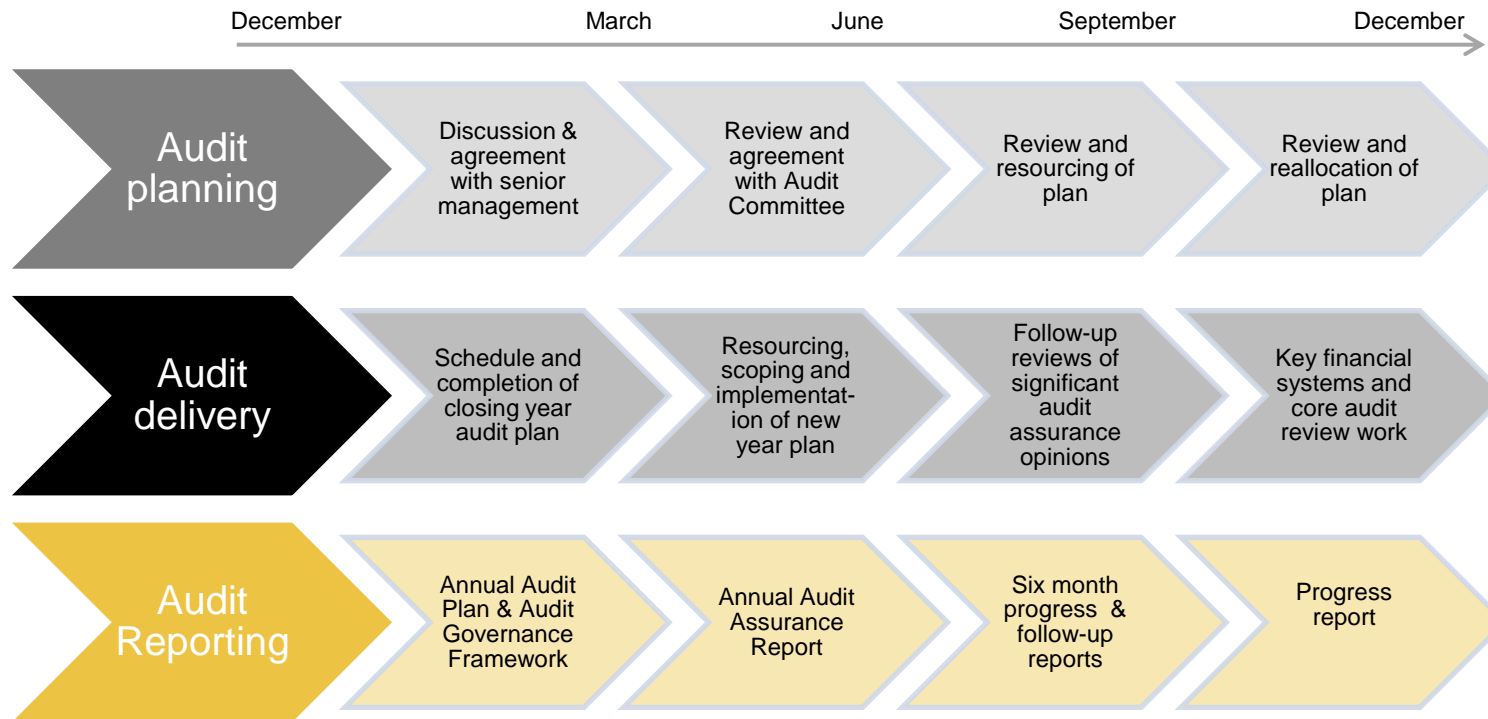
**The assurance framework is also supported through scrutiny committees. We have identified areas of work in appendix 1 that may support the scrutiny review programme.**



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 Corporate Risk Management Group, Senior Leadership and Internal Audit that the statement meets statutory requirements and that the management team endorse the content.

## Our Audit Team and the Audit Delivery Cycle



Date	Activity (Scrutiny specific extracts will be prepared to this cycle)
Dec / Jan 2015	Directorate planning meetings
March 2015	Internal Audit Plan presented to Audit Committee
	Internal Audit Governance Arrangements reviewed by Audit Committee
	Year end field work completed
Apr / May 2015	Annual Performance reports written
June 2015	Annual Internal Audit Report presented to Audit Committee
	Follow –up work of previous year’s audit work commences
Sept 2015	Follow-up and progress reports presented to Audit Committee
Dec 2015	Six month progress reports presented to Audit Committee
	2016 Internal Audit Plan preparation commences

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## Appendix 1 – Proposed audit reviews and associated risks

### Risk Assessment Key

LARR – Local Authority Risk Register score Impact x Likelihood = Total and Level

ANA - Audit Needs Assessment risk level as agreed with Client Senior Management

Client Request – additional audit at request of Client Senior Management; no risk assessment information available

\* Scr – denotes the area of audit identified in the Scrutiny review programme.

Risk Area / Audit Entity	Audit Needs Assessment	Proposed Timing	
		Days	Quarter
<b>ICT Audit</b>			
CareFirst 6 - ACS (Corporate Business Application)	ANA - critical	12	3 / 4
<b>Grants</b>			
Adoption Support	n/a	5	1
Skills Funding Agency	n/a	10	2
Active Devon	n/a	5	1
Targeted Family Support Programme	n/a	10	2 and 4
Grant planning, monitoring and performance reporting	n/a	5	n/a
Grant contingency	n/a	5	n/a
<b>People</b>			
Contract Management	ANA - high	10	3 - 4
Client Finance Services	ANA - high	25	2
Quality Assurance Procedures - Commissioning - overall theme report	ANA - high	10	2
14+ Care Leavers Pathways (*Scr)	ANA - high	20	4
Integrated Children's Services	ANA - high	20	3
Quality Assurance Procedures – Commissioning: Children's Social Care (*Scr)	ANA - high	15	3
The Virtual School – CIC (Children In Care)	ANA - high	25	2
SEND (Special Educational Needs & Disabilities) Implementation & Delivery – Single point of assessment	ANA - high	20	1
Quality Assurance Procedures – ISP (Integrated Service Plan) Education	ANA - high	15	3

Risk Area / Audit Entity	Audit Needs Assessment	Proposed Timing	
		Days	Quarter
Establishment audits - Residential Care Homes - Closure programme	ANA - high	3	1 - 4
Assistive Technology	ANA - high	15	1
Care Act Implementation	ANA - high	25	1 – 4
Quality Assurance Procedures - Commissioning: Adults (*Scr)	ANA - high	15	3
Mental Health Commissioning arrangements with the NHS (LD Partnership commissioning / arrangements with DPT) (*Scr)	ANA - high	15	2
People Advice / contingency	n/a	12	n/a
People Audit Planning / monitoring	n/a	13	n/a
<b>Other Chargeable Activities (not incorporated above)</b>			
Other Chargeable (support for audit committee, annual follow up for audit committee, corporate governance, internal audit standards, customer service excellence, audit development, liaison with external audit etc)		30	n/a
Co-ordination of School Financial Value Standard		10	n/a
Carry forward (completion of previous year work)		30	1