Internal Audit

Corporate Services
Internal Audit Plan 2017/18

Devon County Council
Corporate Services Scrutiny
Committee

March 2017

Not Protectively Marked

devon **audit** partnership

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Head of Audit Partnership

Auditing for achievement

CUSTOMER SERVICE EXCELLENCE
CSE

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Devon Audit Partnership	Confidentiality and Disclosure Clause
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 .	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

This report details the draft Corporate Services audit plan for 2017/18.

The key objectives of Devon Audit Partnership (DAP) are to provide assurance to senior management and Audit Committee on the adequacy, security and effectiveness of the systems and controls operating within the authority. The audit plan will additionally provide assurance to managers and staff.

Audit have met with management to discuss risks and how audit resources can be used most effectively to provide the necessary assurance against these risks. The draft plan attached forms part of a larger audit plan covering all areas of the authority which will be presented to the Audit Committee on 28th March 2017. Responsibility for review, direction and approval of the internal audit plan lies with the Audit Committee. However, we can see value can be added through working with and supporting Scrutiny in the provision of assurance to the authority. The draft plan is provided for consideration and for input into areas that Scrutiny consider useful to internal audit to consider in the planning process.

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 County Treasurer (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 Corporate Services Scrutiny Committee from this report

The members of the committee are requested to consider:

- the draft audit plan and proposed areas of internal audit coverage in 2017/18;

- highlight audits they may wish to receive summary reports from;

- if they wish to receive any in year progress report(s).

Robert Hutchins
Head of Audit Partnership

High Level Audit Plan 2017/18

This table shows a summary of planned audit coverage for the year. 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.

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.

Core Activity for Internal Audit Review (Extract for Corporate Services Scrutiny)	Coverage in Days
Material Systems	110
Corporate Services - (Excluding Anti-Fraud & NFI)	193
Digital Transformation and Business Support	102
Grant Certification	44
Anti-Fraud and Corruption including NFI	100
Total for Corporate Services	**549**
Total for DCC	**1060**

Proposed audit reviews and associated risks

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) – an assessment of the priority of the planned review	Proposed Audit Work / Scope		Proposed Timings (Quarter)	Estimated Audit Effort (Days)
Material Systems					
Core Assurance - Key Financial System *					
Payroll	ANA - High	* A rolling programme of audits is adopted for material systems whereby although the planned days are likely to remain stable each year, the work programmes may differ, with each audit having varying amounts of system review, testing or a combination of the two. This approach enables us to deliver a more cost-effective service, whilst providing sufficient assurance as to the adequacy of the Authority's material system control environment.	Sample testing	Q2	19
Debtors / Debt Recovery	ANA - Medium		Walkthrough / sample testing	Q4	15
Bank Reconciliation	ANA - Medium		Sample testing	Q3	8
Finest System administration	ANA - Low		Walkthrough	Q4	9
Creditors	ANA - Medium		Sample testing	Q4	15
Fixed Asset Register	ANA - Low		Sample testing	Q3	7
Income Collection	ANA - Medium		Walkthrough / sample testing	Q3	12
Treasury Management	ANA - Low		Sample testing	Q2	8
Main Accounting System	ANA - Medium		Walkthrough / sample testing	Q4	12
Advice, planning, monitoring and performance reporting				Q1-4	5
Corporate					
Finance - New Payments Gateway	ANA - Low; client request	Input including in relation to control considerations as the project progresses from the procurement to the development through to implementation stages.		Q1-4	15

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA) – an assessment of the priority of the planned review	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
Finance - Construction Industry Scheme	ANA - Low; client request	Review operation of the scheme, included at the request of the VAT team. More detailed scope to be determined nearer the time.	Q1 or 2	10
Finance - Tax Compliance Forum	ANA - Medium; client request	Input to Forum and contingency to allow for projects that arise from meetings. Agreed as a result of HMRC visit October 2014 and changes to their auditing of tax.	Q1-4	5
Finance - Usage of new Budget Monitoring System	ANA - Medium; client request	Review of usage of new Collaborative Planning system. More detailed scope to be determined nearer the time.	Q1 or 2	10
Finance - Accounting for VAT (People)	ANA - Medium; client request	Review partnership working processes and practices, in regard to financial arrangements for accounting for VAT, in respect of partnerships within the People service area (further to a 2016-17 audit which was largely focused on Place service area partnerships). Audit included at the request of the DCC Tax Compliance Group.	Q2	15
HR - Mini temp banks operating outside of HR	ANA - Medium; client request	Review on whether services outside of HR One who run their own 'temp banks' are complying with corporate requirements and relevant legislation. More detailed scope to be determined nearer the time.	Q1 or 2	10
HR - Off Payroll working	ORR ANA - Low; client request	Application of regulations /guidance relating to off-payroll workers which it is understood is due to come into effect in April 2017. Including tax implications thereof.	Q3 or 4	10
HR - New recruitment process	ANA - Low; client request	Review of the new 'systems thinking' recruitment process once embedded. This audit is requested to test/provide assurance in relation to new processes implemented.	Q2 or 3	10
HR - New electronic leaver process	ANA - Low; client request	Review of the new electronic leaver process once embedded. This audit is requested to test/provide assurance in relation to new processes implemented.	Q2 or 3	10
HR - Redundancy / exit cap changes	ANA - Low; client request	Review application of government framework relating to exit cap changes and 'clawback' of redundancy compensation where applicable. Including tax implications thereof.	Q3 or 4	10

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA) – an assessment of the priority of the planned review	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
HR - Consultants / Interims and employment status	ORR ANA - Medium; client request	Further to the 2016-17 audit follow-up. A more detailed scope to be determined nearer the time.	Q2	10
HR - New HRMS	ORR ANA - High; client request	Input including in relation to control considerations as the project progresses from the procurement to the development through to implementation stages.	Q1-4	20
HR - DBS Update Service	ORR ANA - Medium; client request	Review application of the Disclosure and Barring Service (DBS) process, taking account the changes for people who have signed up to the update service.	Q3	10
Payroll - Teachers Pension Return	ANA - Medium; client request	Support Payroll team in preparation for certification by GT.	Q3 or 4	5
Payroll - Apprenticeship Levy	ANA - Low; client request	Application of regulations and guidance relating to payment of an apprenticeship levy, which it is understood is due to come into effect in April 2017 where applicable. Including tax implications thereof.	Q4	10
Payroll - Online Adjustments (Earlier Year Updates)	ANA - Medium; client request	Review of the new 'streamlined' process relating to on-line Payroll adjustments which incorporates a check of Earlier Year Updates (EYU) data balances.	Q3 or 4	10
Ethics & Culture	ANA - Medium	Scope to be determined.	Q1	10
Advice, planning, monitoring and performance reporting			Q1-4	13
Digital Transformation and Business Support				
Service Strategy	ANA - High	To continue to monitor progress against the 2014/15 ICT Strategy Report, superseding where appropriate. To measure progress or fit with the evolving strategy and service delivery model.	Q3-4	8
Service Transition (Change Management)	ANA - Medium	To review transition processes and activities that are not as mature as the now embedded Change Management process.	Q2-3	10

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA) – an assessment of the priority of the planned review	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
Service Operation - Processes (Incident & Problem)	ANA - High	Use of IDEA to interrogate incident records for patterns and potentially missed 'problems'.	Q1	7
Service Operation - Function	ANA - High	To review operational functions processes that are common to all key financial systems.	Q3-4	12
Cyber Security	ANA - Critical	Programme based on Government Cyber essentials Scheme. Potential to conduct subsequent reviews based on the 'Ten Steps' to include wider and non-technical aspects of cyber security.	Q3-4	8
CareFirst / Eclipse - Social Care Business Systems	ANA - Critical; client request	To provide assurance that changing social care business systems are secure and fulfil business requirements. Themes / considerations - CareFirst to hosted service and implementation of OLM 'Eclipse'; Mobile Working; Health Integration; Data Integrity; Data Security; EDPR.	Q1-4	12
Procurement: Contract Management strategy and process.	ANA - High; client request	Holistic type audit; DCC wide. Significantly important, high risk, high profile contracts.	Q2-3	15
Procurement: Resilience of significant / strategic suppliers to ensure service provision in face of Public Sector cuts.	ANA - High; client request	Scope to be determined.	Q1	10
Procurement: Governance protocols in relation to contract award procedures and contract lifecycle.	ANA - High; client request	Review governance protocols; anti-fraud / corruption measures, organised crime, governance and scrutiny.	Q3	10
Advice, planning, monitoring and performance reporting			Q1-4	10
Grants				
Active Devon	n/a	Grant determination requires independent certification of expenditure by Internal Audit.	Q1	5
Bus Subsidy	n/a	Grant determination requires independent certification of expenditure by Internal Audit.	Q2	2

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA) – an assessment of the priority of the planned review	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
Careers and Enterprise	n/a	Grant determination requires independent certification of expenditure by Internal Audit.	Q2	5
Disabled Facilities Grant	n/a	Grant determination requires independent certification of expenditure by Internal Audit.	Q2	2
Local Growth Fund	n/a	Grant determination requires independent certification of expenditure by Internal Audit.	Q1	5
Local Transport Capital Block Funding	n/a	Grant determination requires independent certification of expenditure by Internal Audit.	Q2	2
Skills Funding Agency	n/a	Grant determination requires independent certification of expenditure by Internal Audit.	Q2	8
Troubled Families Programme	n/a	Grant determination requires independent certification of expenditure by Internal Audit.	Q1-4	10
Grants: Advice, planning, monitoring and performance reporting			Q1-4	5

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". Internal Audit resources will be allocated to allow a focus on identifying and preventing fraud before it happens. Nationally these areas include Procurement, Payroll, Blue Badges, Direct Payments and Pensions.

The Cabinet Office runs a national data matching exercise (National Fraud Initiative - NFI) every two years. Work on the 2016/17 exercise has already commenced with resulting data matches available from early 2017. We will work 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. 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 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 authority's external auditors and have regular liaison meetings to understanding their requirements and to provide the information they require, maximising the benefits of close working. We have also developed an effective working relationship with Audit South West (NHS Internal Audit) and anticipate more opportunities to work collaboratively together as integration between the Council and Health progresses.

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 Chief Audit Executive 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 Chief Audit Executive 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.

Devon Audit Partnership
Auditing for achievement
- **shared working across authorities**
- **in accordance with our internal audit charter**

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.

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