

Phil Norrey  
Chief Executive



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To: The Chair and Members of the  
Audit Committee

County Hall  
Topsham Road  
Exeter  
Devon  
EX2 4QD

(See below)

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Your ref :  
Our ref :

Date : 5 February 2020  
Please ask for : Dan Looker, 01392 382232

Email: dan.looker@devon.gov.uk

## **AUDIT COMMITTEE**

Thursday, 27th February, 2020

A meeting of the Audit Committee is to be held on the above date at 2.15 pm in the Committee Suite - County Hall to consider the following matters.

P NORREY  
Chief Executive

## **AGENDA**

### **PART I - OPEN COMMITTEE**

1 Apologies for absence

2 Minutes

Minutes of the meeting held on 14 November (previously circulated).

3 External Audit Plan- Devon County Council 2019/20

Report of Grant Thornton to follow.

4 External Audit Plan - Devon Pension Fund 2019/20

Report of Grant Thornton to follow.

5 Internal Audit Plan 2020/21 (Pages 1 - 22)


- Report of the County Treasurer (CT/20/21), attached.
- 6 Internal Audit Charter 20/21 (Pages 23 - 32)
- Report of the County Treasurer (CT/20/22), attached.
- 7 Internal Audit Strategy 2020/21 (Pages 33 - 40)
- Report of the County Treasurer (CT/20/23), attached.
- 8 Audit Committee Annual Plan 2020 (Pages 41 - 42)
- The Committee to note the Annual Plan and forthcoming business, attached.
- 9 Items Requiring Urgent Attention
- Items which in the opinion of the Chair should be considered at the meeting as a matter of urgency.
- 10 Future Meetings

Please use link below for County Council Calendar of Meetings:

<http://democracy.devon.gov.uk/ieListMeetings.aspx?CId=161&Year=0>

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Councillors J Clatworthy (Chair), I Hall (Vice-Chair), J Berry, J Brazil, R Peart, A Saywell and H Ackland
<b>Declaration of Interests</b>
Members are reminded that they must declare any interest they may have in any item to be considered at this meeting, prior to any discussion taking place on that item.
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## 2020/21 Internal Audit Plan

### Report of the County Treasurer

Please note that the following recommendations are subject to confirmation by the Committee before taking effect.

**Recommendation:** that the Committee agrees the Internal Audit Plan for the year 2020/21

1. One of the responsibilities of the Committee is for “focusing audit resources, by agreeing the audit plans and monitoring delivery of the audit service”. The programme of internal audit work for the financial year 2020/21 is described in detail in a report available separately.
2. The key objectives of Internal Audit in the plans are:
  - to provide assurance to the County Treasurer (as the Section 151 “responsible officer”), Audit Committee and to other directors and members, on the adequacy and security of those systems on which the County Council relies for its internal control (the “control environment”);
  - to provide advice and assurance to managers and staff within the client directorates.
3. The planning process takes place with those 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 2020/21 is linked through the corporate and service risk registers to risks related to the achievement of the Council’s strategic objectives, as defined in the Strategic Plan. This is explained in more detail in the separate summary report.
4. Delivery of the Internal Audit Service will be by the Devon Audit Partnership, a shared services arrangement between Devon County Council, Plymouth City, Torbay Council, Mid Devon District Council, Torridge District Council, and South Hams and West Devon Councils.
5. Future meetings of the committee will receive half-yearly and annual reports summarising performance against the plans and key findings from reviews.

Mary Davis

Electoral Divisions: All  
Local Government Act 1972

Contact for Enquiries: Robert Hutchins  
Tel No: (01392) 382437 Larkbeare House

<u>Background Paper</u>	<u>Date</u>	<u>File Ref</u>
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Nil

There are no equality issues associated with this report



Internal Audit

# Internal Audit Plan 2020/21

Devon County Council  
Audit Committee

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February 2020

Not Protectively Marked

Robert Hutchins  
Head of Audit Partnership

CUSTOMER  
SERVICE  
EXCELLENCE



Auditing for achievement

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<p><b>Devon Audit Partnership</b></p> <p>The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Devon, Mid Devon and Torridge 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.</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 <a href="mailto:robert.hutchins@devonaudit.gov.uk">robert.hutchins@devonaudit.gov.uk</a>.</p>	<p><b>Confidentiality and Disclosure Clause</b></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>
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## 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 Leadership Group. The Audit Committee, under its Terms of Reference contained in the Council's Constitution, is required to consider the Internal Audit Plan to provide assurance to support the governance framework (see Appendix 2).

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 refer to the role of 'Chief Audit Executive'. For the Council this role is fulfilled by the Head of Devon Audit Partnership.

The Chief Audit Executive is responsible for developing a risk-based plan which considers 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 need for robust and effective controls to ensure that resources are used to be best effect and deliver the authority's objectives has never been greater. Internal audit helps provide independent assurance that risks are known, understood and addressed, and that systems and procedures are sound, effective and free (as far as can be) from waste, error or fraud. Preparing a plan that addresses the emerging risks and developing areas for the council, whilst still covering the material and cross cutting systems is essential and ensures that internal audit resources are directed in the most appropriate way.

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 the Audit Committee for this annual plan

Audit 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 in 2020/21.

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

**Robert Hutchins**  
**Head of Audit Partnership**

## Annual Service Level Plans

### Adult Care and Health

Audits within this area include following up on work from 2019/20 where the assurance rating was lower than Good Standard, being Direct Payments, Continuing Health Care, Living Well at Home and Technology Enabled Care Support.

Our core work links to higher risk areas as per the Risk Register, for example, how the Council is meeting its market sufficiency requirements. There is an underlying theme of care assessments and performance as seen through reviews such as equality of resource allocation, delayed transfers of care and high cost review panel.

Later in the financial year our planned work is linked to new social care funding arrangements, deprivation of liberty safeguards and the potential new care management system.

### Children's Services

Work within Children's Services will include review of SEND (Special Educational Needs & Disabilities) spend within schools, which follows on from work in 2019/20 linked to high cost support packages. Further to this we will be looking at the recently insourced Public Health Nursing Service, whilst undertaking further work in respect social care delivery through care assessments and contract/performance management.

Follow up work in this area will include data management within the Eclipse system and our rolling programme of Maintained School Audits will continue throughout the year.

### Communities, Public Health, Environment and Prosperity (CoPHEP)

Work within the CoPHEP service area will incorporate several reviews linked to the Economy and Enterprise service. These include the Business Support for ERDF Funded Projects, Careers Hub and Roundswell Enterprise Centre.

We will also consider the governance arrangements linked to the Safety Camera Partnership and lessons that can be taken from Active Devon in to future similar schemes.

### Corporate Services

Assurance work will be undertaken on areas termed as 'material systems' which process most of the Authorities income and expenditure, and which have a significant impact on the reliability and accuracy of the annual accounts.

We will examine the new HR/payroll System (iTrent) and review specific risks within the risk register to provide assurance on the accuracy and effectiveness of key controls. Our work will connect with the Doing What Matters Team to provide a link to audit outcomes and support them in the delivery of their goals.

Follow up work is planned for GDPR/ Data Protection and we will also be supporting work on the Finest System replacement. Whilst climate change from a Risk Management perspective sits within the CoPHEP area, we will be carrying out a high level cross organisation review to see how the Authority is planning and managing associated risks.

### Highways, Infrastructure Development and Waste

A range of audits from across Highways, Infrastructure Development and Waste are included in 2020/21 plan including; a follow up of the Street Lighting System review from 2019.20, Tree Management System and end of year sign off for Viridor and Skanska annual reconciliations.

### Digital Transformation and Business Support

We will be undertaking a programme of work linked to high risk, relevant topics such as Cyber Security, Disaster Recovery and Change Management in addition to following up on 2019/20 work including SCOMIS Contract Monitoring and Carefirst OLM.

Overall, themes across the plan include third party risk where we will aim to consider how the associated risks are managed and data/information management.

### Anti-fraud and Corruption

All our work will contain elements to ensure that sound and effective arrangements are in place to prevent and detect fraud and / or irregularity.

Where required, we will support management in the investigation of irregularity concerns, helping the Council to take the appropriate corrective action with the support of the DAP Counter Fraud.

Service Area Overview of Audit Coverage				Major Projects / Themes	Value Added
Adult Care & Health	Children's Services	Communities, Public Health, Environment & Prosperity (CoPHEP)	Highways, Infrastructure Development and Waste		
<b>Care Assessment</b> High Cost Panel Equality of resource allocation <b>Performance Monitoring</b> Delayed Transfer of Care Provider Information Management Social Care Funding Market Sufficiency Workforce Independent Sector Liberty Protection Safeguards	Public Health Nursing Preventing Adolescents from Coming into Care Schools & Schools Financial Value Standard <b>Care Assessment</b> Early Help SEND – School Spend Alternative Provision	Governance of the Safety Camera Partnership <b>Economy</b> Roundswell Enterprise Centre Business Support – ERDF Funded Projects Making it Local and Real Devon Action Groups Careers Hub A382 Improvements Project	<b>Partnership Working</b> Street Lighting System Viridor End of Year Sign Off Skanska – Annual Reconciliation Internal Process Changes Tree Management System	Finest Replacement Carefirst 6 Replacement Climate Change 3 <sup>rd</sup> Party Risk	Fraud Prevention and Investigation National Fraud Initiative Advice Audit Follow Up
Core Assurance	Business Processes & Governance – Payroll & HR functions, Doing What Matters, Risk Register, Procurement, Grant Certification, Audit Assurance Planning & Reporting, and other Related Bodies.				
	Key Financial Systems (Material Systems) - Bank Reconciliation, Creditors, Debtors, Finest System Admin, Fixed Asset Register, Income Collection, Main Accounting System, Payroll, Treasury Management.				
	ICT – Change Management, Cyber Security, Incident & Problem Management, Disaster Recovery, Customer Service Centre.				

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 proposed audit reviews and associated risks.

## High Level Audit Plan 2020/21

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 service areas, 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.

The number of direct days remains the same as in the 2019/20 financial year at 1,060 days. Previously the number of days has been subject to an annual reduction, but the level of input identified for 2020/21 is considered appropriate and reflects the risk profile of the Council.

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 table gives a brief overview of the focus of proposed audit coverage for the year. The time required to follow up on 2019/20 Audit Reviews is included within each Service Area. We have included the time allocated to Devon maintained schools as the Authority has an interest in the sound management of these schools.

A detailed analysis of proposed audit reviews is provided in the following schedule, details of the follow up of 2019/20 work is listed within a section at the end of the table.

Core Activity for Internal Audit Review	Coverage in Days
Material Systems	119
Corporate Services - (Excluding Anti-Fraud & NFI) - Finance, HR, Legal Services & Cross Cutting	120
Adult Care and Health	176
Children's Services	150
Communities, Public Health, Environment and Prosperity (CoPHEP)	75
Digital Transformation and Business Support	127
Highways, Infrastructure Development and Waste	60
Grant Certification	83
Anti-Fraud and Corruption including NFI	100
Other Chargeable Activities (support for Audit Committee, audit development, contingency etc)	50
<b>Total internal audit plan for Devon County Council</b>	<b>1060</b>
Schools (estimated)	282

## Proposed audit reviews and associated risks

Risk Area / Audit Entity	Risk / Audit Needs Assessment (an assessment of the priority of the planned review)	Proposed Audit Work / Scope	Proposed Timings (Quarter)
<b>Material Systems</b>			
<b>Core Assurance - Key Financial System *</b>			
Payroll	ANA - High	* A rolling programme of audits is adopted for material systems whereby the work programme for each year 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
Debtors / Debt Recovery	ANA - Medium		Sample
Bank Reconciliation	ANA - Medium		Walkthrough
Finest System administration	ANA - Low		Sample
Creditors	ANA - Medium		Walkthrough
Fixed Asset Register	ANA - Low		Walkthrough
Income Collection	ANA - Medium		Sample
Treasury Management	ANA - Low		Walkthrough
Main Accounting System	ANA - Medium		Sample testing
KFS Key ICT Controls 20/21	ANA - Medium	To provide assurance that core ICT functions in relation to Key Financial Systems are completed. Established work programme (that requires adaption / update to accommodate externally hosted systems). Finance key client contact, and SCOMIS/ICT provide the support along with external providers (Council Contacts - Contract-Performance Monitoring) for some systems.	Q4

Risk Area / Audit Entity	Risk / Audit Needs Assessment (an assessment of the priority of the planned review)	Proposed Audit Work / Scope	Proposed Timings (Quarter)
<b>Corporate</b>			
HR - iTRENT - New Human Resources Management System (HRMS)	ANA – High	Review of processes within new HRMS system supplementary to the standard annual payroll audit.	Q4
HR iTrent Development - Performance Learning and Development Module	ANA - High	Trusted Advisor support to new systems process	Q3
Risk Register	ANA - High	Review of individual risks; providing independent view of the clarity and application of controls as well the use and application of the corporate risk management process.	Q1
Direct Payments - CFCS	ANA – Medium	Review of Charging for Care Services (CFCS) processes for Direct Payment financial assessments.	Q4
Finance System Replacement	ANA – High	Assurance and Trusted Advisor Support – Finance Replacement Project.	Q1-4
Organisational Change and Internal Audit	ANA - Low	Developing a consistent approach to supporting the Doing What Matters Programme across the council.	Q1-4
Climate Change	ANA - High	High Level cross organisational review of the Councils approach to climate to include Corporate Climate Strategy, Governance, Intelligence, Resources and Corporate Goals.	Q2
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
Advice, planning, monitoring and performance reporting	N/A	-	Q1-4

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Risk Area / Audit Entity	Risk / Audit Needs Assessment (an assessment of the priority of the planned review)	Proposed Audit Work / Scope	Proposed Timings (Quarter)
<b>Adult Care and Health</b>			
<b>Adult Care and Health</b>			
Implementation of new Social Care Funding arrangements	ANA - Medium Client Request	Scope of work to be determined as and when new funding arrangements are implemented.	Q4
Preparing for implementation of Liberty Protection Safeguards	ANA - High Client Request	Evaluation of the impact of the investment already provided enabling an informed decision to be made as to the next steps.	Q1-2
Workforce in the Independent Sector	Client Request	Precise details to be agreed.	Q2
Theme Across Service – Care Assessment Completion	ANA Medium	Collation and sampling across audits including Revised Arrangements for Personal Care, DSAM and Equality etc in respect of Care Assessments being completed appropriately to identify true care needs.	Q1-4
Eligibility Criteria	ANA High Client Request	Are eligibility criteria and resource allocation applied equally and irrespective of service user group, age, type of disability, illness or condition.	Q1
Revised Arrangements around personal care	ANA High Client Request	Second part of a review carried out in 2019/20. Audit to look at the impact that the insourcing of services in 2019 has had after six months.	Q1
Transitions	ANA Medium Client Request	Risk based system review.	Q2
Provider Information Management System	ANA Low Client Request	Risk based system review.	Q3/4
Autism	ANA Medium Client Request	Impact of changes to the post diagnostic autism team.	Q2
How is the Council meeting its market sufficiency requirements	ANA High Client Request	Review of the council’s approach and ability to meet its statutory obligations in respect of care market sufficiency.	Q3

Risk Area / Audit Entity	Risk / Audit Needs Assessment (an assessment of the priority of the planned review)	Proposed Audit Work / Scope	Proposed Timings (Quarter)
New Care Management Process	ANA High Client Request	Assurance and Trusted Advisor on changes to the processes for care management.	Q4
Care First 6 Replacement	ANA High Client Request	Assurance, Trusted Advisor support during the introduction of the new system.	Q1-4
Advice, planning, monitoring and performance reporting	N/A	-	Q1-4
<b>Children's Services</b>			
<b>Children's Social Care</b>			
Preventing Adolescents from Coming into Care / Edge of Care	ANA - Medium Client Request	Review to include small residential units with the possibility of including 'establishment' type audit.	Q2
Care Assessment Process	ANA – High	Sampling across social care services of the Care Assessments which are being completed and their capacity to identify true care needs.	Q4
Care Commissioning – Contract and Performance Management	ANA – Medium	Review of contract performance monitoring and management to supplement the work planned to assess identification of need.	Q4
<b>Education and Learning</b>			
SEND- School Spend	ANA High	2 <sup>nd</sup> part of a review started in 2019/20. Identify how schools are evidencing spend of funding to the children it is aimed at supporting.	Q1
Alternative Provision Spend (funded From High Needs Block)	ANA – High Client Request	This is funded by High Needs budget but is not part of the 2019/20 SEND audit. Specific focus on Alternative Provision to supplement findings of the 2019/20 audit work.	Q2
Early Help	ANA - Medium Client Request	A review ascertaining the costs of Early Help for the authority to sustain for those cases in statutory if Government grant drops out.	Q4
Public Health Nursing	ANA – High	New area to the Council from April 2019, specific details to be agreed.	Q4



Risk Area / Audit Entity	Risk / Audit Needs Assessment (an assessment of the priority of the planned review)	Proposed Audit Work / Scope	Proposed Timings (Quarter)
School Buildings	ANA - Low Client Request	Money to maintain school buildings has for some time been delegated to the schools. To pick up alongside Health and Safety, closer monitoring of this spend, without excessive interference.	Q2
Advice, planning, monitoring and performance reporting	N/A	-	Q1-4
<b>Communities, Public Health, Environment and Prosperity (CoPHEP)</b>			
Roundswell Enterprise Centre	ANA – Medium Client Request	This is an ERDF, LEP and Devon County Council funded capital programme (with some revenue funding). Audit of the processes and different spending commitments.	Q1
Business Support ERDF funded projects	ANA – Medium Client Request	There are several projects funded through EU funds with public sector match. Some of them span Devon, Plymouth and Torbay, some Somerset, Devon, Plymouth and Torbay. Programme to be audited and supported to ensure it has the right approaches, governance and delivery mechanisms in place.	Q2
Make it Local and REAL Devon local Action Groups	ANA – Medium Client Request	These are community-led grant schemes funded by the Rural Payments Agency under the Rural Development Programme for England. Programme to be audited and supported to ensure it has the right approaches, governance and delivery mechanisms in place.	Q3
Careers Hub	ANA – Medium Client Request	This is an LEP funded programme via Careers Enterprise Company. Programme to be audited and supported to ensure it has the right approaches, governance and delivery mechanisms in place.	Q4
Governance of the Safety Camera partnership	ANA – Low Client Request	Review governance and organisation, accountability to relevant authorities and sustainability and longevity.	Q1
A382 Improvement Project	ANA – Medium Client Request	Project to be undertaken later in year and will require gateway and assurance review(s) at a given point.	Q3
Active Devon	ANA - Low Client Request	Review of the arrangements for Active Devon with a view to learning where the success of this model can be used elsewhere.	Q2

Risk Area / Audit Entity	Risk / Audit Needs Assessment (an assessment of the priority of the planned review)	Proposed Audit Work / Scope	Proposed Timings (Quarter)
Advice, planning, monitoring and performance reporting	N/A	-	Q1-4
<b>Digital Transformation and Business Support</b>			
ICT - Change Management	ANA - Medium	To provide assurance that changes to information systems and related infrastructure are done in such a way as to meet the needs of the business and have a minimal risk to the business and the information.	Q2
ICT - Incident and Problem Management	ANA - Medium	To Provide assurance that ICT Incidents and Problems are managed effectively, noting that a new call management system is being introduced.	Q2
ICT - Cyber / Network Security (Inc Follow up of 18/19 and 19/20 Audits)	ANA – Medium	To provide assurance that the Council network is secure following the Cyber Essentials methodology.  Areas for review include - Firewalls, Secure Configuration, Access Control, Antivirus and Malware, Patching, Plus Back Ups.	Q3
ICT - Disaster Recovery	ANA – High	To provide assurance as to the appropriateness of the County’s ICT DR plans.	Q4
ICT - Customer Service Centre	ANA – Medium Client Request	To provide assurance that the approach to the operation of the CSC meets the requirements of the business, including any current and proposed changes.	Q1
Procurement – Governance	ANA – Medium Client Request	Governance protocols in relation to contract award procedures and contract lifecycle.	Q3
Procurement – Resilience of Third Parties	ANA – Medium Client Request	Review of Contract monitoring of third parties within Services to ensure remaining financially resilient and back up plans in place are robust and effective.	Q3
Advice, planning, monitoring and performance reporting	N/A	-	Q1-4

Risk Area / Audit Entity	Risk / Audit Needs Assessment (an assessment of the priority of the planned review)	Proposed Audit Work / Scope	Proposed Timings (Quarter)
<b>Highways, Infrastructure Development and Waste</b>			
Street Lighting	ANA – High	Confirmation that the new system is now compliant with Financial Regulations, to include a full system review, documentation and review of controls.	Q2
Viridor End of Year sign off	ANA – Medium Client Request	Support to agreement or otherwise of the annual financial sign off.	Q2
Support for new processes	ANA – High Client Request	Provide support, challenge and assurance to potential changes in processes within the Highways service area.	Q2
Tree Management System	ANA – Medium Client Request	System review including liaison with the Devon County Council Tree Board.	Q4
P S K A n s k a - Annual Reconciliation	ANA – High Client Request	Support to agreement or otherwise of the annual financial sign off.	Q2
A d v i c e, planning, monitoring and performance reporting	N/A	-	Q1-4
<b>Grants</b>			
Grant Certification/Sign Off	Client Request	We anticipate around 10 Grants will need to be reviewed and certified during the 2020/21 financial year.	Q1-4
Troubled Families Grant Certification	Client Request	Monthly Certification for each month of the Financial year	Q1-4
Advice, Planning and Support	N/A	-	Q1-4
<b>Fraud and Irregularities</b>			
NFI and In Year Advice, Support and Investigations	ANA – High	Advice, support and investigation activities as well as support to the NFI process. To be supported by an additional programme of Counter Fraud Work.	Q1-4

Risk Area / Audit Entity	Risk / Audit Needs Assessment (an assessment of the priority of the planned review)	Proposed Audit Work / Scope	Proposed Timings (Quarter)
<b>Follow UP Work</b>			
Direct Payments	Follow Up Review	Original Audit was Improvements Required	Q2
Continuing Health Care	Follow Up Review	Original Audit was Improvements Required	
Living Well at Home	Follow Up Review	Original Audit was Improvements Required	
Technology Enabled Care Support	Follow Up Review	Original Audit was Improvements Required	
SEND – High Needs Block	Follow Up Review	Original Audit was Improvements Required	
CoMIS Contract Management (Follow Up)	Follow Up Review	Improvements Required in 2018/19 and the 2019/10 Follow Up review	
Carefirst OLM (Follow Up)	Follow Up Review	Improvements Required in 2018/19 and the 2019/10 Follow Up review.	
Adoption and Change (Follow Up)	Follow Up Review	Improvements Required in 2018/19 and the 2019/10 Follow Up review	
GDPR Follow Up	Follow Up Review	Original Audit was Improvements Required	
Care Proceedings	Follow Up Review	Original Audit was Improvements Required	
Follow Up of High Risks Recommendations	ANA – High	To confirm how recommendations are being addressed where they are not part of an audit report rated Improvements Required or Fundamental Weaknesses.	Q1-4

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## 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 Authority has separately commissioned the Devon Audit Partnership Counter Fraud Service to undertake a review of the strategy and approach, as well as a targeted review of payment card spend for 2019/20. We anticipate a similar separate plan of work to be agreed in relation to Counter Fraud for 2020/21 in addition to this plan.

The Cabinet Office runs a national data matching exercise (National Fraud Initiative - NFI) every two years. The matches from the 2018/19 exercise were released on 31<sup>st</sup> January 2019 to those participating in the exercise. We will continue to work with Council departments to ensure that the matches are reviewed, and action taken as may be necessary, this includes supporting where an exercise is completed in 2020/21.

### Internal Audit Governance

Part 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 (Grant Thornton), 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 develops.

## 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, considering 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.



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.

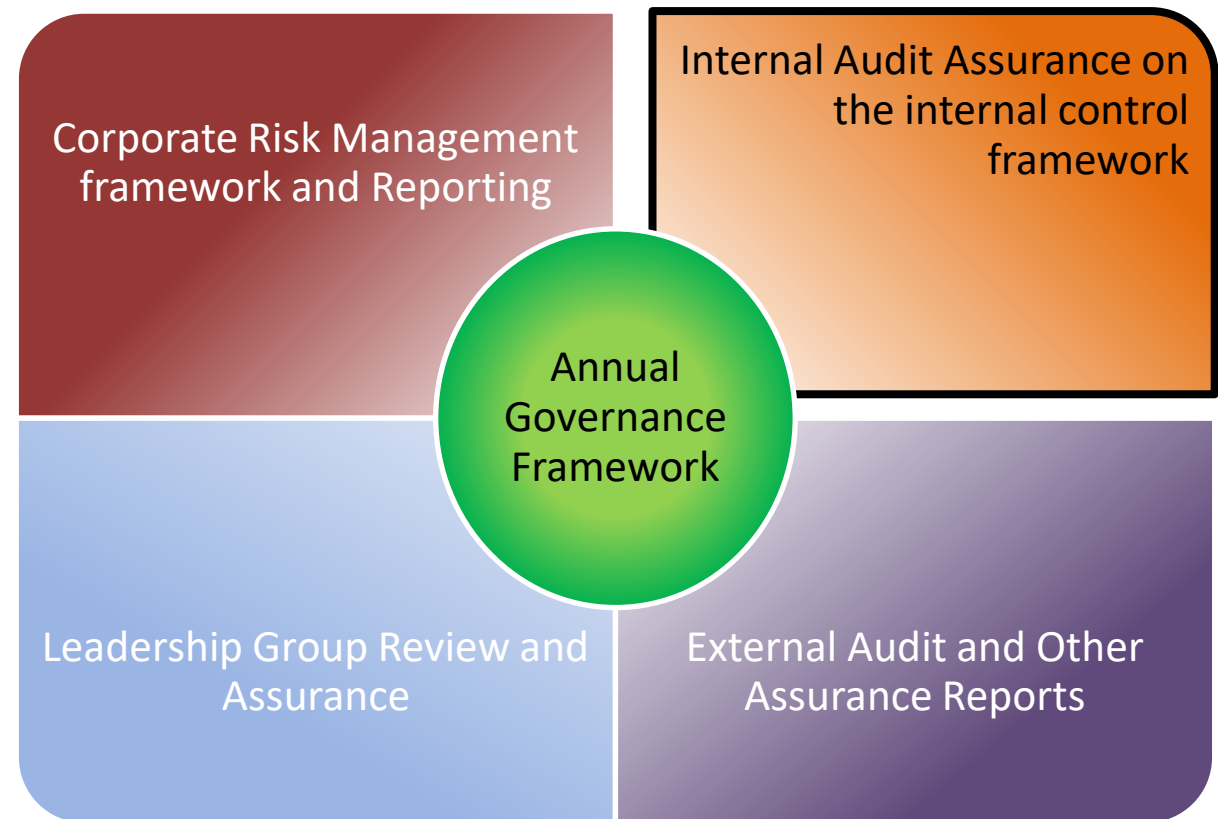
## Appendix 2 - Annual Governance Framework Assurance

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 recently revised International Framework – Good Governance in the Public Sector. If not, a statement is required stating how other arrangements provide the same level of assurance.



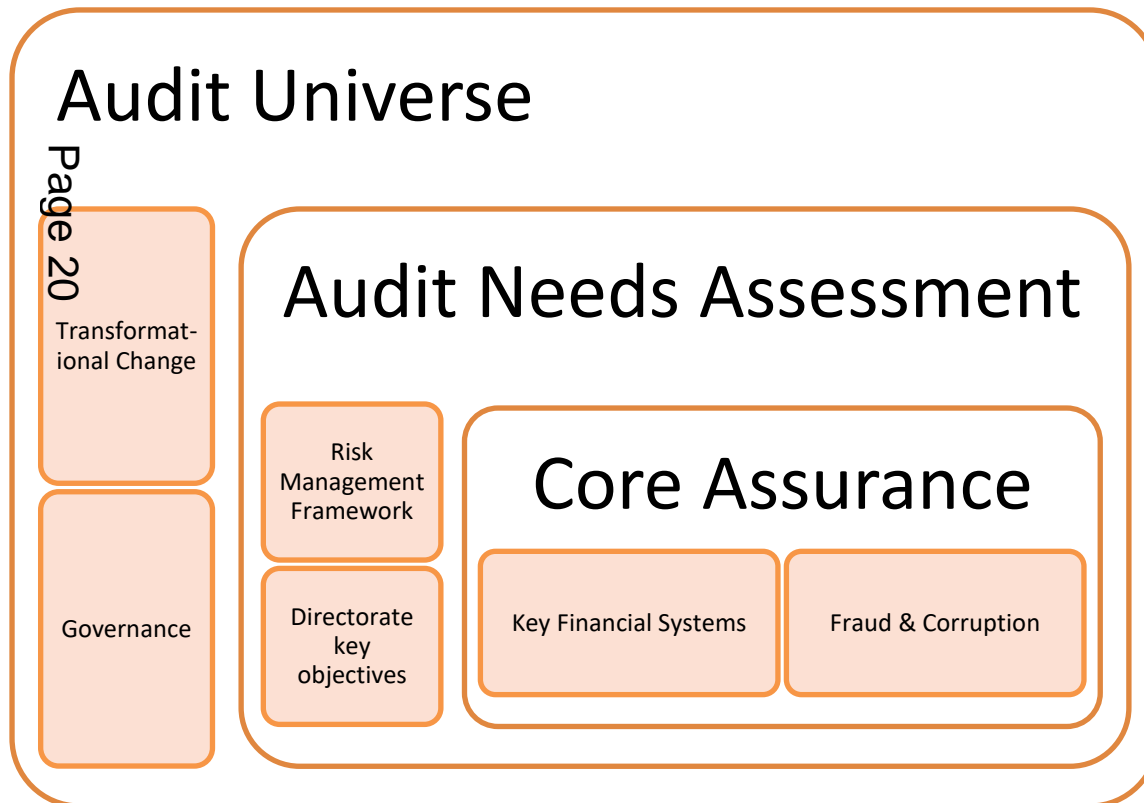
The AGS needs to be presented to, and approved by, the Audit Committee, and then signed by the Chair.

The Committee should satisfy themselves, from the assurances provided by Risk Management, Leadership Group 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 result is the Internal Audit Plan set out earlier in this report.



The audit plan for the year has been created by:

Consideration of risks identified in the Authority's strategic and operational risk registers

Review and update of the audit universe

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

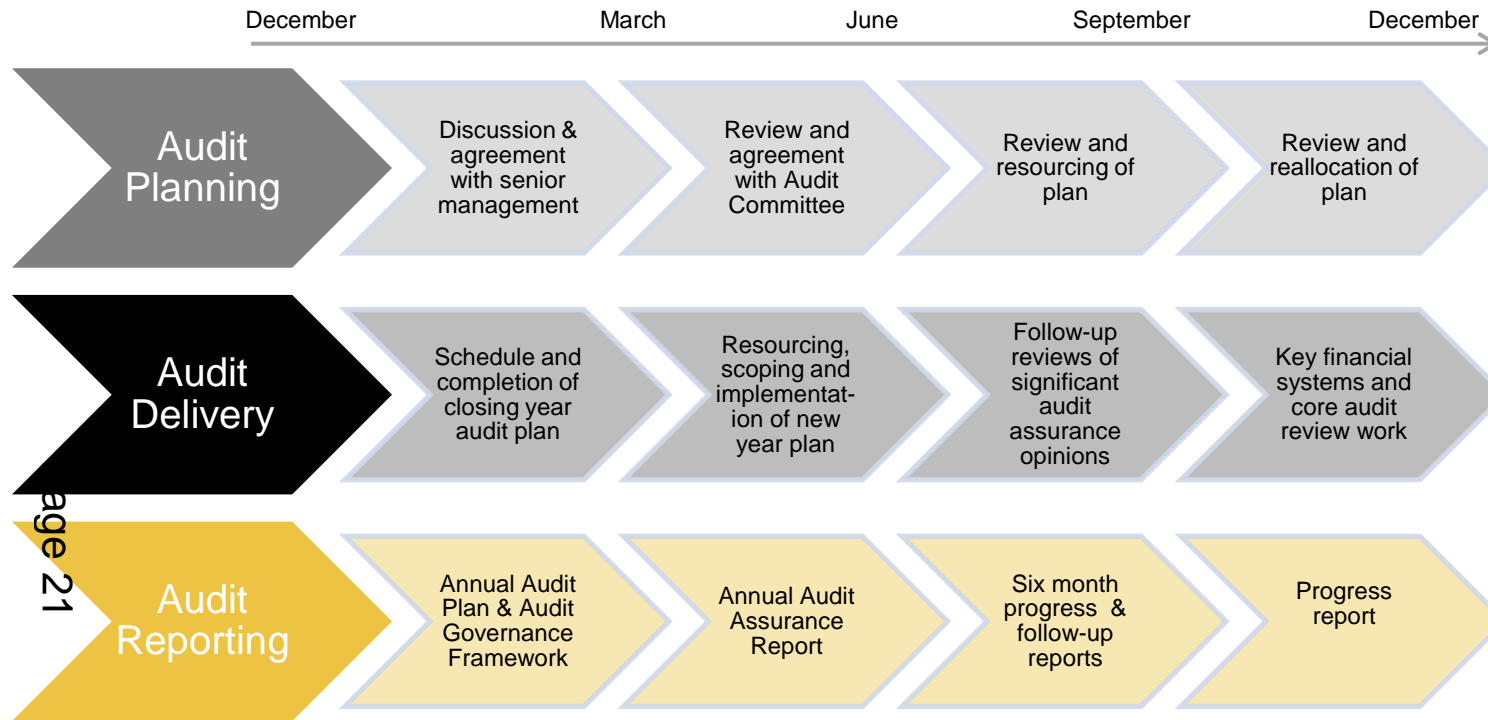
Taking into account results of previous internal audit reviews

Taking into account Internal Audit's knowledge and experience of the risks facing the Authority, including factors and systems that are key to successful achievement of the Council's delivery plans

Requirements to provide a 'collaborative audit' approach with the external auditors



## Appendix 4 - Our Audit Team and the Audit Delivery Cycle



Date	Activity
Dec / 2019 Jan 2020	Directorate planning meetings
Feb 2020	Internal Audit Plan presented to Audit Committee
Feb 2020	Internal Audit Governance Arrangements reviewed by Audit Committee
March 2020	Year-end field work completed
April 2020	Annual Performance reports written
May 2020	Annual Internal Audit Report presented to Audit Committee
Aug 2020	Follow - up work of previous year's audit work commences
Nov 2020	Follow-up and progress reports presented to Audit Committee
Nov 2020	Six-month progress reports presented to Audit Committee
Dec 2020	2021/22 Internal Audit Plan preparation commences

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## INTERNAL AUDIT CHARTER & STRATEGY FOR 2020/21

### Report of the County Treasurer

Please note that the following recommendations are subject to confirmation by the Committee before taking effect.

**Recommendation:** that the Committee agrees the Internal Audit Charter & Strategy for the year 2020/21.

1. One of the requirements of the Public Sector Internal Audit Standards (PSIAS) is that the purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics and the Standards. The internal audit charter for this financial year is set out in detail in the report attached together with supporting Audit Strategy.
2. The PSIAS sets additional Public Sector requirements where the internal audit charter must also:
  - define the terms 'board' and 'senior management' for the purposes of internal audit activity;
  - cover the arrangements for appropriate resourcing;
  - define the role of internal audit in any fraud-related work; and
  - include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities.
3. This Charter complies with the mandatory requirements of the Public Sector Internal Audit Standards. ***No material changes have been made to the Charter or Strategy for the coming year.***
4. Delivery of the Internal Audit Service will be by the Devon Audit Partnership, a shared services arrangement between Devon, Plymouth, Torbay Torridge & Mid Devon Councils in accordance with the agreed internal audit plan.

Mary Davis

Electoral Divisions: All

Local Government Act 1972

List of Background Papers

Contact for Enquiries:

Robert Hutchins Tel No: (01392) 385843     Dart Suite, Larkbeare House, Topsham Rd, Exeter.

Background Paper: None



## **DEVON COUNTY COUNCIL**

### **INTERNAL AUDIT CHARTER (2020/21)**

#### **MISSION**

The Mission of Devon Audit Partnership is to enhance and protect organisational value by providing risk based and objective assurance, advice and insight across its partners.

#### **TERMS OF REFERENCE**

This 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), and the scope of Internal Audit work. This Charter complies with the mandatory requirements of the Public Sector Internal Audit Standards.

#### **DEFINITIONS**

Internal auditing is defined by the Public Sector Internal Audit Standards (PSIAS) as “an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.

The PSIAS 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 Leadership Team.

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 (HoDAP).

#### **STATUTORY REQUIREMENTS**

Internal Audit is a statutory service in the context of The Accounts and Audit (England) Regulations 2015, which state:

*5.—(1) 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 or guidance.*

In addition, the Local Government Act 1972, Section 151, requires every local authority to designate an officer to be responsible for the proper administration of its financial affairs. In The Council, the County Treasurer is the 'Section 151 Officer'. One of the ways in which this duty is discharged is by maintaining an adequate and effective internal audit service.

## **THE PURPOSE AND AIM OF INTERNAL AUDIT**

The role of Internal Audit is to understand the key risks of the Council; to examine and evaluate the adequacy and effectiveness of the system of risk management and the entire control environment as operated throughout the organisation and contribute to the proper, economic, efficient and effective use of resources. In addition, the other objectives of the function are to:

- support the Section 151 Officer to discharge his / her statutory duties
- contribute to and support the Finance function in ensuring the provision of, and promoting the need for, sound financial systems
- support the corporate efficiency and resource management processes by conducting value for money and efficiency studies and supporting the work of corporate working groups as appropriate
- provide a quality fraud investigation service which safeguards public monies.

The existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.

Internal Audit for The Council is provided by Devon Audit Partnership (DAP). We aim to provide a high quality, professional, effective and efficient Internal Audit Service to the Members, service areas and units of The Council, adding value whenever possible.

## **PROFESSIONALISM, ETHICS AND INDEPENDENCE**

### **Being Professional**

We (Devon Audit Partnership) will adhere to the relevant codes and guidance. In particular, we adhere to the Institute of Internal Auditors (IIA) mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the Public Sector Internal Audit Standards. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing within the public sector and for evaluating the effectiveness of Internal Audit performance. The IIA Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, Internal Audit will adhere to The Council's relevant policies and procedures and the internal audit manual.

Internal Auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not, however, imply infallibility.

### **Our Ethics**

Internal auditors in UK public sector organisations must conform to the Code of Ethics as set out by The Institute of Internal Auditors. This Code of Ethics promotes an ethical culture in the profession of internal auditing. If individual internal auditors have membership of another professional body then he or she must also comply with the relevant requirements of that organisation.

The Code of Ethics extends beyond the definition of internal auditing to include two essential components:

1. Principles that are relevant to the profession and practice of internal auditing;
2. Rules of Conduct that describe behaviour norms expected of internal auditors.

The Code of Ethics provides guidance to internal auditors serving others, and applies to both individuals and entities that provide internal auditing services.

The Code of Ethics promotes an ethical, professional culture. It does not supersede or replace Codes of Ethics of employing organisations. Internal auditors must also have regard to the Committee on Standards of Public Life's Seven Principles of Public Life.

### **Being Independent**

Internal Audit should be independent of the activities that it audits.

The status of Internal Audit should enable it to function effectively. The support of the Council is essential and recognition of the independence of Internal Audit is fundamental to its effectiveness.

The Head of Devon Audit Partnership should have direct access to and freedom to report in his or her own name and without fear or favour to, all officers and members and particularly to those charged with governance (the Audit Committee). In the event of the necessity arising, the facility also exists for Internal Audit to have direct access to the Chief Executive, the S.151 Officer and the Chair of the Audit Committee.

The Council should make arrangements for Internal Audit to have adequate budgetary resources to maintain organisational independence.

The Head of Devon Audit Partnership should have sufficient status to facilitate the effective discussion of audit strategies, audit plans, audit reports and action plans with senior management and members of the Council.

Auditors should be mindful of being independent. They;

- Must have an objective attitude of mind and be in a sufficiently independent position to be able to exercise judgment, express opinions and present recommendations with impartiality;
- Notwithstanding employment by the Partnership / Council, must be free from any conflict of interest arising from any professional or personal relationships or from any pecuniary or other interests in an activity or organisation which is subject to audit;
- Must be free from undue influences which either restrict or modify the scope or conduct of their work or significantly affect judgment as to the content of the internal audit report; and
- Must not allow their objectivity to be impaired by auditing an activity for which they have or have had responsibility.

### **AUTHORITY**

Internal Audit, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of the organisation's records, physical properties, and personnel pertinent to carrying out any engagement.

All employees are requested to assist Internal Audit in fulfilling its roles and responsibilities. This is enforced in the Accounts and Audit (England) Regulations 2015 section 5(2-3) that state that:

Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit—

- (2) (a) make available such documents and records; and
- (b) supply such information and explanations; as are considered necessary by those conducting the internal audit.

- (3) In this regulation “documents and records” includes information recorded in an electronic form.

In addition, Internal Audit, through the HoDAP, where deemed necessary, will have unrestricted access to:

- the Chief Executive
- Members
- individual Heads of Service
- Section 151 Officer
- Monitoring Officer
- all authority employees
- all authority premises.

## **ACCOUNTABILITY**

Devon Audit Partnership is a shared service established and managed via a Partnership Committee and Board with representation from each of the founding partners. The Partnership operates as a separate entity from the client authorities and Internal Audit is therefore independent of the activities which it audits. This ensures unbiased judgements essential to proper conduct and the provision of impartial advice to management. Devon Audit Partnership operates within a framework that allows the following:

- unrestricted access to senior management and members
- reporting in its own name
- separation from line operations

Every effort will be made to preserve objectivity by ensuring that all audit members of audit staff are free from any conflicts of interest and do not, ordinarily, undertake any non-audit duties.

The Head of Devon Audit Partnership fulfils the role of Chief Audit Executive at the Authority and will confirm to the Audit Committee, at least annually, the organisational independence of the internal audit activity.

The County Treasurer ‘Section 151 Officer’ will liaise with the Head of Devon Audit Partnership and is therefore responsible for monitoring performance and ensuring independence.

Internal Auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal Auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The Head of Devon Audit Partnership reports functionally to the Audit Committee on items such as:

- approving the internal audit charter;
- approving the risk based internal audit plan;
- receiving reports from the Head of Devon Audit Partnership on the section’s performance against the plan and other matters;
- approving the Head of Devon Audit Partnership’s annual report’
- approve the review of the effectiveness of the system of internal audit.

The HoDAP has direct access to the Chair of Audit Committee and has the opportunity to meet with the Audit Committee in private.



## **RESPONSIBILITIES**

The Chief Executive, Heads of Service and other senior officers are responsible for ensuring that internal control arrangements are sufficient to address the risks facing their services.

The Head of Devon Audit Partnership will provide assurance to the County Treasurer 'Section 151 Officer' regarding the adequacy and effectiveness of the Council's financial framework, helping meet obligations under the LGA 1972 Section 151.

The HoDAP will provide assurance to the Monitoring Officer in relation to the adequacy and effectiveness of the systems of governance within the Council helping him/her meet his/her obligations under the Local Government and Housing Act 1989 and the Council's Constitution. The HoDAP will also work with the Monitoring Officer to ensure the effective implementation of the Council's Whistleblowing Policy.

Internal Audit responsibilities include but are not limited to:

- examining and evaluating the soundness, adequacy and application of the Council's systems of internal control, risk management and corporate governance arrangements;
- reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- reviewing the systems established to ensure compliance with those policies, plans, procedures and regulations which could have a significant impact on operations;
- reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
- investigating alleged fraud and other irregularities referred to the service by management, or concerns of fraud or other irregularities arising from audits, where it is considered that an independent investigation cannot be carried out by management;
- appraising the economy, efficiency and effectiveness with which resources are employed and the quality of performance in carrying out assigned duties including Value for Money Studies;
- working in partnership with other bodies to secure robust internal controls that protect the Council's interests;
- advising on internal control implications of new systems;
- providing consulting and advisory services related to governance, risk management and control as appropriate for the organisation;
- being responsible for reporting significant risk exposures and control issues identified to the Audit Committee and to senior management, including fraud risks, governance issues.

## **INTERNAL AUDIT MANAGEMENT**

The PSIAS describe the requirement for the management of the internal audit function. This sets out various criteria that the HoDAP (as Chief Audit Executive) must meet, and includes:

- be appropriately qualified;
- determine the priorities of, deliver and manage the Council's internal audit service through a risk based annual audit plan;
- regularly liaise with the Council's external auditors to ensure that scarce audit resources are used effectively;
- include in the plan the approach to using other sources of assurance if appropriate;
- be accountable, report and build a relationship with the Council's Audit Committee and S.151 Officer; and
- monitor and report upon the effectiveness of the service delivered and compliance with professional and ethical standards.

These criteria are brought together in an Audit Strategy which explains how the service will be delivered and reflect the resources and skills required.

The Head of Devon Audit Partnership is required to give an annual audit opinion on the governance, risk and control framework based on the audit work done.

The HoDAP should also have the opportunity for free and unfettered access to the Chief Executive and meet periodically with the Monitoring Officer and S.151 Officer to discuss issues that may impact on the Council's governance, risk and control framework and agree any action required.

## **INTERNAL AUDIT PLAN AND RESOURCES**

At least annually, the Head of Devon Audit Partnership will submit to the Audit Committee a risk-based internal audit plan for review and approval. The HoDAP will:

- develop, in consultation with Heads of Service, an annual audit plan based on an understanding of the significant risks to which the organisation is exposed;
- submit the plan to the Audit Committee for review and agreement;
- implement the agreed audit plan;
- maintain a professional audit staff with sufficient knowledge, skills and experience to carry out the plan and carry out continuous review of the development and training needs;
- maintain a programme of quality assurance and a culture of continuous improvement.

The internal audit plan will include timings as well as budget and resource requirements for the next fiscal year. The Head of Internal Audit will communicate the impact of resource limitations and significant interim changes to senior management and the Audit Committee.

Internal Audit resources must be appropriately targeted by assessing the risk, materiality and dependency of the Council's systems and processes. Any significant deviation from the approved Internal Audit plan will be communicated through the periodic activity reporting process.

It is a requirement of the Council's Anti-Fraud and Corruption Strategy that the Head of Devon Audit Partnership be notified of all suspected or detected fraud, corruption or impropriety. All reported irregularities will be investigated in line with established strategies and policies. The audit plan will also include sufficient resource to carry out proactive anti-fraud work.

Internal Audit activities will be conducted in accordance with Council strategic objectives and established policies and procedures.

Monitoring of Internal Audit's processes is carried out on a continuous basis by Internal Audit management, and the Council's members and management may rely on the professional expertise of the Head of the Devon Audit Partnership to provide assurance. From time to time, independent review is carried out: for example, through peer reviews; ensuring compliance with the PSIAS is an essential approach to such a review.

## **REPORTING**

The primary purpose of Internal Audit reporting is to communicate to management within the organisation information that provides an independent and objective opinion on governance, the control environment and risk exposure and to prompt management to implement agreed actions.

Internal Audit should have direct access and freedom to report in their own name and without fear or favour to, all officers and members, particularly to those charged with governance (the Audit Committee).

A written report will be prepared for every internal audit project and issued to the appropriate manager accountable for the activities under review. Reports will include an 'opinion' on the risk

and adequacy of controls in the area that has been audited, which, together, will form the basis of the annual audit opinion on the overall control environment.

The aim of every Internal Audit report should be:

- to give an opinion on the risk and controls of the area under review, building up to the annual opinion on the control environment; and
- to recommend and agree actions for change leading to improvement in governance, risk management, the control environment and performance.

The Manager will be asked to respond to the report in writing, within 30 days, although this period can be extended by agreement. The written response must show what actions have been taken or are planned in relation to each risk or control weakness identified. If action is not to be taken this must also be stated. The Head of Devon Audit Partnership is responsible for assessing whether the manager's response is adequate.

Where deemed necessary, the Internal Audit report will be subject to a follow-up, normally within six months of its issue, in order to ascertain whether the action stated by management in their response to the report has been implemented.

The Head of the Devon Audit Partnership will

- submit periodic reports to the Audit Committee summarising key findings of reviews and the results of follow-ups undertaken;
- submit on an annual basis an Annual Internal Audit Report to the Audit Committee, incorporating an opinion on the Council's control environment, which will also inform the Annual Governance Statement.

## **RELATIONSHIP WITH THE AUDIT COMMITTEE**

The Council's Audit Committee will act as the Board as defined in the Public Sector Internal Audit Standards (PSIAS),

The Specific Functions of the Audit Committee are set out in the Council's Constitution (Part 3 Responsibility for Functions).

The Head of Devon Audit Partnership will assist the Committee in being effective and in meeting its obligations. To facilitate this, the HoDAP will:

- attend meetings, and contribute to the agenda;
- ensure that it receives, and understands, documents that describe how Internal Audit will fulfil its objectives (e.g. the Audit Strategy, annual work programmes, progress reports);
- report the outcomes of internal audit work, in sufficient detail to allow the committee to understand what assurance it can take from that work and/or what unresolved risks or issues it needs to address;
- establish if anything arising from the work of the committee requires consideration of changes to the audit plan, and vice versa;
- present an annual report on the effectiveness of the system of internal audit; and
- present an annual internal audit report including an overall opinion on the governance, risk and control framework.

## QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

The PSIAS states that a quality assurance and improvement programme must be developed; the programme should be informed by both internal and external assessments.

An external assessment must be conducted at least once in five years by a suitably qualified, independent assessor.

In December 2016 Terry Barnett, Head of Assurance for Hertfordshire Shared Internal Audit Service who completed an external validation of the Partnership. Terry concluded that;

“It is our overall opinion that the Devon Audit Partnership **generally conforms**\* to the Public Sector Internal Audit Standards, including the Definition of Internal Auditing, the Code of Ethics and the Standards.

\* **Generally Conforms** – This is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards

## CHARTER – NON CONFORMANCE AND REVIEW

Any instances of non-conformance with the Internal Audit Definition, Code of Conduct or the Standards must be reported to the Audit Committee, and in significant cases consideration given to inclusion in the Annual Governance Statement.

The Head of Devon Audit Partnership will advise the Audit Committee on behalf of the Council on the content of the Charter and the need for any subsequent amendment. The Charter should be approved and regularly reviewed by the Audit Committee.

Devon Audit Partnership

February 2020



**Auditing for achievement**

## INTERNAL AUDIT CHARTER & STRATEGY FOR 2020/21

### Report of the County Treasurer

Please note that the following recommendations are subject to confirmation by the Committee before taking effect.

**Recommendation:** that the Committee agrees the Internal Audit Charter & Strategy for the year 2020/21.

1. One of the requirements of the Public Sector Internal Audit Standards (PSIAS) is that the purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics and the Standards. The internal audit charter for this financial year is set out in detail in the report attached together with supporting Audit Strategy.
2. The PSIAS sets additional Public Sector requirements where the internal audit charter must also:
  - define the terms 'board' and 'senior management' for the purposes of internal audit activity;
  - cover the arrangements for appropriate resourcing;
  - define the role of internal audit in any fraud-related work; and
  - include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities.
3. This Charter complies with the mandatory requirements of the Public Sector Internal Audit Standards. ***No material changes have been made to the Charter or Strategy for the coming year.***
4. Delivery of the Internal Audit Service will be by the Devon Audit Partnership, a shared services arrangement between Devon, Plymouth, Torbay Torridge & Mid Devon Councils in accordance with the agreed internal audit plan.

Mary Davis

Electoral Divisions: All

Local Government Act 1972

List of Background Papers

Contact for Enquiries:

Robert Hutchins Tel No: (01392) 385843     Dart Suite, Larkbeare House, Topsham Rd, Exeter.

Background Paper: None



# DEVON COUNTY COUNCIL

## INTERNAL AUDIT STRATEGY (2020/21)

### 1 INTRODUCTION

Internal Audit is a statutory service in the context of The Accounts and Audit (England) Regulations 2015, which state:

5.—(1) 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.

In addition, the Local Government Act 1972, Section 151, requires every local authority to designate an officer to be responsible for the proper administration of its financial affairs. In The Council, the County Treasurer is the 'Section 151 Officer'. One of the ways in which this duty is discharged is by maintaining an adequate and effective internal audit service.

The PSIAS refers to the role of Chief Internal Auditor, and requires this officer to ensure and deliver a number of key elements to support the internal audit arrangements. For The Council, the role of Chief Internal Auditor is provided by the Head of Devon Audit Partnership.

The PSIAS require the Head of Devon Audit Partnership to produce an Audit Strategy, which:

- is a high-level statement of how the internal audit service will be delivered and developed in accordance with the Charter and how it links to the organisational objectives and priorities;
- will communicate the contribution that Internal Audit makes to the organisation and should include:
  - internal audit objectives and outcomes;
  - how the Head of Devon Audit Partnership will form and evidence his opinion on the governance, risk and control framework to support the Annual Governance Statement;
  - how Internal Audit's work will identify and address significant local and national issues and risks;
  - how the service will be provided, and
  - the resources and skills required to deliver the Strategy.
- should be approved, but not directed, by the Audit Committee.

The Strategy should be kept up to date with the organisation and its changing priorities.

## **2 INTERNAL AUDIT OBJECTIVES AND OUTCOMES**

The primary objective of Internal Audit is to provide an independent and objective opinion to the Council on the governance, risk and control framework by evaluating its effectiveness in achieving the organisation's objectives through examining, evaluating and reporting on their adequacy as a contribution to the proper, economic, efficient use of resources.

To achieve this primary objective, the Head of Devon Audit Partnership aims to fulfil the statutory responsibilities for Internal Audit by:

- identifying all of the systems, both financial and non-financial, that form the Council's control environment and governance framework, and contribute to it meeting its obligations and objectives – the 'Audit Universe';
- creating an audit plan providing audit coverage on the higher risk areas in the Audit Universe;
- undertaking individual audit reviews, to the standards set by the PSIAS, to independently evaluate the effectiveness of internal control;
- providing managers with an opinion on, and recommendations to improve, the effectiveness of risk management, control and governance processes;
- providing managers with advice and consultancy on risk management, control and governance processes;
- liaising with the Council's external auditors to ensure efficient use of scarce audit resources through the avoidance of duplication wherever possible; and
- providing the Council, through the Audit Committee, with an opinion on governance, risk and control framework as a contribution to the Annual Governance Statement.

## **3 OPINION ON THE GOVERNANCE, RISK AND CONTROL FRAMEWORK**

As stated above, one of the key objectives of Internal Audit is to communicate to management an independent and objective opinion on the governance, risk and control framework, and to prompt management to implement agreed actions.

Significant issues and risks are to be brought to the attention of the S.151 Officer as and when they arise. Regular formal meetings should also be held to discuss issues arising and other matters.

The Head of Devon Audit Partnership will report progress against the annual audit plan and any emerging issues and risks to the Audit Committee.

The Head of Devon Audit Partnership will also provide a written annual report to the Audit Committee, timed to support their recommendation to approve the Annual Governance Statement, to the Council.

The Head of Devon Audit Partnership's annual report to the Audit Committee will:

- (a) include an opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework;
- (b) disclose any qualifications to that opinion, together with the reasons for the qualification;
- (c) present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance streams;
- (d) draw attention to any issues the Head of Devon Audit Partnership judges particularly relevant to the preparation of the Annual Governance Statement;
- (e) compare the audit work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and targets; and



- (f) comment on compliance with the Public Sector Internal Audit Standards and communicate the results of the internal audit quality assurance programme.

#### **4 PLANNING, INCLUDING LOCAL AND NATIONAL ISSUES AND RISKS**

The audit planning process includes the creation of and, ongoing revision of an “audit universe”. This seeks to identify all risks, systems and processes that may be subject to an internal audit review.

The audit universe will include a risk assessment scoring methodology that takes account of a number of factors including: the Council’s own risk score; value of financial transactions; level of change, impact on the public; political sensitivity; when last audited; and the impact of an audit. This will inform the basis of the resources allocated to each planned audit area.

The results from the audit universe will be used in creating an annual audit plan; such a plan will take account of emerging risks at both local and national level.

##### *Assignment planning*

Further planning and risk assessment is required at the commencement of each individual audit assignment to establish the scope of the audit and the level of testing required.

#### **5 PROVISION OF INTERNAL AUDIT**

The Internal Audit for The Council is provided by Devon Audit Partnership

The Head of Devon Audit Partnership has established policies and procedures in an Audit Manual to guide staff in performing their duties and complying with the latest available PSIAS guidance. The manual is reviewed and updated to reflect changes in working practices and standards.

##### **Internal Audit Performance Management and Quality Assurance**

The PSIAS state that the Head of Devon Audit Partnership should have in place an internal performance management and quality assurance framework; this framework must include:

- a comprehensive set of *targets to measure performance*. These should be regularly monitored and the progress against these targets reported appropriately;
- seeking *user feedback* for each individual audit and periodically for the whole service;
- a periodic review of the service against the Strategy and the achievement of its aims and objectives. The results of this should inform the future Strategy and be reported to the Audit Committee;
- internal quality reviews to be undertaken periodically to ensure compliance with the PSIAS and the Audit Manual (self-assessment); and
- an action plan to implement improvements.

##### *Performance Measures and targets*

The Head of Devon Audit Partnership will closely monitor the performance of the team to ensure agreed targets are achieved. A series of performance indicators have been developed for this purpose (please see over).

Internal Audit Performance Monitoring Targets.

<b>Performance Indicator</b>	<b>Full year target</b>
Percentage of Audit Plan completed	93%
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%
Draft reports produced with target number of days (currently 15 days)	90%
Final reports produced within target number of days (currently 10 days)	90%

There are a number of other indicators that are measured as part of the audit process that will be captured and reported to senior management.

<b>Task</b>	<b>Performance measure</b>
Agreement of Annual audit plan	Agreed by Chief Executive, CLT and Audit Committee prior to start of financial year.
Agreement of assignment brief	Assignment briefs are agreed with and provided to auditee at least two weeks before planned commencement date.
Undertake audit fieldwork	Fieldwork commenced at agreed time.
Verbal debrief	Confirm this took place as expected; was a useful summary of the key issues; reflects the findings in the draft report.
Draft report	Promptly issued within 15 days of finishing our fieldwork. Report is "accurate" and recommendations are both workable and useful.
Draft report meeting (if required)	Such a meeting was useful in understanding the audit issues.
Annual internal audit report	Prepared promptly and ready for senior management consideration by end of May. Report accurately reflects the key issues identified during the year.
Presentation of internal audit report to management and audit committee.	Presentation was clear and concise. Presented was knowledgeable in subject area and able to answer questions posed by management / members.
Contact with the audit team outside of assignment work.	You were successfully able to contact the person you needed, or our staff directed you correctly to the appropriate person. Emails, letters, telephone calls are dealt with promptly and effectively.

Once collated the indicators will be reported to the S.151 Officer on a regular basis, and will be summarised in an annual report. Performance indicator information will also be presented to the Audit Committee for information and consideration.

The Head of Devon Audit Partnership is expected to ensure that the performance and the effectiveness of the service improves over time, in terms of both the achievement of targets and the quality of the service provided to the user.

### *Customer (user) feedback*

The PSIAS and the Internal Audit Manual state that internal audit performance, quality and effectiveness should be assessed at two levels:

- for each individual audit; and
- for the Internal Audit service as a whole.

Customer feedback is also used to define and refine the audit approach. Devon Audit Partnership will seek feedback from:-

- auditees;
- senior leadership; and
- executive management.

The results from our feedback will be reported to Senior Management and the Audit Committee in the half year and annual reports.

### *Internal quality reviews*

Devon Audit Partnership management have completed a self-assessment checklist against the PSIAS and have identified that there are no omissions in our practices. We consider that we fully meet over 95% of the elements; partially meet 3% (6); and are not required to or do not meet 2% (5) of the elements. The self-assessment will be updated annually, and, if management identify areas where we could further strengthen our approaches, these will be added to the Quality Action Improvement Plan.

In December 2016 Devon Audit Partnership welcomed Terry Barnett, Head of Assurance for Hertfordshire Shared Internal Audit Service and his colleague Chris Wood, Audit Manager, who completed an external validation of the Partnership.

Terry and Chris concluded that;

“It is our overall opinion that the Devon Audit Partnership **generally conforms\*** to the Public Sector Internal Audit Standards, including the Definition of Internal Auditing, the Code of Ethics and the Standards.”

\* **Generally Conforms** – This is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards

## **6 RESOURCES AND SKILLS**

### *Resources*

The PSIAS and the Audit Manual states that:

- Internal Audit must be appropriately staffed in terms of numbers, grades, qualifications and experience, having regard to its responsibilities and objectives, or have access to the appropriate resources;
- The Internal Audit service shall be managed by an appropriately qualified professional with wide experience of internal audit and of its management; and
- The Chief Internal Auditor (Head of Devon Audit Partnership) should be of the calibre reflecting the responsibilities arising from the need to liaise with members, senior management and other professionals, and be suitably experienced.

Devon Audit Partnership currently has c.31 staff who operate from any one of our three main locations (Plymouth, Torquay and Exeter). The Partnership employs a number of specialists in

areas such as Computer Audit and Contracts Audit and Counter Fraud Investigators as well as a mix of experienced, professionally qualified and non-qualified staff.

The Partnership draws on a range of skilled staff to meet the audit needs. Our current staff (as at February 2020) includes: -

- 3 x CCAB qualified
- 6 x qualified IIA
- 2 x qualified computer audit (QICA & CISA)
- 10 x AAT qualified
- 5 x ACFS (accredited counter fraud specialists)
- 4 x ILM (Institute of Leadership & Management) level 5 or above

Devon Audit Partnership uses MorganKai Insight (MKi) as an audit management system. This system allows Partnership management to effectively plan, deliver and report audit work in a consistent and efficient manner. The system provides a secure working platform and ensures confidentiality of data. The system promotes mobile working, allowing the team to work effectively at client locations or at remote locations should the need arise.

#### *Staff Development and Training*

Devon Audit Partnership management assess the skills of staff to ensure the right people are available to undertake the work required.

Staff keep up to date with developments within internal audit by attending seminars, taking part in webinars and conferences, attending training events and keeping up to date on topics via websites and professional bodies. Learning from these events helps management to ensure they know what skills will be required of our team in the coming years, and to plan accordingly.

Devon Audit Partnership follows formal appraisal processes that identify how employees are developing and create training and development plans to address needs.

## **Devon Audit Partnership**

**February 2020**



## Audit Committee - Annual Plan

Committee Date	Item	Responsible Officer
20 February 2020	<ul style="list-style-type: none"> <li>• External Audit Plan– Devon County Council 2019/20</li> <li>• External Audit Plan - Devon Pension Fund 2019/20</li> <li>• External Audit Update</li> <li>• Internal Audit Plan 2020/21</li> <li>• Audit Strategy 2020/21</li> <li>• Audit Charter 2020/21</li> </ul>	<ul style="list-style-type: none"> <li>• Grant Thornton</li> <li>• Grant Thornton</li> <li>• Grant Thornton</li> <li>• County Treasurer</li> <li>• County Treasurer</li> <li>• County Treasurer</li> <li>• County Treasurer</li> </ul>
14 May 2020	<ul style="list-style-type: none"> <li>• External Audit Update</li> <li>• Annual Governance Statement 2020/21</li> <li>• Annual Internal Audit Report 2020/21</li> <li>• Risk Management Annual Report 2020/21</li> <li>• Transformation Masterclass</li> <li>• Control Environment for Devon County Council</li> </ul>	<ul style="list-style-type: none"> <li>• Grant Thornton</li> <li>• Leadership Group</li> <li>• County Treasurer</li> <li>• County Treasurer</li> <li>• Doing What Matters</li> <li>• County Treasurer</li> </ul>
28 July 2020	<ul style="list-style-type: none"> <li>• Audit Findings Report for Devon County Council 2019/20</li> <li>• Audit Findings Report for Devon Pension Fund 2019/20</li> <li>• Statement of Accounts &amp; Annual Governance Statement 2019/20</li> </ul>	<ul style="list-style-type: none"> <li>• Grant Thornton</li> <li>• Grant Thornton</li> <li>• County Treasurer</li> </ul>
03 November 2020	<ul style="list-style-type: none"> <li>• Annual Audit Letter 2019/20</li> <li>• External Audit Update</li> <li>• Internal Audit Half Year Report 2020/21</li> <li>• Internal Audit Follow-Up Report</li> <li>• 2020/21 Risk Management Mid-Year Update</li> </ul>	<ul style="list-style-type: none"> <li>• Grant Thornton</li> <li>• Grant Thornton</li> <li>• County Treasurer</li> <li>• County Treasurer</li> <li>• County Treasurer</li> </ul>

