



devon **audit** partnership

Internal Audit

Corporate Infrastructure &  
Regulatory Services  
Internal Audit Plan 2018/19

Devon County Council  
Corporate Infrastructure &  
Regulatory Services  
Scrutiny Committee

March 2018

Not Protectively Marked

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Auditing for achievement

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<b>Devon Audit Partnership</b>	<b>Confidentiality and Disclosure Clause</b>
<p>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.</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>This report is protectively marked in accordance with the government security classifications. It is accepted that issues raised may well need to be discussed with other officers within the Council, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies.</p> <p>This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.</p>

## Introduction

This report details the draft Corporate Infrastructure & Regulatory Services audit plan for 2018/19.

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 28<sup>th</sup> March 2018. 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 Infrastructure & Regulatory 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 2018/19;
- 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 2018/19

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.

<b>Core Activity for Internal Audit Review (Extract for Corporate Infrastructure &amp; Regulatory Services Scrutiny Committee)</b>	<b>Coverage in Days</b>
Material Systems	110
Corporate Services - (Excluding Anti-Fraud & NFI)	183
Communities, Public Health, Environment and Prosperity (CoPHEP)	90
Digital Transformation and Business Support	112
Highways, Infrastructure Development and Waste	70
Grant Certification	42
Anti-Fraud and Corruption including NFI	100
<b>Total for Corporate Infrastructure &amp; Regulatory Services</b>	<b>707</b>
<b>Total for DCC</b>	<b>1060</b>

## 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)	
<b>Material Systems</b>					
<b>Core Assurance - Key Financial System *</b>					
Payroll	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.	Walkthrough	Q2-Q3	19
Debtors / Debt Recovery	Medium		Sample testing	Q4	15
Bank Reconciliation	Medium		Walkthrough	Q3	8
Finest System administration	Low		Sample testing	Q4	9
Creditors	Medium		Walkthrough	Q2	15
Fixed Asset Register	Low		Walkthrough	Q3	7
Income Collection	Medium		Sample testing	Q3	12
Treasury Management	Low		Walkthrough	Q2	8
Main Accounting System	Medium		Sample testing	Q4	12
Advice, planning, monitoring and performance reporting.				Q1-4	5

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)
<b>Corporate</b>				
Payments Gateway Project	Low; client request	Continued input during introduction of new system to ensure changes in practices are secure and meet any efficiency proposed as part of the business case.	Q1	6
Finance - Tax Compliance Forum	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
Health & Safety Governance	Medium; client request	Review of Corporate Health and Safety Governance and H&S risk management arrangements to ensure these are in line with legislation and regulations, and are effective, with useful reporting structures.	Q3	15
HR-Relocation Expenses	Medium; client request	Review of relocation policy and procedures to ensure cost effective; comparable to other Authorities; and in line with Authority financial regulations and ethos.	Q1	15
HR SLA's	Medium; client request	Review HR Service Level Agreements with external bodies, including schools, to ensure cost effective and competitive.	Q3	15
Business Rate Retention	Medium; client request	Devon County Council, in partnership with other Devon LA's, was successful in a bid to become a 100% business rate retention pilot area in 2018/19. The project will involve working with the others; understanding the rate retention; sharing benefits across the county and generally managing funding in a different way. The audit will support this work, helping to ensure the Council retains the benefit of growth in local business rates (rather than lose nationally into core funding allocations). This is to be a cross cutting piece of work across the three Authorities of the Partnership.	Q3	2
Debt Mapping	Medium; client request	Map the processes for debt recovery outside of the Revenue Section and review for efficiency; ensure in line with regulations and DCC policies.	Q1	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 - Accounting for VAT in Partnerships (Education & Learning)	Medium; client request	Review partnership working processes and practices, with regards to financial arrangements for accounting for VAT – to focus on partnerships within the Education & Learning service area (Audit included at the request of the DCC Tax Compliance Group).	Q2	15
HRMS Project	High; client request	Input in relation to control considerations as the project progresses through to implementation stages).	Q1 to Q3 (driven by project)	20
General Data Protection Regulation (GDPR)	Medium; client request	GDPR - adoption of new regulations; data storage; Organisational awareness & training; agreements with third parties such as partnerships or joint working arrangements. This must be in place by the end of May.	Q1	10
Cyber non-technical	Medium; client request	Information Governance has responsibility for establishing practices to support this area. Ongoing audit support and advice following prior year audit to follow up on progress made.	Q3-4	5
Apprenticeship Levy	Low; client request	Review of the financial elements of the application of regulations and guidance relating to payment of the apprenticeship levy, which came into effect in April 2017. Including tax implications thereof.	Q1	10
Business Continuity Planning (BCP) - Registrars	Medium; client request	To review and develop BCP processes to ensure key risks, such as loss of systems or venues, have been identified, assessed and processes adequately mitigate the risk.	Q3	10
Client Finance Services	Medium;	Review of processes to assess client financial contributions.	Q4	10
Follow-up reviews	Medium	Follow up prior year audits with audit opinion of “improvements required” to ascertain progress against recommendations and improvement to processes.	Q2	10
Contingency		Contingency - Audit assurance during the year as issues arise.	Q2-4	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)
Advice, planning, monitoring and performance reporting			Q1-4	10
<b>Communities, Public Health, Environment and Prosperity (CoPHEP)</b>				
Gypsies and Travellers	Medium; client request	To review aspects of current DCC delivery and explore opportunities and duties of partners.	Q2	8
Channel & Prevent	Medium; client request	Review of current DCC practice and arrangements and approach to Channel and Prevent; statutory work around counter terrorism and extremism.	Q1	10
Active Devon	Low; client request	Review governance and hosting arrangements and implications, as required through Sport England funding arrangements	Q1	7
Public Health	Medium; client request	The focus of the Public Health audit for 2018/19 will be Nursing Services for 0-19 year olds. Therefore the audit scope and days have been reported to the Children’s Scrutiny Committee and included here for information.	n/a	0
Road Safety Strategy	Medium; client request	Review current position and advice on programme of work.	Q4	15
Sustainable Procurement Policy (SPP)	Medium; client request	SPP requires all procurement activity over £10k to make use of a tool to scope likely significant environmental effects that need to be managed through the specification and selection process.	Q2	10
Trading Standards - Complaint Allocation and Investigation Process	Low; client request	Review of our adherence to our own internal processes for ensuring they are dealt with in a timely manner and are of appropriate quality. The scope will not cover the criminal investigations themselves.	Q	8
Trading Standards	Medium; client request	Review of the Primary Authority process.	Q	8
A procurement framework for economic analysis	Medium; client request	A new procurement framework is currently being prepared, and it would be useful to assess how the old framework has performed, and lessons learnt which can be used to inform the new framework.	Q	8



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)
Economic Analysis Contract	Medium; client request	DCC has an ad-hoc contract with an independent firm (SQW). The contract is entering its 4 <sup>th</sup> and final year. Assess how the contract is performing.	Q	6
CoPHEP: Advice, planning, monitoring and performance reporting			Q1-4	10
<b>Digital Transformation and Business Support</b>				
Scomis Contract Management	Medium; client request	Review of the Scomis delivery arm and how they are managing the contracts novated to them.	Q1	10
Scomis Resource Planning	Medium; client request	Review how resource is proactively allocated and managed to provide support service. A review of maintaining “business as usual” versus development needs.	Q2	10
Adoption and Change Programme	Medium; client request	Review of methodology handed over by MicroSoft to determine how pace and scale of technology changes can be managed in DCC. Evaluate value and potential for securing further funding, and to provide advice and guidance to the team on developing the methodology.	Q1 to Q4 (ongoing)	20
Purposeful Systems	Medium; client request	To review the various streams and establish how ICT can ensure they are sufficiently resourced to respond as required.	Q1 to Q4 (ongoing)	15
CareFirst (OLM)	Critical; client request	Adults migration to Eclipse; Eclipse, CareFirst, Fiscal, Guardian hosted within OLM. Audit to review contract, providing assurance that it is operating as required e.g. Disaster Recovery which is outside of DCC control. Review price (initial and ongoing) versus service received.	Q1/Q2	20
ICT Continuity and Disaster Recovery (DR)	High; client request	To review the Council’s provision for ICT Continuity and DR, including reliance on external/third parties.	Q3	10
Key Financial Systems (ICT elements)	High; client request	To review operational functions processes that are common to all key financial systems.	Q4	12

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)
Procurement.	Medium ; client request	Contingency - Audit assurance during the year on key aspects of procurement. Dependent upon the outcomes/resource requirements for I.T.	Q1-4	7
Advice, planning, monitoring and performance reporting			Q1-4	8
<b>Highways, Infrastructure Development and Waste</b>				
Exeter EFW Plant	Medium; client request	£7m / annum contract. Audit review required of the annual reconciliation payment made to Viridor and how this is done. Audit view required upon the information Viridor have provided. Work will build of previously received Legal and financial advice.	Q2	10
Infrastructure	Critical; client request	<p>Overspends can occur on some construction projects from estimate stage. Audit review to consider:</p> <ul style="list-style-type: none"> <li>• What are the key learning points from this? - is it inadequate design, mistakes, or technical competence?</li> </ul> <p>Consider whether the type of contract and way these are administered affect this.</p>	Q1	10
Highways	Critical; client request	New highways contract in place. Contractor share mechanism assurance required.	Q2	10
Primary School Build	Medium; client request	Review of tender method of procurement/contract, and advice going forward	Q3	10
Collaboration with Others	Low; client request	Internal (to DCC). Various schemes promoted – which have impact on the authority. (i.e. new bridge) – Results in maintenance costs ongoing. Consider whether schemes and costs are appropriate.	Q3	10
Contingency		Contingency days - dependent on the outcomes of whole service review – to be advised		10
Advice, planning, monitoring and performance reporting			Q1-4	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)
<b>Grants</b>				
Active Devon	n/a	Grant determination requires independent certification of expenditure by Internal Audit.	Q1	2
Bus Subsidy	n/a	Grant determination requires independent certification of expenditure by Internal Audit.	Q2	2
Careers and Enterprise	n/a	Grant determination requires independent certification of expenditure by Internal Audit.	Q2	5
Local Growth Fund	n/a	Grant determination requires independent certification of expenditure by Internal Audit.	Q1	5
Local Funds inc. Transport Capital Block – inc pothole action; street lighting change; challenge tranche 2A; National Productivity Investment Fund (NPIF)	n/a	Grant determination requires independent certification of expenditure by Internal Audit.	Q2	6
NPIF – Exeter & Eastern Growth and Main Street Sherford	n/a	New for 2018-19. Audit requirements yet to be confirmed by funding body.	Q2	4
Learn Devon – formerly Skills Funding Agency	n/a	Assurance for S151 Officer.	Q2	3
Make every contract count – (MECC)	n/a	LEP (P ledger) Health check	Q3	2
Violence Against Women & Girls VAWG	n/a	LEP (P ledger) Health check	Q3	2
Growing places fund	n/a	LEP (P ledger) Health check	Q3	2
Local transport Board	n/a	LEP (P ledger) Health check	Q3	2
HO Syrian Refugee grant	n/a	Awaiting further information from funding body	Q4	4
Grants: Advice, planning, monitoring and performance reporting			Q1-4	3

## **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 2018/19 exercise will commence in the summer, with resulting data matches available from early 2019. 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, additional to the above plan, 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.



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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