

Internal Audit

Internal Audit Plan  
2019/20

Devon County Council  
Audit Committee

February 2019

Not Protectively Marked

Robert Hutchins  
Head of Audit Partnership



Auditing for achievement

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## Devon Audit Partnership

The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, 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.

The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at [robert.hutchins@devonaudit.gov.uk](mailto:robert.hutchins@devonaudit.gov.uk).

## Confidentiality and Disclosure Clause

This report is protectively marked in accordance with the government security classifications. It is accepted that issues raised may well need to be discussed with other officers within the Council, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies.

This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.

## Introduction

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 make reference 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 takes into account the organisation's risk management framework, including using risk appetite levels set by management for the different activities or parts of the organisation as represented in Appendix 3.

The 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 2019/20.

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 a review of Technology Enabled Care Support, Workforce Strategy / Recruitment and Promoting Independence for People with Disability.

In preparation for the implementation of Liberty Protection Safeguards, an evaluation will be carried out as to the impact of the investment already provided enabling an informed decision to be made as to the next steps.

A review will be undertaken looking at possible weaknesses in relationships with District Councils. With regard healthcare, housing, homeless, complex mental health and social care needs what can be learnt and what are the gaps.

### Children's Services

Work within Children's Services will include review of those services being insourced back into the authority from external provision, including a review of Short Breaks Services.

A review of the Regional Adoption Agency early in the year will ensure any issues encountered in the RAA's infancy are being adequately resolved and addressed.

Work upon Contracting and Placements will review the systems and processes around high cost independent sector placements and provide a view as to the impact and benefit provided via the Sufficiency Strategy and Purposeful Systems work undertaken.

Within the Education and Learning area of Children's Services reviews will be undertaken upon both Early Help and High Needs Funding.

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

Work within the CoPHEP service area will include a review upon the governance and achievement of objectives with regard the Greater Exeter Strategic Plan. Providing a successful outcome regarding the bid submitted

to the Housing Infrastructure Fund (administered by the Ministry of Housing, Communities and Local Government) is achieved, a piece of work upon the South West Exeter project will also be undertaken.

We will review the current Post 16 Transitions Contract which is due to end in mid-2020 looking at value for money achieved, delivery against original scope, effectiveness of delivery arrangements along with governance.

Other work will include a review upon Libraries and also a review of work around Domestic and Sexual Violence and Abuse (DSVA).

### Corporate Services

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

In addition, our work will include reviews of various other specific services and functions in Human Resources, Payroll and Finance including, processes within the new HR Management System (HRMS) and also Ill Health Retirement.

### Highways, Infrastructure Development and Waste

A range of audits from across Highways, Infrastructure Development and Waste are included in 2019/20 plan. Audits include work around Data Breaches, the Shared Savings Scheme and Highways.

### Value Added

All our work aims to 'add value' to the authority, be this by way of improving control and minimising risk or making the most of opportunities in an effective manner.

We will undertake the annual follow up on all audit areas identified as 'Improvements Required' or 'Fundamental Weakness' in 2018/19.

### Anti-fraud and Corruption

All of 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.

Service Area Overview of Audit Coverage				Major Projects	Value Added
<b>Thematic Overview of Audit Coverage</b>	Adult Care & Health	Children's Services	Communities, Public Health, Environment & Prosperity (CoPHEP)		
	Liberty Protection Safeguards Promoting independence for people with Disability Social Care Funding Technology Enabled Care Support Transitions Workforce Strategy / Recruitment	Ability to Deliver Services for Disabled Children Early Help High Needs Funding Insourcing Plans Preventing Adolescents from Coming into Care Regional Adoption Agency Services for Disabled Children Schools & Schools Financial Value Standard	Domestic and Sexual Violence and Abuse (DSVA) Greater Exeter Strategic Plan Libraries Post 16 Transitions Contract South West Exeter	Highways, Infrastructure Development and Waste Collaboration with Others Data Breaches Highways Maintenance Contract (Skanska) Shared Savings Scheme	Online Payments Gateway HR Management System
<b>Core Assurance</b>	Business Processes & Governance - Payroll & HR functions, H&S, Budgeting System, VAT, Procurement, Supplier Resilience, Contract Lifecycle, 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 - Data Management Project, Data Protection & Cyber (Control Malware), Target Operating Model, ICT Roadmap, Digital Platform.				

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 2019/20

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 2018/19 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 2019/20 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 pages give a brief overview of the focus of proposed audit coverage for the year.

A detailed analysis of proposed audit reviews is provided in the following schedule.

Core Activity for Internal Audit Review	Coverage in Days
Material Systems	110
Corporate Services - (Excluding Anti-Fraud & NFI)	136
Adult Care and Health	145
Children's Services	170
Communities, Public Health, Environment and Prosperity (CoPHEP)	100
Digital Transformation and Business Support	93
Highways, Infrastructure Development and Waste	70
Grant Certification	81
Anti-Fraud and Corruption including NFI	100
Other Chargeable Activities (support for Audit Committee, annual follow ups, audit development etc)	55
<b>Total internal audit plan for Devon County Council</b>	<b>1060</b>
Schools (estimated)	356

## 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)	Estimated Audit Effort (Days)	
<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	Q2-3	19
Debtors / Debt Recovery	ANA - Medium		Walkthrough	Q4	15
Bank Reconciliation	ANA - Medium		Sample testing	Q3	8
Finest System administration	ANA - Low		Walkthrough	Q4	9
Creditors	ANA - Medium		Sample testing	Q2	15
Fixed Asset Register	ANA - Low		Sample testing	Q3	7
Income Collection	ANA - Medium		Walkthrough	Q3	12
Treasury Management	ANA - Low		Sample testing	Q2	8
Main Accounting System	ANA - Medium		Walkthrough / Sample testing	Q4	12
Advice, planning, monitoring and performance reporting				Q1-4	5
<b>Corporate</b>					
Payments Gateway Project	ANA - Low Client Request	Continued input during introduction of new system to ensure changes in practices are secure and meet any efficiencies proposed as part of the business case.	Q1	6	

Risk Area / Audit Entity	Risk / Audit Needs Assessment (an assessment of the priority of the planned review)	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
Finance - Tax Compliance Forum	ANA - Medium Client Request	Input to Forum and contingency to allow for projects that arise from meetings. Agreed as a result of HMRC visit October 2014 and changes to their auditing of tax.	Q1-4	5
Health & Safety Governance	ANA - Medium Client Request	Additional work on Health and Safety Governance arrangements further to work undertaken in 2018/19.	Q3	15
HR - Ill Health Process	ANA - Medium Client Request	Review of Ill Health processes particularly regarding Retirement.	Q4	15
HR - ITRENT - New Human Resources Management System (HRMS)	ANA - Medium Client Request	Review of processes for new HRMS system. To be completed along with KFS audit to gain a better understanding of the new system for future audits.	Q4	10
Communications and Media	ANA - Medium Client Request	Review of Social Media and its impact on the authority.	Q2	20
Payments Gateway	ANA - Medium Client Request	Review of processes for new payments gateway. To be completed along with KFS audit to gain better understanding of the new system for future audits.	Q2	10
Debt Management (debt mapping)	ANA - Medium Client Request	Scope to be dictated by the Debt Management Group.	Q2	15
HRMS Project	ANA - High Client Request	Input as the project progresses through to finalisation / go-live stages.	Q1-2	15
Risk Register	ANA - High	Review of individual risks; providing independent view of the effectiveness of the risk management process and provide clear challenge where needed in relation to controls.	Q2-4	20
Advice, planning, monitoring and performance reporting			Q1-4	5



Risk Area / Audit Entity	Risk / Audit Needs Assessment (an assessment of the priority of the planned review)	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
<b>Adult Care and Health</b>				
<b>Adult Care Operations 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	10
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	15
Relationships with District Councils / Devon Partnership Trust	ANA - Medium Client Request	Review of potential weaknesses within the relationship with district councils. With regard healthcare, housing, complex mental health and social care needs, street homeless; what did we learn, what are the gaps?	Q3-4	15
Transitions	ANA - Medium Client Request	Joint review with Adult Care and Health and Children’s Services. Review learning from external reports.	Q1	20
Workforce Strategy / Recruitment	ANA - Medium Client Request	Undertake review further to completion of work undertaken by Principal Social Worker. Scope to be determined.	Q4	15
<b>Adult Commissioning and Health</b>				
Technology Enabled Care Support (TECS)	ANA - Medium Client Request	A review to ensure the digital offer is embedded within support to service users.	Q2-3	15
Promoting independence for people with disability (including Supporting Independence contract)	ANA - Medium Client Request	A review of the contract and the call off arrangements being deployed under the contract. Looking at how we promote independence.	Q1-2	30
Revised arrangements around Personal Care	ANA - Medium Client Request	Require undertaking the validation and checking off of the processes within the new arrangements.	Q3	15
Advice, planning, monitoring and performance reporting			Q1-4	10

Risk Area / Audit Entity	Risk / Audit Needs Assessment (an assessment of the priority of the planned review)	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
<b>Children's Services</b>				
<b>Children's Social Care</b>				
Regional Adoption Agency	ANA - Medium Client Request	Following the Regional Adoption Agency going live 1 <sup>st</sup> October 2018 a review to ensure any niggles and teething issues encountered are adequately addressed. Provision of assurance that systems are working.	Q1	15
Services for Disabled Children	ANA - Medium Client Request	Consultation upon new eligibility criteria in early 2019 with impact later in year. Audit focus upon future financial and service risks. Areas to review include resource allocation and Direct Payments.	Q3	15
Ability to Deliver Services for Disabled Children	ANA - Medium Client Request	High numbers of disabled children which presents challenge and future risk. Review upon those children where a finance only involvement and those where social work support ongoing. How confident where finance only, should be finance only; what about where circumstances change?	Q2	20
Preventing Adolescents from Coming into Care / Edge of Care	ANA - Medium Client Request	Review to include small residential units; possibility of including 'establishment' type audit.	Q4	15
Insourcing Plans (PH Nursing, Short Breaks, Rehabilitation Officers for Visually Impaired Children's Services (ROVICS), Portage)	ANA - High Client Request	A review of those services coming back in-house in 2019/20. A review of where each service is currently at and where it operates enabling establishment of a baseline position.	Q1	25
Contracting & Placements	ANA - Medium Client Request	Review upon Contracting & Placements to include sourcing of placements, framework contract and brokerage. Are the Sufficiency Strategy and the Purposeful Systems work undertaken providing impact and benefit?	Q1	15

Risk Area / Audit Entity	Risk / Audit Needs Assessment (an assessment of the priority of the planned review)	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
Continuing Health Care and S117 Aftercare	ANA - Low Client Request	Review of the application of Continuing Health Care and whether sufficiently securing S117 Aftercare costs with regard Children's Services clients.	Q2	10
Children's Services Management Information Team: CareFirst to Eclipse, Data Quality - controls / validity	ANA - Medium Client Request	Undertake 'Lessons Learnt' review upon the movement from CareFirst to Eclipse providing benefit to future programmes of work. Are the right controls in place for QC and validation of data? Are we confident, super tight on data validity?	Q3	15
<b>Education and Learning</b>				
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.	Q2-3	15
High Needs Funding	ANA - Medium Client Request	Work to include a review of capital funding and block contracts.	Q1	15
Advice, planning, monitoring and performance reporting			Q1-4	10
<b>Communities, Public Health, Environment and Prosperity (CoPHEP)</b>				
Domestic and Sexual Violence and Abuse (DSVA)	ANA - Medium Client Request	Review Devon's approach in light of the government's draft domestic abuse bill. Review the Council's role and purpose and that of key partners, around Domestic and Sexual Violence and Abuse. Review current commissioning arrangements and opportunities for the Council and key partners.	Q3-4	15
Libraries	ANA - Medium Client Request	Consider current local, national and international thinking regarding the delivery and experience of a library of the future. Review current commissioning arrangements and performance of the current libraries contract.	Q1	15

Risk Area / Audit Entity	Risk / Audit Needs Assessment (an assessment of the priority of the planned review)	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
		Review and consider options for an affordable library model that meets statutory obligations for Devon for the next 5-10 years.		
Greater Exeter Strategic Plan (GESP)	ANA - High Client Request	<p>The Local Planning Authorities of East Devon, Exeter, Mid Devon and Teignbridge, together with Devon County Council, are working on a joint planning policy document called the Greater Exeter Strategic Plan (GESP). The GESP will be a statutory planning document covering the period up to 2040. It will include a vision for the area, key locations for large scale development and planning policies. A key objective of the GESP is to set out consistent and comprehensive planning policy, particularly in relation to development scale and location, across a geography which functions as a cohesive unit covered by four Local Planning Authorities. Working jointly on these matters will help to inform future joint funding decision-making – another objective which the plan aims to support.</p> <p>Work has been ongoing on the GESP since 2016 and a joint team was formed in 2017. A budget, to which all five Local Authorities contribute, has been established and is managed by Devon County Council. Governance arrangements have been established to involve senior officers and Members in the context of the existing Committee arrangements.</p> <p>An audit review of the governance and achievement of objectives.</p>	Q2	30
Post 16 Transitions Contract	ANA - Medium Client Request	Contract due for renewal mid-2020. Review current contract with regard value for money achieved, delivery against original scope, the effectiveness of delivery arrangements and relative strengths and weaknesses of the current governance approach. Partners (four local authorities) keen to ensure forward arrangements and scope are fit for purpose and ensure best value.	Q3	20

Risk Area / Audit Entity	Risk / Audit Needs Assessment (an assessment of the priority of the planned review)	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
South West Exeter	ANA - High Client Request	Project currently at stage where a bid has been submitted to the Housing Infrastructure Fund (HIF) administered by the Ministry of Housing, Communities and Local Government (MHCLG). If the bid is successful request to undertake audit review in Q4 2019/20 at the beginning of the project. Scope to be then agreed.	Q4	15
Advice, planning, monitoring and performance reporting			Q1-4	5
<b>Digital Transformation and Business Support</b>				
Data Management Project	ANA - Medium Client Request	Review to be split into two phases. Initial phase to look at quick wins - storage usage / back up including retention etc, and a baseline position. Second phase more IG related work at a corporate level across the organisation linked to 'Smarter Devon', therefore not specific to IT.	Q1-4	30
Data Protection & Cyber (Control Malware)	ANA - Medium Client Request	Review of control malware fishing exercises, controlled attack testing etc.	Q3	5
Target Operating Model	ANA - Medium Client Request	Review how the Target Operating Model fits with the Scomis model.	Q4	5
ICT Roadmap	ANA - Medium Client Request	Review looking at delivery and budget pressures of the Roadmap in the first of three years. Looking at significant budget pressures coming down the line, resourcing, challenges, corporate project risk to delivery, project versus Business As Usual etc.	Q3	10
Digital Platform	ANA - Critical Client Request	Review of Direction of Travel and pace of digital platform.	Q3	5
Key Financial Systems (ICT elements)	ANA - High Client Request	Annual review of ICT activity to support the key financial systems.	Q4	10

Risk Area / Audit Entity	Risk / Audit Needs Assessment (an assessment of the priority of the planned review)	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
Procurement: Resilience of significant / strategic suppliers to ensure service provision in face of Public Sector cuts	ANA - High Client Request	Review measures to ascertain suppliers' financial status. Considerations both prior to contract award, and periodic monitoring during service operations. Identify, how these feed into operational risk management and supports service continuity.	Q1	10
Procurement: Governance protocols in relation to contract award procedures and contract lifecycle	ANA - High Client Request	Review governance protocols: anti-fraud / corruption measures, organised crime, governance and scrutiny.	Q3	10
Advice, planning, monitoring and performance reporting			Q1-4	8
<b>Highways, Infrastructure Development and Waste</b>				
Maintenance Contract	ANA - Medium Client Request	Are the KPIs fit for purpose and how will they be monitored and reported?	Q2	13
Shared Savings Scheme	ANA - Medium Client Request	Review of the scheme and how it is working. What mechanism is in place to evaluate savings?	Q3-4	13
Highways	ANA - Medium Client Request	Well maintained highways infrastructure (WMHI). Adoption of the revised scheme came into force October 2018.	Q2	13
Data Breaches	ANA - Medium Client Request	Issues recently with the sharing of data. Review how data is shared and what controls in place to ensure not sharing the wrong data or breaching confidentiality, particularly regarding contractors.	Q2	13
Collaboration with Others	ANA - Low Client Request	Internal (to DCC). Various schemes promoted - which have impact on the authority. (i.e. new bridge) - results in maintenance costs ongoing. Should we be doing this?	Q1	13
Advice, planning, monitoring and performance reporting			Q1-4	5

Risk Area / Audit Entity	Risk / Audit Needs Assessment (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	5
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	4
Local Transport Capital Block Funding - inc pothole action fund; street lighting change fund; challenge fund 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	Grant determination requires independent certification of expenditure by Internal Audit.	Q2	4
Learn Devon	n/a	Assurance for S151 Officer.	Q2	2
Troubled Families Programme	n/a	Grant determination requires independent certification of expenditure by Internal Audit. Submission of monthly PBR claims.	Q1-4 monthly	26
Healthy New Towns	n/a	Grant determination requires independent certification of expenditure by Internal Audit	Q3	5
Make every contract count (MECC); Violence Against Women and Girls (VAWG); Growing Places Fund; Local Transport Board	n/a	LEP (P ledger) Health checks	Q3	8

Risk Area / Audit Entity	Risk / Audit Needs Assessment (an assessment of the priority of the planned review)	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
HO Syrian Refugee grant	n/a	Grant determination requires independent certification of expenditure by Internal Audit	Q4	5
Engaging Rural Micros for Increasing Productivity	n/a	Grant determination requires independent certification of expenditure by Internal Audit	Q2	3
Connecting Actively to Nature	n/a	Grant determination requires independent certification of expenditure by Internal Audit	Q3	3
Advice, planning, monitoring and performance reporting			Q1-4	3
<b>Other Chargeable Activities (not incorporated above)</b>				
Corporate Governance	n/a	Support for Audit Committee, annual follow up for Audit Committee, corporate governance, internal audit standards, customer service excellence, audit development, liaison with external audit etc.	Q1-4	55



# 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. The matches from the 2018/19 exercise were released on 31<sup>st</sup> January 2019 to those participating in the exercise. We will work with Council departments to ensure that the matches are reviewed, and action taken as may be necessary.

## Internal Audit Governance

An element of our work is classified as ‘other chargeable activities’ - this is work that ensures effective and efficient audit services are provided to the Council and the internal audit function continues to meet statutory responsibilities. In some instances, this work will result in a direct output (i.e. an audit report) but in other circumstances the output may simply be advice or guidance. Some of the areas that this may cover include: -

- Preparing the internal audit plan and monitoring implementation;
- Preparing and presenting monitoring reports to Senior Management and the Audit Committee;
- Assistance with the Annual Governance Statement;
- Liaison with other inspection bodies (e.g. External Audit (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, 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.

## Appendix 2 - Annual Governance Framework Assurance

The Annual Governance Statement provides assurance that

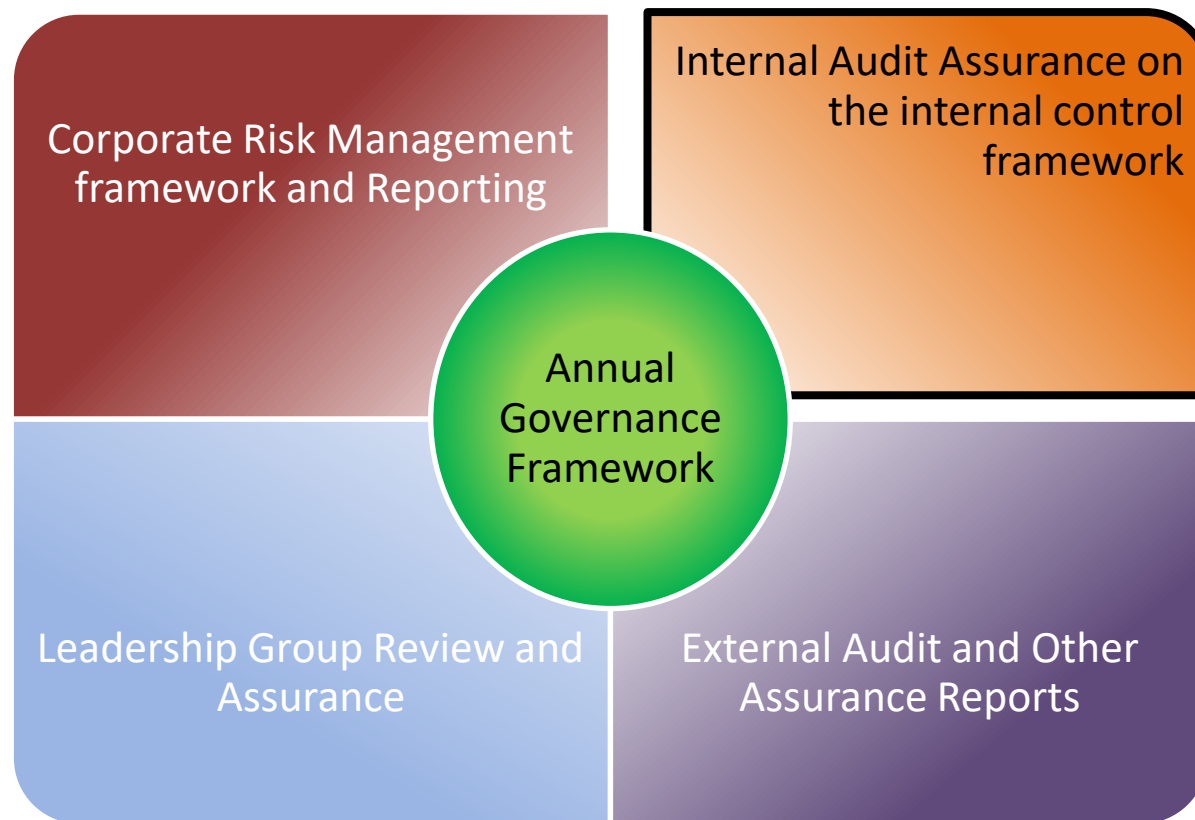
- The Authority’s policies have been complied with in practice;
- high quality services are delivered efficiently and effectively;
- ethical standards are met;
- laws and regulations are complied with;
- processes are adhered to;
- performance statements are accurate.

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.

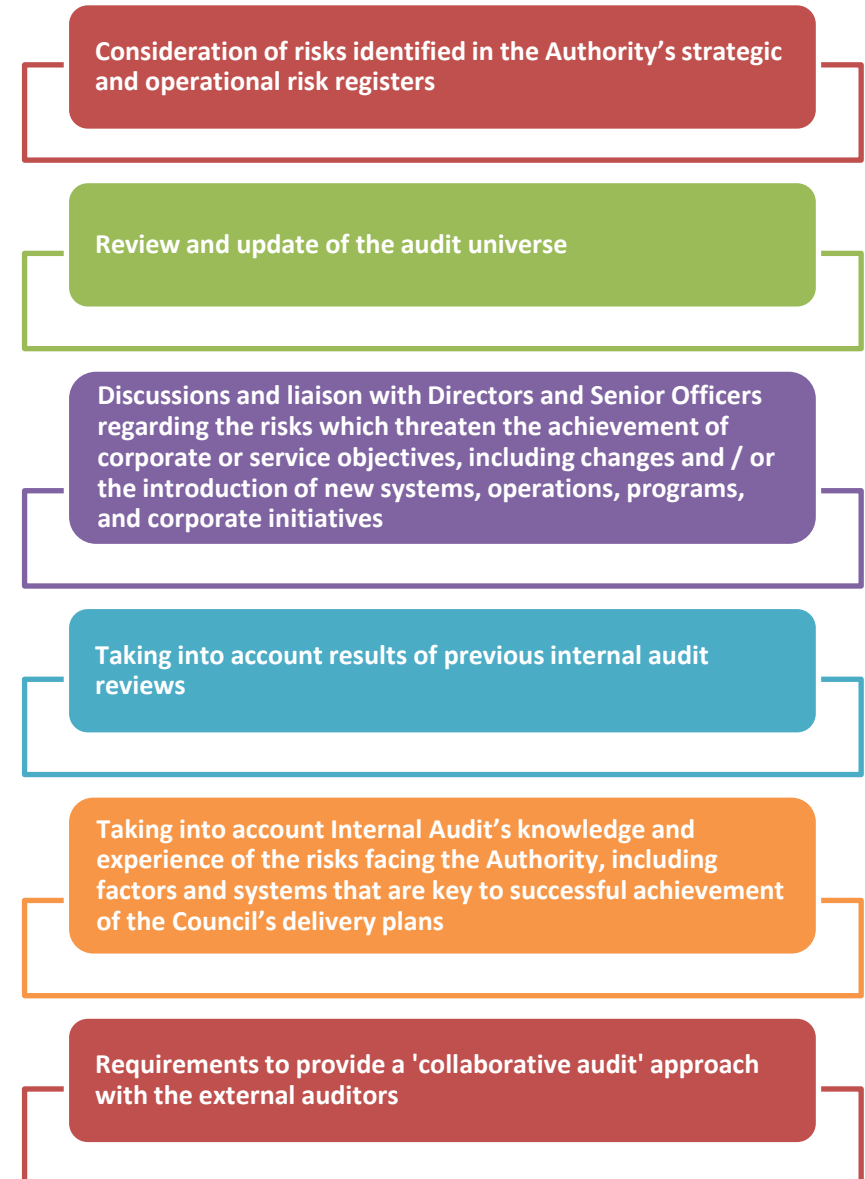
The Committee should satisfy themselves, from the assurances provided by Risk Management, Leadership Group and Internal Audit that the statement meets statutory requirements.

## Appendix 3 - Audit Needs Assessment

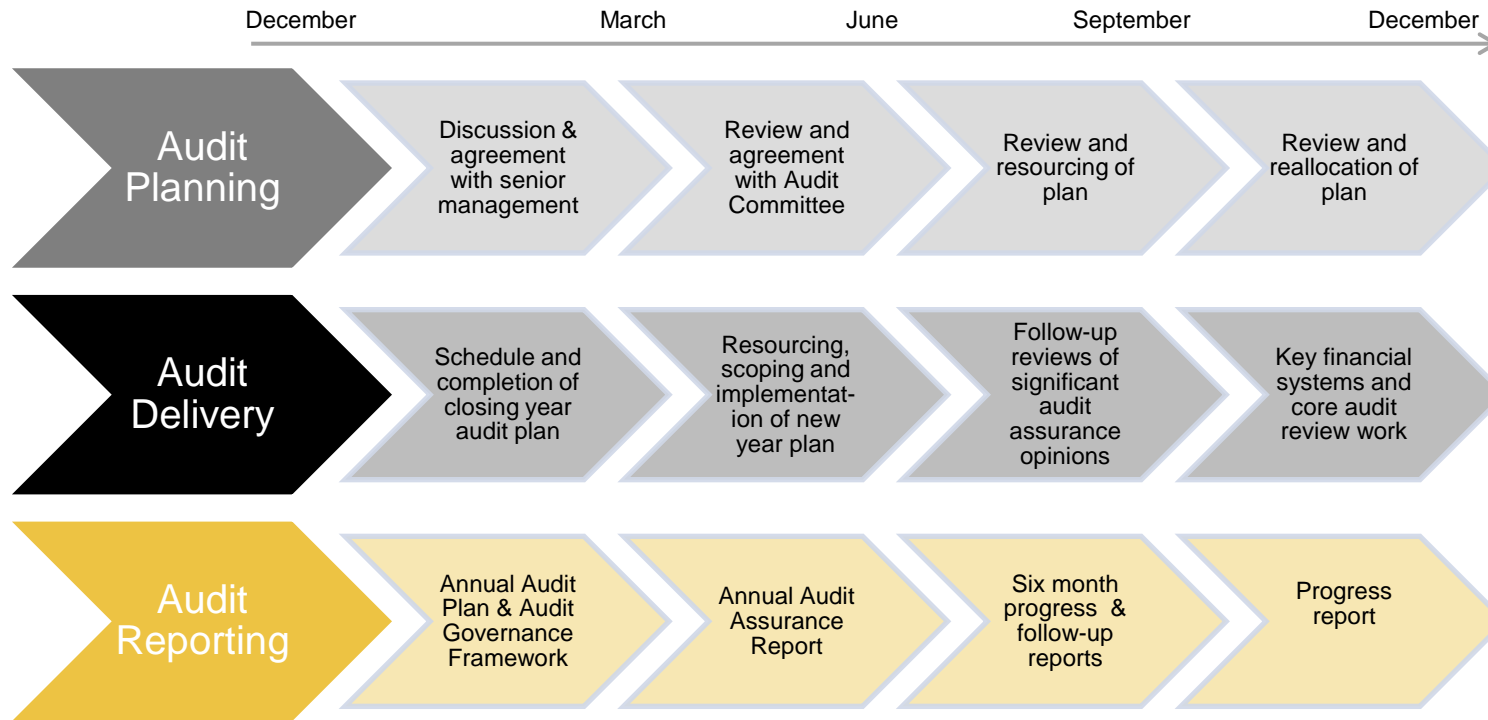
We employ a risk-based priority audit planning tool to identify those areas where audit resources can be most usefully targeted. This involves scoring a range of systems, services and functions across the whole Authority, known as the 'Audit Universe' using a number of factors/criteria. The final score, 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:



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



Date	Activity
Dec / Jan 2019	Directorate planning meetings
Feb 2019	Internal Audit Plan presented to Audit Committee
Feb 2019	Internal Audit Governance Arrangements reviewed by Audit Committee
March 2019	Year-end field work completed
April 2019	Annual Performance reports written
May 2019	Annual Internal Audit Report presented to Audit Committee
Aug 2019	Follow - up work of previous year's audit work commences
Nov 2019	Follow-up and progress reports presented to Audit Committee
Nov 2019	Six-month progress reports presented to Audit Committee
Dec 2019	2020/21 Internal Audit Plan preparation commences

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