

Internal Audit

Internal Audit & Counter Fraud Plan 2021/22

Devon County Council
Audit Committee

February 2021

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Head of Audit Partnership

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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.

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 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 will be 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 on a regular basis and reported to the 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 2021/22.

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

Robert Hutchins
Head of Audit Partnership

Annual Flexible Audit Plan

There has been a growing trend in the sector towards more flexible audit plans to enable internal audit to be more responsive to changing risks, in turn maximising resource focus to clients needs as and when needed – *Agile Auditing*. Current circumstances with the pandemic have highlighted the needs and benefits of this, where significant in year changes have been made to the 2020/21 audit plan, following which there has been further request to change them again – *they need to be more fluid*. This principle looks set to continue and has several benefits with ever changing priority and related risks. Key benefits provide for:

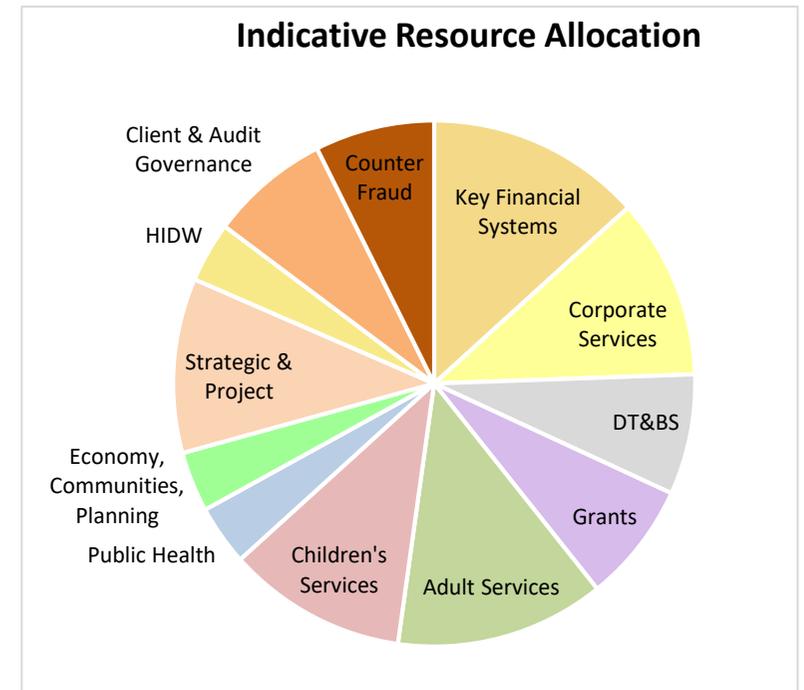
- reduction in non-productive resource planning - current pandemic circumstances require significant plan changes.
- improved opportunity to keep plan aligned to current risks within Service Areas and as a whole for the Authority.
- more effective and timely pre-audit engagement with Service Leads.
- greater and more regular discussion with client leads – supporting current risk and work priorities.
- the current trend for more flexible audit plans – agile auditing.
- experience that plans change regularly.
- changes in external risk drivers are more easily picked up in audit assurance needs.

Our audit plans are always built around the risks identified through risk management, audit needs and perceptions of current issues and in discussion with client management. The audit resource delivery envelope has been extended this year to provide opportunity for greater depth of coverage and further extension of counter fraud work.

The indicative allocation resource over the service areas to meet this summary plan is set out in the pie chart here. This shows a good spread of coverage across service areas which we feel will provide good opportunity to provide assurance on the wider control framework from which to build our annual assurance opinion.

The main change in approach proposed is to scope, schedule and resource plans throughout the year with Service Leads in an agile way incorporating risk changes as necessary. Also, to reduce detailed resource allocation and scheduling prior to year start. In effect, set out to expect change from the outset. Resource allocation will be decided based on need at this time.

Our high level summary audit plan identifies key corporate and service risks and areas identified as of greatest audit need. These risks are in the upper 'prioritised risk area' of the plan. Our expectation is that audit work is of most need in these areas. These are all underpinned by our core assurance work on the main financial systems and infrastructure systems and processes used to administer the most significant income and expenditure flows.



Additional to this we have provided an allocation of resource in each service area which is unscheduled and which we refer to as the 'adaptive plan'. This is where we expect the greatest amount of potential change to meet the Authority's and Service needs as risks and priorities change through the year. Those highlighted are where Services currently see most priority.

Follow-up and implementation

We will follow-up prior year reviews which identified limited assurance including, direct payments (adult), community equipment, hiring consultants, street lighting and the regional development agency reviews.

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. Our plan of work on counter fraud is found later in this report.

High Level Summary Audit Plan							
		Adult Care & Health	Children's Services	Communities, Public Health, Environment & Prosperity	Highways, Infrastructure Development and Waste	Strategic Risks and Projects	Client and Audit Governance
Prioritised Risk Areas		Care Assessments Financial Pressures - High Cost Panel Direct Payments Transitions Performance Monitoring Market Sufficiency	Care Assessment Direct Payments Financial Pressures - SEND Performance Monitoring Schools SFVS	Covid-19 Health Inequalities Economy Active Devon Business Support – ERDF Funded Projects Partnerships	Street Lighting System Highways Contract - transition - management & monitoring - effectiveness - financial reconciliation	Covid-19 – Learning and Recovery Decision Making Performance Monitoring – financial pressures Climate Change Business Continuity	Audit Committee Corporate Governance Follow Up Reviews Client Service Support and Development (Head Accountants) Audit Planning and Coordination Contingency
	Adaptive Plan	Unscheduled Resource, Options: Workforce Integrated Care systems	Unscheduled Resource, Options: Public Health Nursing Safeguarding Transitions	Unscheduled Resource, Options: Careers Hub Roundswell Enterprise Centre Making it Local	Unscheduled Resource, Options: Charging model Tree Management System	Partnership Management 3 rd Party Risk Core Systems Replacement -Finest – CareFirst 6	Counter Fraud
Core Assurance	Key Financial Systems (Material Systems) - Payroll, Creditors, Debtors, Income Collection, Bank Reconciliation, Treasury Management, Main Accounting System Inc interface systems & reconciliations (NPS, , Finest System Admin, , Social Care Financial Assessments).						
	Grants - Increased resource allocation in 2021/22 for Covid-19, plus Transport, Troubled Families, Grants Out -Governance and monitoring						
	Corporate Services - Business Processes & Governance – Payroll & HR functions, Doing What Matters, Risk Register, Procurement, and other Related Bodies.						
	ICT – Cyber Security, Digitalisation Change Management, Remote Working, BCP & Disaster Recovery, Cloud Services.						

The elements proposed for audit for the coming year are those identified from the risk register and discussion with Senior Management. This overview is supported by the 'Adaptive Plan' (next page) audit reviews which will be subject of priority review with Service Leads through the year. Those highlighted are already identified as priority.

Adaptive Plan – potential areas of review (priorities)

Corporate and Strategic

- Emergency Planning – Covid-19, Emergency Procedures.
- Business Continuity – Fit for purpose, updated, embedded, integration & governance.
- Crisis Preparedness – Lessons Learnt, Recovery.
- Climate Change, Risk vs Opportunity – How embedded is this within the decision-making process and business as usual?
- Third Party Risk – Outsourcing, Supply Chain, Sustainability.
- Partnership Management:
 - Control Framework.
 - Retained client functions.
 - Performance and contractual relationships.
- Corporate Priorities – Safety, Statutory Services, Legal, Economy.
- Corporate Plan/ Business Plans/Service Plans:
 - Council transformation programme(s).
 - Learning Authority, Recovery.
 - Benefits Realisation and Benchmarking (transformation plan)
- Governance – linked to organisational decision making.
- Corporate Information Management – DPA, is it embedded?
- Commissioning and Procurement
 - supplier resilience - monitoring
 - Contract awarding – getting it right
 - Compliance, Guidance and Support monitoring
 - EU Regulation change (Brexit)
- Coroners Service.
- HR – Workforce – temp recruitment, succession planning, Safeguarding – Covid-19

Adult Care and Health

- Covid-19.

- Care Assessment – operational practice
- Financial pressures – performance and monitoring, service cost and charging for individuals
- Provider ICT Assurance - Information governance
- Workforce – safeguarding, professional practices – compliance and support.
- Market Sufficiency – impact of Covid-19 care home vacancies
- Demand Management.
- Integrated Care Systems – legislation change, structural changes, pooling of resource

Children’s Services

- Ofsted / Improvement Plans - performance
- Eclipse System. – trusted advisor
- Safeguarding – How embedded is it
- Troubled Families (Grants).
- Public Health Nursing – impact of COVID-19 on engagement, data integrity and management systems.
- Demand Management.
- Education Support Services.
- Education – Academies and LA Statutory Duties retained.
- SEND – recovery plans, performance monitoring and financial pressure management (link to financial Pressures).

Public Health

- Covid-19 – cross service strategy and engagement, BCP, Health Inequalities
- Population Health Management – trusted advisor
 - Prevention.
 - Support
 - Response
- Embedding Mental Health into Corporate Strategies
- Health Inequalities in Decision Making – use of equality impact assessment – strategic embeddedness

Economy, Communities, Planning

- Climate Change
- Environment – Management and Response e.g. flooding.
- Economy
 - Support, Sustainability and Recovery – Covid-19.
 - Roundswell Enterprise Centre
 - Careers Hub
- Development Planning S106
- Transport Services:
 - Statutory.
 - Contracted.
- Regulatory Compliance.
- Animal Health/Welfare.
- Partnerships - Highways Infrastructure Fund
- Communities
 - Clinically vulnerable (shielded) not in care – Lessons learnt

Highways, Infrastructure Development & Waste

- Highways Management/Maintenance – efficiency, effectiveness and balanced charging model
- Waste
- Tree Management systems – management of Ash Dieback

Digital Transformation & Business Support

- BCP and Disaster Recovery – integration with Service BCP
- ICT Strategies – New Roadmap
- Digitalisation – service operational change to work with new systems
- Vulnerability Management
- Cloud Service Management – commissioning and governance.
- Mobile/Remote Working – effect on internal control framework and information governance
- Scomis – Service Continuity – impacts of external client service provision.
- Partnership working – new contracts

Counter Fraud 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. Devon Audit Partnership – Counter Fraud Team will 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”, Counter Fraud 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. Last year we undertook a review of DCCs strategy and approach, as well as a targeted reviews. For 2021-22 we propose the following plan of work:

- Policy and Strategy – implementation and embedding;
- Focused reviews – Pensions and Procurement;
- Integration with Audit Plan Work - reducing fraud risk in systems (key areas);
- Assurance on corporate risk and support for NFI;
- Investigation of potentially fraudulent activity;
- Training and awareness – blue badge and concessionary travel.

Internal Audit Governance

An element of our work is classified as ‘client governance’ - 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 and counter fraud plans 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 will look to further develop liaison meetings to improve assurance, 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.



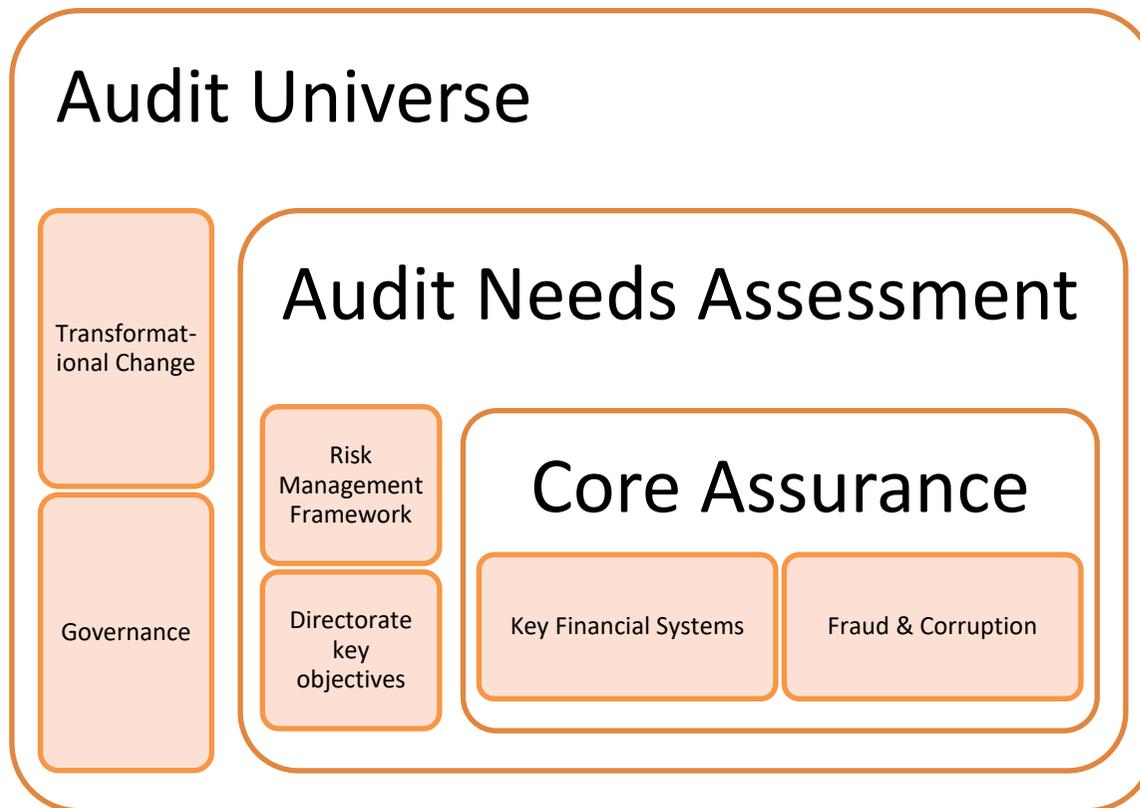
The AGS needs to be presented to, and approved by, the Audit Committee, and then signed by the Chair.

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

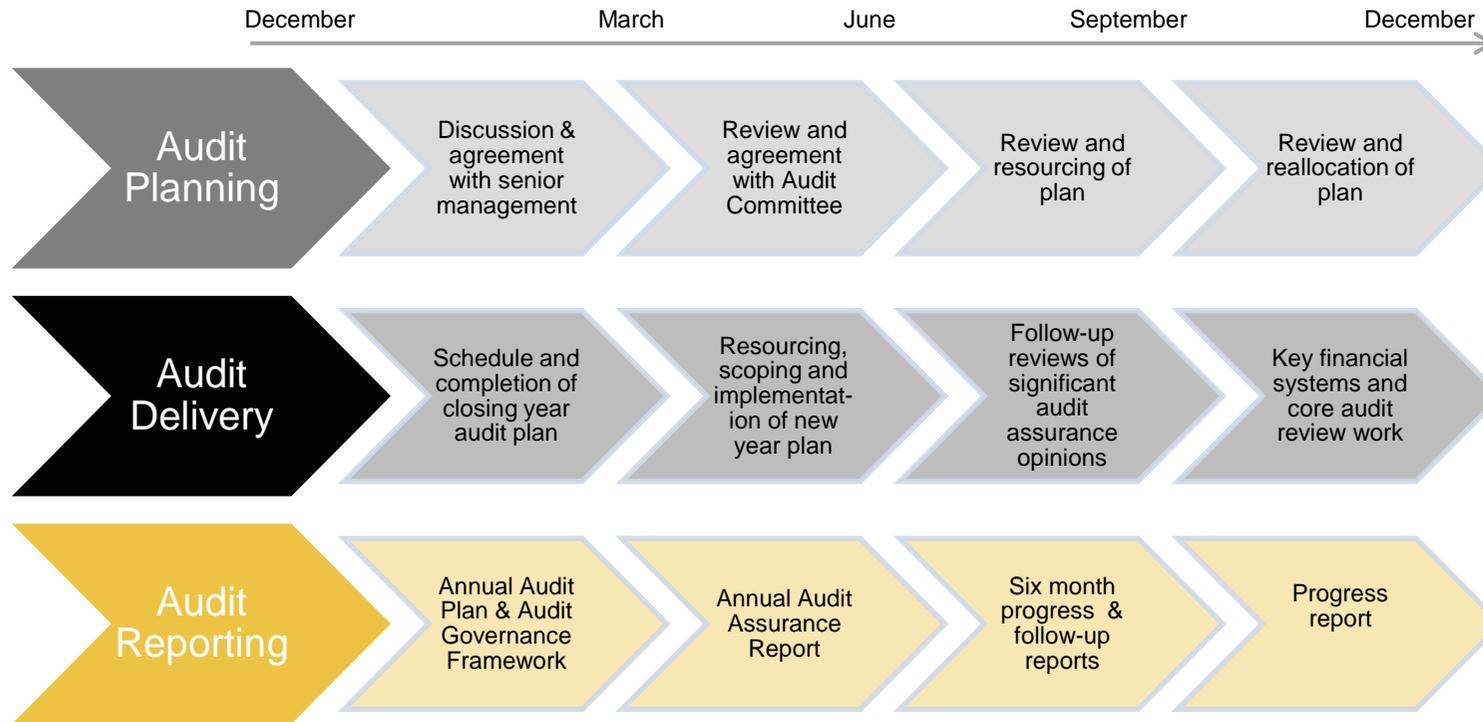
Discussions and liaison with Directors and Senior Officers regarding the risks which threaten the achievement of corporate or service objectives, including changes and / or the introduction of new systems, operations, programs, and corporate initiatives

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 / 2021 Jan 2021	Directorate planning meetings
Feb 2021	Internal Audit Plan presented to Audit Committee
Feb 2021	Internal Audit Governance Arrangements reviewed by Audit Committee
March 2021	Year-end field work completed
April 2021	Annual Performance reports written
May 2021	Annual Internal Audit Report presented to Audit Committee
Aug 2021	Follow - up work of previous year's audit work commences
Nov 2021	Follow-up and progress reports presented to Audit Committee
Nov 2021	Six-month progress reports presented to Audit Committee
Dec 2021	2022/23 Internal Audit Plan preparation commences

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