



devon **audit** partnership

Internal Audit

Internal Audit Plan 2021-22

North Devon District Council  
Governance Committee

March 2021

Robert Hutchins  
Head of Audit Partnership



Auditing for achievement

## 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 Governance Committee and senior management is the Council's Leadership Team.

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 Governance Committee, under its Terms of Reference contained in the Council's Constitution, is required to review, and approve the Internal Audit Plan to provide assurance to support the governance framework (see appendix 2).

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 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 Head of Resources (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 Governance Committee.

### Expectations of the Governance Committee for this annual plan

Governance 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.

Following consideration of the above, the Governance Committee are required to approve the proposed audit plan.

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

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## Development of the Plan

This year's audit plan has been developed through discussions with the Councils Leadership Team, and consideration of the Council's risk register and plan. It is also informed by previous audit findings, and our awareness of current themes in Devon and elsewhere, such as Climate Change, and post C-19 recovery.

Within the plan, we aim to provide good coverage of Council Corporate risks, and current public sector risks (see appendix 5). Audit coverage has been increased this year to 255 direct audit days with management agreement, with an additional 35 days compared to previous audit years. This recognises the need for increased assurance that controls are effective following the Covid-19 emergency. We have maintained the four-year plan to help identify future resource requirements and ensure good coverage of areas over the period but our focus is on days for 2021/22.

## Audit Plan Summary

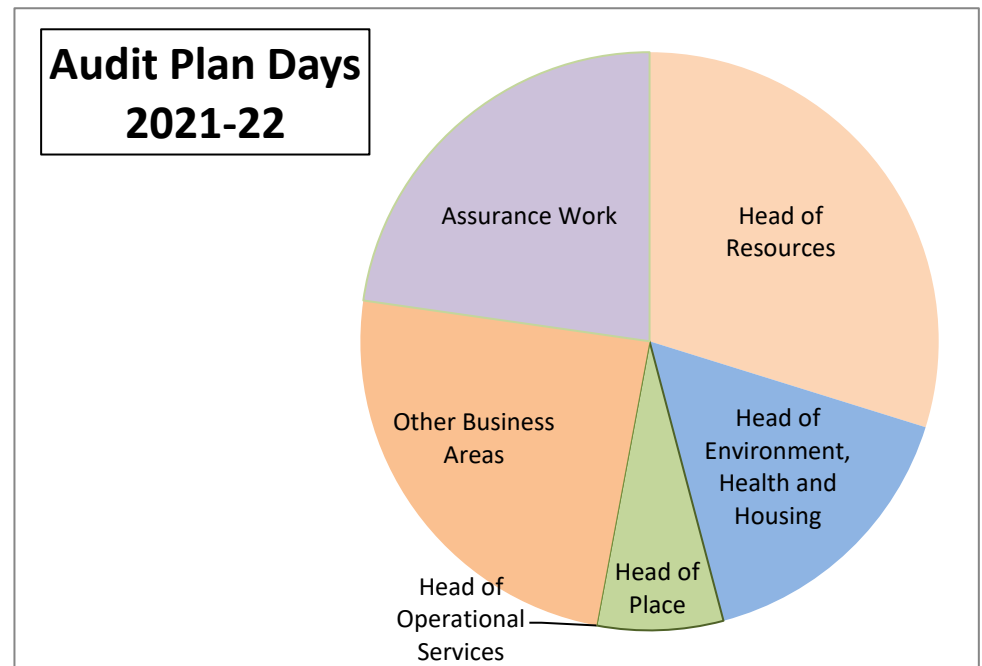
Our audit plan is grouped into the different senior management areas such as Head of Place. Within those management areas, we identify:

- **'Core audits'** which are largely on what are termed "key financial systems" that process most of the Council's income and expenditure and which have a significant impact on the reliability and accuracy of the annual accounts. These include Payroll, Creditors, Main Accounting System, Council Tax, Housing Benefit. This work will provide assurance that core controls continue to be effective despite the changing environment. These audits mainly come under the Head of Resources.
- **Risk based audits** affecting core assurance service delivery with focus on:
  - Corporate plan – action planning
  - Information governance – data protection changes
  - Climate change - governance
  - Cyber security
  - Safeguarding – corporate responsibility
  - Partnerships, collaboration, and third-party risk
  - Key developments
  - Commercialisation
  - investment, development, digitalisation
- **Other audits**, to ensure there is coverage over all Council operations though the 4-year period, such as Procurement and Health and Safety.

The chart below provides a summary of planned audit coverage by area, with full details contained in the plan on the following page. In accordance with the PSIAS, the plan is flexible, to reflect and respond to the changing risks and priorities of the Authority. As a result, it will be regularly reviewed and updated to ensure it remains valid and appropriate. As a minimum, the plan will be reviewed in six months' time to ensure it continues to reflect the key risks and priorities.

We have identified some audits (see appendix 6) that during our review have a priority for the year yet do not fit within planned days. As this stands the Authority can choose to add additional days and cover this work, include them in pending work to be prioritised within year plan changes or scheduled in next year's audit plan.

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.



## **Fraud Prevention and Detection and Internal Audit Governance**

### **Fraud Prevention and Detection and the National Fraud Initiative**

Fraud is a recognised risk area for the Council and effective counter fraud activity assists in the protection of public funds and accountability. Our Counter Fraud Service is currently supporting a review of the Councils Counter Fraud Strategy and Policy to ensure it has a systematic approach to identifying and reducing fraud. To support this the authority is encouraged to agree a separate plan of counter fraud work. Our Counter Fraud service will oversee investigations, instances of suspected fraud and irregularities referred to it by managers and can also carry out testing of systems considered most at risk to fraud. Our services will liaise with the Council to focus resource on identifying and preventing fraud before it happens. This work is informed by the Fraud Strategy for Local Government “Fighting Fraud Locally”, and the publication “Protecting the English Public Purse”. Additional guidance recently introduced by CIPFA, in their ‘Code of practice on managing the risk of fraud and corruption’, and the Home Office ‘UK Anti-Corruption Plan’, are also relevant.

### **Audit Management**

One line of our plan is classified as “Audit Management”. This is work that ensures effective and efficient 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. Areas that this may cover include:

- Preparing the internal audit plan and monitoring implementation.
- Preparing and presenting monitoring reports to Leadership and the Governance Committee.
- Assistance with the Annual Governance Statement
- Liaison with other inspection bodies (e.g. Grant Thornton).
- 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 in the coming year.
- On-going development within the Partnership to realise greater efficiencies in the future.

### **Partnership working with other auditors**

We continue to work to develop effective partnership working arrangements between ourselves and other audit agencies where appropriate and beneficial. We 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.

The most significant partnership working arrangement that we currently have with other auditors continues to be that with the Council’s external auditors (Grant Thornton), Audit West, and Audit South West (Internal Audit for NHS).

# North Devon Internal Audit Plan for 2021/22

## Head of Resources

Audit Title	CRR / Risk	Last audited	21/22	22/23	23/24	24/25
CORE-Main Accounting System & Budgetary Control	<b>HIGH RISK - FIN CRR 00 A</b> lack of clear direction to significant budgetary challenges <b>HIGH RISK - FIN CRR 03</b> Inadequate financial control in a service area.	20/21	7	10	7	10
CORE-Creditors (including ordering processes)	MEDIUM - based on volume and value of transactions	20/21	5	10	5	10
CORE - DEBTORS	<b>HIGH RISK INFO CRR 06</b> WORLD Pay Insist on declaration now	19/20	8	5	8	5
CORE- Payroll	MEDIUM - Based on our work	20/21	10	10	10	10
CORE -Cash Collection	MEDIUM - Based on our work	20/21		6		6
CORE - TREASURY MANAGEMENT	<b>HIGH RISK RES CRR 40</b> Reliance on unrealised capital receipts to fund committed capital expenditure or capital spending	2019/20	6	3	6	3
CORE- Council Tax & NNDR	MEDIUM - Based volume and value of transactions	20/21	10	10	10	10
CORE- Housing Benefits	MEDIUM - Based on volume and complexity in the process	20/21	10	15	10	15
VAT	LOW	18/19				5
Efficiency Savings	MEDIUM - Based on our work	18/19		5		
Estate management	LOW			10		
Capital Programme and Exp.	Linked to Risk F CRR 00 Also R CRR 40 Reliance on unrealised capital receipts to fund expenditure	19/20			8	
Contracts & Commissioning	MEDIUM - Based on our work <b>MEDIUM RISK GOV CRR 42</b> Failure of supply chain partner	19/20	10		10	
Covid-19 - assurance (grants, recovery, control)		NA	10			
Other grants				5	5	5
Insurance					5	
Harbour Authority						5
<b>TOTAL</b>			<b>76</b>	<b>89</b>	<b>84</b>	<b>84</b>

## Head of Environmental Health and Housing

Audit Title	CRR / Risk	Last audited	21/22	22/23	23/24	24/25
Housing Needs, Schemes, PFI, including Choice Based Lettings	MEDIUM <b>MEDIUM RISK GOV CRR 53 Council shortfalls in meeting housing supply projections.</b>		10	10		
Licensing – zoo, food premises, etc	<b>HIGH RISK CRR 54 Zoo Licencing: Management of a Zoo and collection disposal</b>			5		5
Safeguarding Children and Vulnerable Adults	LOW RISK GOV CRR 45 -Risk G CRR Safeguarding children and vulnerable adults		8	8	8	8
Business Continuity	<b>HIGH RISK GOV CRR 09 BUSINESS CONTINUITY PLAN HIGH RISK RES CRR 00 Pandemic Influenza</b>	<b>18/19</b>	5			
Climate Change			10	10	10	10
Environmental Protection					10	
Tree Preservation Orders						5
Emergency Planning / procedures, Civil Contingencies Plan	<b>HIGH RISK GOV CRR 10 Civil Contingencies Plan (external)</b>		8			
<b>TOTAL</b>			<b>41</b>	<b>33</b>	<b>28</b>	<b>28</b>

## Head of Place

Audit Title	CRR	Last audited	21/22	22/23	23/24	24/25
Regeneration Projects	MEDIUM	<b>Deferred 20/21</b>	8			
Building Control	LOW - BUT An area that can attract significant local and political interest. As a shared service with Mid Devon a joint review with MD Devon is likely	<b>20/21</b>				10
CCTV	<b>MEDIUM RISK INFO CRR 01 Inappropriate use of CCTV Data</b>					
Planning	S106, Development Control, Enforcement	<b>NK</b>	10	10	10	10
<b>TOTAL</b>			<b>18</b>	<b>10</b>	<b>10</b>	<b>20</b>

## Head of Operational Services

Audit Title	CRR / Risk	Last audited	21/22	22/23	23/24	24/25
Crematorium Undertaken in May of the following year	Delivered jointly with Torridge DC LOW	Deferred 20/21			3	
Waste Management (Refuse and Recycling)	<b>HIGH RISK GOV CRR 26</b> <b>Failure to improve recycling rates</b>	18/19		5		
Street Cleansing	MEDIUM Contract arrangements	NK			5	
CORE- Parking Operations	LOW Based on volume and complexity	20/21		5		5
Vehicle Workshops	MEDIUM	NK				
<b>TOTAL</b>			<b>0</b>	<b>10</b>	<b>8</b>	<b>5</b>

## Other Business Areas

Audit Title	CRR / Risk	Last audited	21/22	22/23	23/24	24/25
Recruitment	LOW				5	
Equality & Diversity	LOW - But reputational risk if not delivered			5		
Health & Safety	<b>MEDIUM RISK CRR 08 Health and Safety</b> <b>MEDIUM RISK GOV CRR 11 Fire in process hall</b>	Deferred 20/21	7			
Information Technology Audit	<b>HIGH RISK GOV CRR 01 Cyber Attack / computer virus may infect the ICT Infrastructure</b>	20/21	22	22	22	22
Information Governance	<b>HIGH RISK INFO CRR 02 Files / data stored in alarmed but un-manned 1st floor unit could be illegally accessed</b> <b>HIGH RISK INFO CRR 04 Indefinite document holding in E&amp;TS / Revs / Bens</b> <b>MEDIUM RISK RES CRR 37 Failure to protect physical or electronic information assets</b>	20/21	7			5
Transformation Programme	<b>HIGH RISK RES CRR 01 Prioritisation &amp; capacity to deliver</b>		8			

	CRR 41 Changing or ceasing some services					
Procurement	<b>MEDIUM RISK GOV CRR 50</b> <b>Legal challenge to process or penalty from Government</b>		10		10	
Leisure Services - TARKA		<b>20/21</b>		5		
Museums and Theatres					5	
Grounds Maintenance contract			8			
LEGAL - Councillor Grants						
DEMOCRATIC SERVICES - Members Allowances		<b>Deferred 20/21</b>		5		5
Customer Service Centre	MEDIUM Based on our Work	<b>Deferred 20/21</b>		8		5
<b>TOTAL</b>			<b>62</b>	<b>50</b>	<b>42</b>	<b>37</b>

## Assurance Work

Audit Title	CRR / Risk	Last audited	21/22	22/23	23/24	24/25
Risk Management	Medium Internal Audit standards require regular review of arrangements <b>HIGH RISK RES 41 Changing or ceasing some services</b>	<b>20/21</b>	2	8		8
Corporate Governance Arrangements	<b>HIGH RISK GOV CRR 04a Local Government Reorganisation distracts NDC</b> <b>MED RISK GOV CRR 06 Change in political direction</b>	<b>20/21</b>	8		8	
Corporate Plan			8			
Partnerships			8			
Fraud, Bribery & Ethics, National Fraud Initiative	LOW RISK GOV CRR 36 Fraud and Corruption	<b>20/21</b>	5	5	5	5
Brexit	<b>HIGH RISK GOV CRR 52 BREXIT (now D20)</b>			10		
Follow Up	N/A	<b>20/21</b>	5	5	5	5
Contingency	NA	NA		10	10	10
Audit Management	N/A	NA	22	22	22	22
<b>TOTAL</b>			<b>58</b>	<b>60</b>	<b>50</b>	<b>50</b>
		<b>FY</b>	<b>21/22</b>	<b>22/23</b>	<b>23/24</b>	<b>24/25</b>
<b>TOTALS</b>			<b>255</b>	<b>247</b>	<b>222</b>	<b>224</b>



## 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.

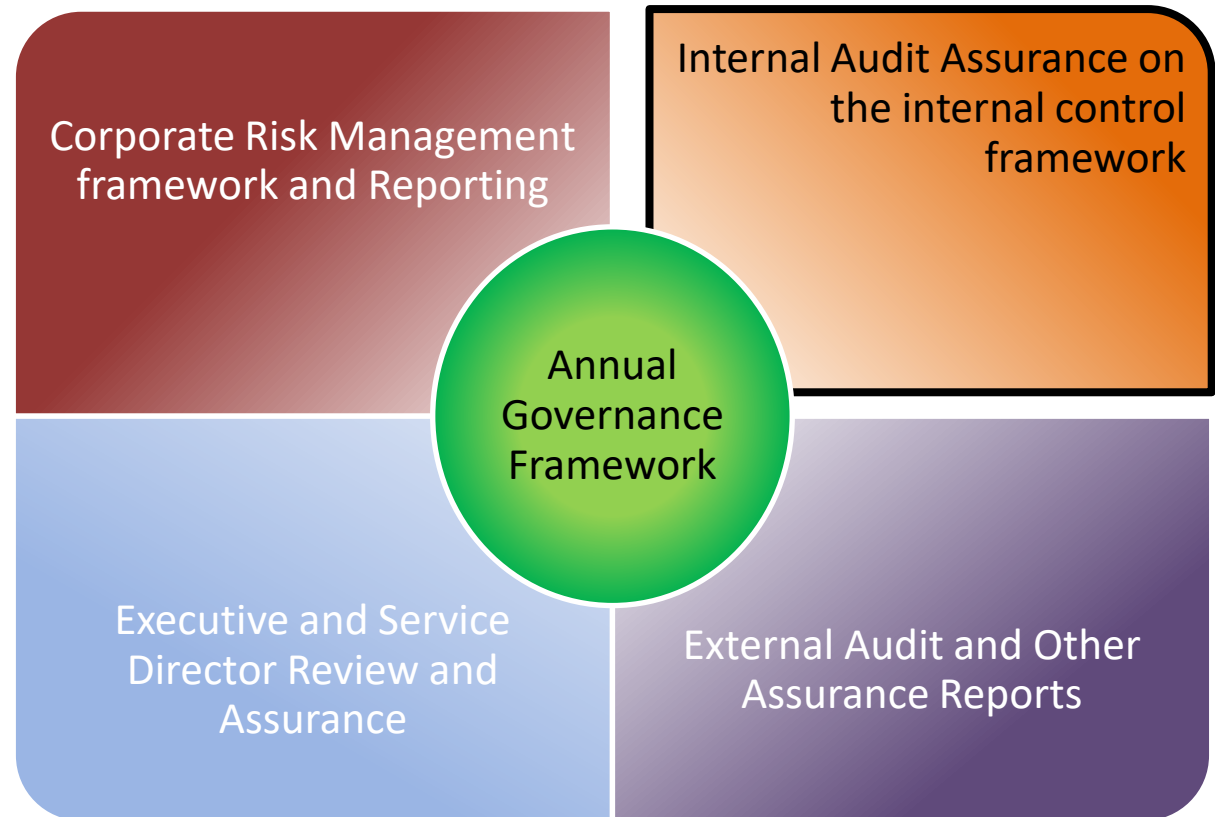
## Appendix 2 - Annual Governance Framework Assurance

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 the Mayor.
- 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.
  - Governance Committee.
  - Risk Management.
  - Internal Audit
  - Other reviews / assurance
- Provide confirmation that the Authority complies with CIPFA's 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.



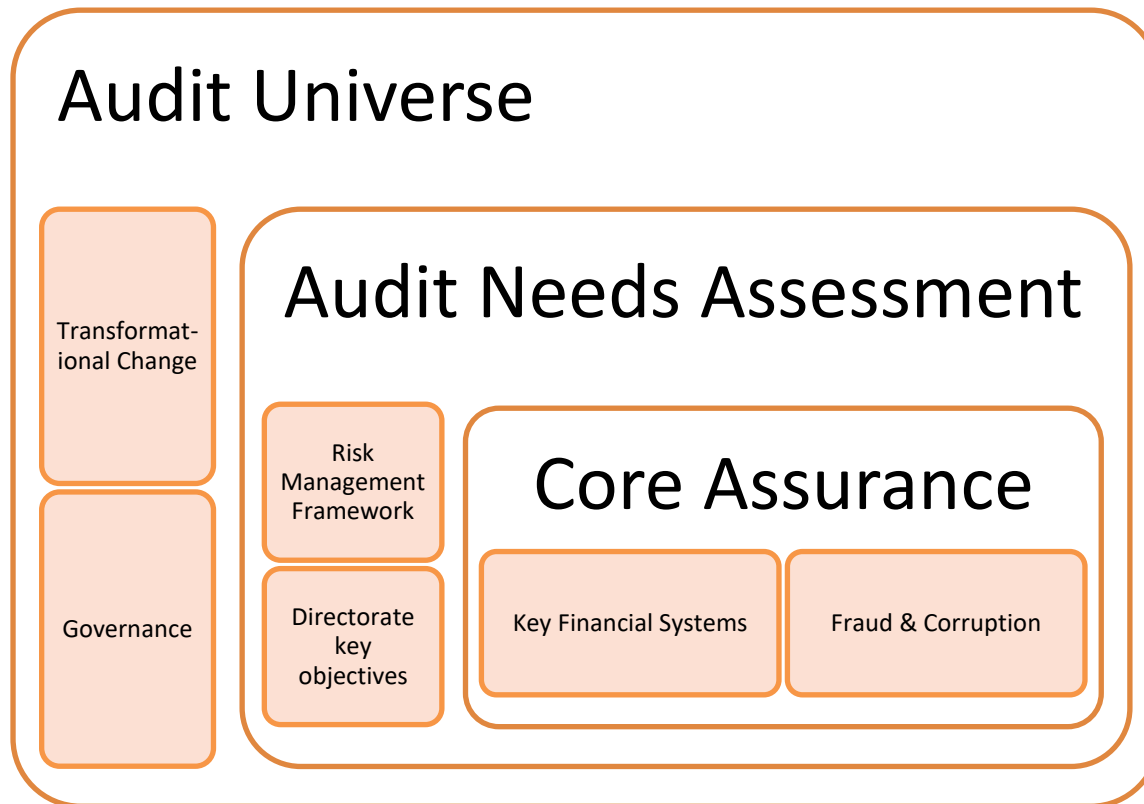
The AGS needs to be presented to, and approved by, the Governance Committee, and then signed by the Chair.

The Committee should satisfy themselves, from the assurances provided by the Annual Governance process, SLT, Internal Audit, and other assurance providers (e.g. Audit South West) that the statement meets statutory requirements.

## Appendix 3 - Audit Needs Assessment

We use 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 plan has been created by:

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

Review and update of the audit universe

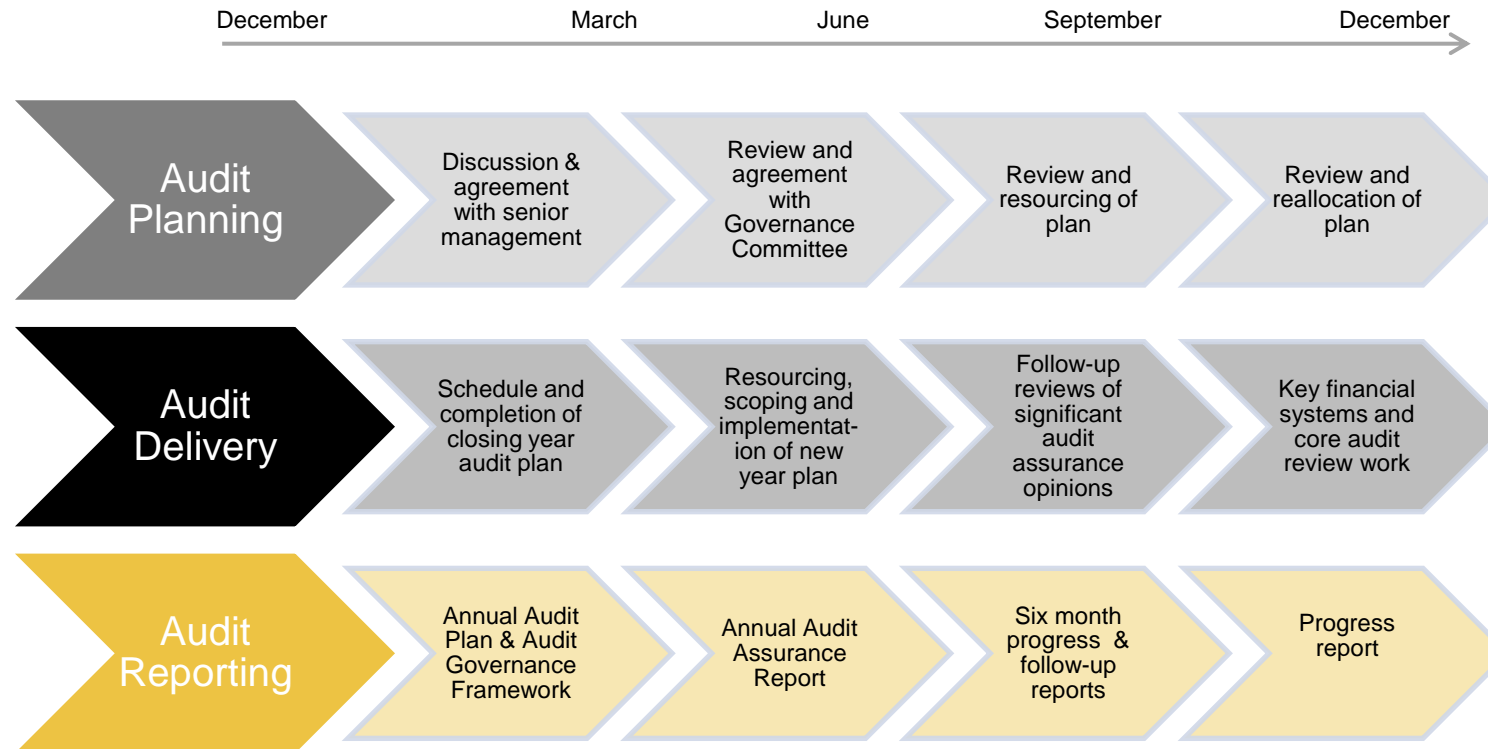
Discussions and liaison with Directors and Senior Officers regarding the risks which threaten the achievement of corporate or service objectives, including changes and / or the introduction of new systems, operations, programs, and corporate initiatives

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 / 2020 Feb 2021	Directorate planning meetings
Mar 2021	Internal Audit Plan presented to Governance Committee
Mar 2021	Internal Audit Governance Arrangements reviewed by Governance Committee
Mar/Apr 2021	Year-end field work completed
April 2021	Annual Performance reports written
May / June 2021	Annual Internal Audit Report presented to Governance Committee
Sept 2021	Progress Report and
Nov 2021	Progress Follow-up reports presented to Governance Committee
Nov 2021	Progress reports presented to Governance Committee
Dec 2021	2022 Internal Audit Plan preparation commences

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## Appendix 5 Sector Risk Model

Source Institute of Internal Auditors – Risk in Focus 2021

Top risks seen in audit plans

Key Risk areas:

- Cyber security not going away.
- Digitisation increasing.
- Macro and economic uncertainty not going away.
- Climate change increasing back on the agenda.
- Ability to learn and develop increasing within ‘human capital’



## Appendix 6 – Unscheduled Audits Priority Work

### Audits identified as priority where resources do not provide for coverage in the current years audit plan

We have identified some audits below that through review present as priority for the year yet do not fit within planned days. As this stands the Authority can choose to add additional days and cover this work, include them in pending work to be prioritised within year plan changes or scheduled in next year's audit plan.

- Licencing - Food Premises
- Income collection – Pannier Market
- Vehicle Workshop
- Waste Management Recycling targets
- Street Cleansing
- Succession planning – loss of key staff

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## **Devon Audit Partnership**

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