

Internal Audit Plan 2022-23

North Devon Council Governance Committee

March 2022

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 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 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 Director of Resources and Deputy Chief Executive (Section 151 officer), 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 2022-23.

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

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Head of Audit Partnership

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Development of the Plan

This year's audit plan has been developed through discussions with the Senior Management 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 set as 244 direct audit days with management agreement, compared to 255 for 2021/22. 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 to agree the audit days for 2022/23.

Audit Plan Summary

Our audit plan is grouped into the different management areas as follows, with further detail provided in the plan table.



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 Governance.
- **Risk based audits** affecting core assurance service delivery with focus on areas such as:
 - Climate change - governance
 - Cyber Security.
 - Homelessness.
 - Estate Management.
 - Security.
 - Commercialisation.

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.

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 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 continues to support work by the council to identify its fraud risks and consider effectiveness of its controls. To support this the authority is encouraged to agree a separate plan of counter fraud work. Our Counter Fraud service also oversees 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 supporting effective and efficient audit services 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. It also includes Follow Up time, and Contingency. Other 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), One West, and Audit Southwest (Internal Audit for NHS).

North Devon Internal Audit Plan for 2022/23

HEAD OF GOVERNANCE	Last Done	2021/22 budget	2022/23	2023/24	2024/25	2025/26	Notes
CORE-Main Accounting System & Budgetary Control	2021/22	7	10	7	10	7	
CORE-Creditors (including ordering processes)	2021/22	5	8	5	10	5	
CORE- Debtors	2021/22	8	5	8	5	8	
CORE -Cash and Card Collection	2020/21		8		6		HIGH RISK - PCI COMPLIANCE
CORE- Treasury Management	2021/22	6	3	6	3	6	
CORE- Payroll	2021/22	10	7	7	7	7	
Procurement	2021/22	10		10		10	
Contracts & Commissioning	2021/22	10	2		10		Confirm contract management framework is in place.
VAT	2018/19		5				Look at new arrangements incl Making Tax Digital
Commercialisation / income generation	2018/19		5				
Capital Programme and Expenditure.	2019/20			8			
Covid-19 - assurance (grants, recovery, control)	2021/22	10					
Other grants	2021/22		5	5	5	5	
Insurance	Not Known			5			
Democratic Services - Councillor Grants	NK						
Democratic Services - Members Allowances	NK		5		5		
Risk Management	2021/22	2	5		8		Q4
Corporate Governance Arrangements	2021/22	8		8			
Corporate Plan	2021/22	8					
Partnerships	NK	8					
Fraud, Bribery & Ethics, National Fraud Initiative	2021/22	5	5	5	5	5	
Totals		97	73	74	74	53	

HEAD OF ENVIRONML ENHANCEMENT	Last Done	2021/22 budget	2022/23	2023/24	2024/25	2025/26
Leisure Services / TARKA Leisure Centre	2020/21		5			
Grounds Maintenance contract	NK	8				
Vehicle Workshops	NK			5		
Cemeteries	NK		5			
Climate Change	2021/22	10	8	10	10	10
Tree Preservation Orders	NK				5	
Waste Management (Refuse and Recycling)	2018/19		5			
Street Cleaning	NK			5		
Totals		18	23	20	15	10

Confirm new Leisure Centre contract is workig effectively

As outsourced to contractor, to review contract is operating effectively.

HIGH RISK - RECYCLING

HEAD OF ORGANISATIONAL DEVELOPMENT	Last Done	2021/22 budget	2022/23	2023/24	2024/25	2025/26
Recruitment	NK		5			
Equality & Diversity	NK		5			
Corporate Health & Safety	2021/22	7				
Learning and Development	NK			5		
Transformation		8				
Totals		15	10	5	0	0

Review introduction of new i-Trent recruitment module

Defer to 23/24 when new i-Trent skills module introduced

HEAD OF PLACE, PROPERTY AND REGEN	Last Done	2021/22 budget	2022/23	2023/24	2024/25	2025/26
CORE- Parking Operations	2020/21		5		5	
Town Centre Management / CCTV	2019/20		5			
Museums and Theatres	NK		2			
Regeneration Projects	2021/22	8				
Estate management	NK		10			
Security	NK		8			
Harbour Authority	NK			5		
Economic Development	NK					
Totals		8	30	5	5	0

Follow up of Limited Assurance audit
Green Lanes management

Security of council property, officers in other non-council premises, security of members.

HEAD OF CUSTOMER FOCUS	Last Done	2021/22 budget	2022/23	2023/24	2024/25	2025/26
Information Technology / Cyber Audit	2021/22	22	22	22	22	22
Information Governance	2020/21		5			
CORE- Council Tax & NNDR	2020/21	10	10	10	10	10
CORE- Housing Benefits	2021/22	10	10	10	15	10
Customer Service Centre	NK		8			
Totals		42	55	42	47	42

HIGH RISK - CYBER

HIGH RISK - DATA RETENTION

Not undertaken in 2021/22 at client request

HEAD OF PLANNING, HOUSING AND HEALTH	Last Done	2021/22 Budget	2022/23	2023/24	2024/25	2025/26
Housing Needs, Schemes, PFI, including Choice Based Lettings	2021/22	10				
Licensing	2021/22	5			5	
Food Safety	NK			5		
Emergency Planning / procedures, Civil Contingencies Plan	2021/22	10				
Building Control	2020/21				10	
Planning	2021/22	10	5	10		10
Environmental Protection	NK			10		
Business Continuity	2021/22	5			5	
Crematorium	2019/20			3		
Homelessness and temporary accommodation			8			
Safeguarding Children and Vulnerable Adults	2021/22	8		8	8	8
Totals		48	13	36	28	18

In conjunction with Mid Devon Review development of S106 processes

HIGH RISK - BUSINESS CONTINUITY

In conjunction with Torridge

HEAD OF PROGRAMME MANAGEMENT & PERFORMANCE	Last Done	2021/22 Budget	2022/23	2023/24	2024/25	2025/26
Completion of corporate programmes	NK		3	6		
Performance Management	NK			8		
Totals		0	3	14	0	0

Q4 audit to assess start of key corporate programmes

AUDIT MANAGEMENT & PLANNING	2021/22 Budget	2022/23	2023/24	2024/25	2025/26
Follow Up	5	5	5	5	5
Contingency		10	10	10	10
Audit Management	22	22	22	22	22
Total	27	37	37	37	37

Overall					
TOTAL	255	244	233	206	160

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.

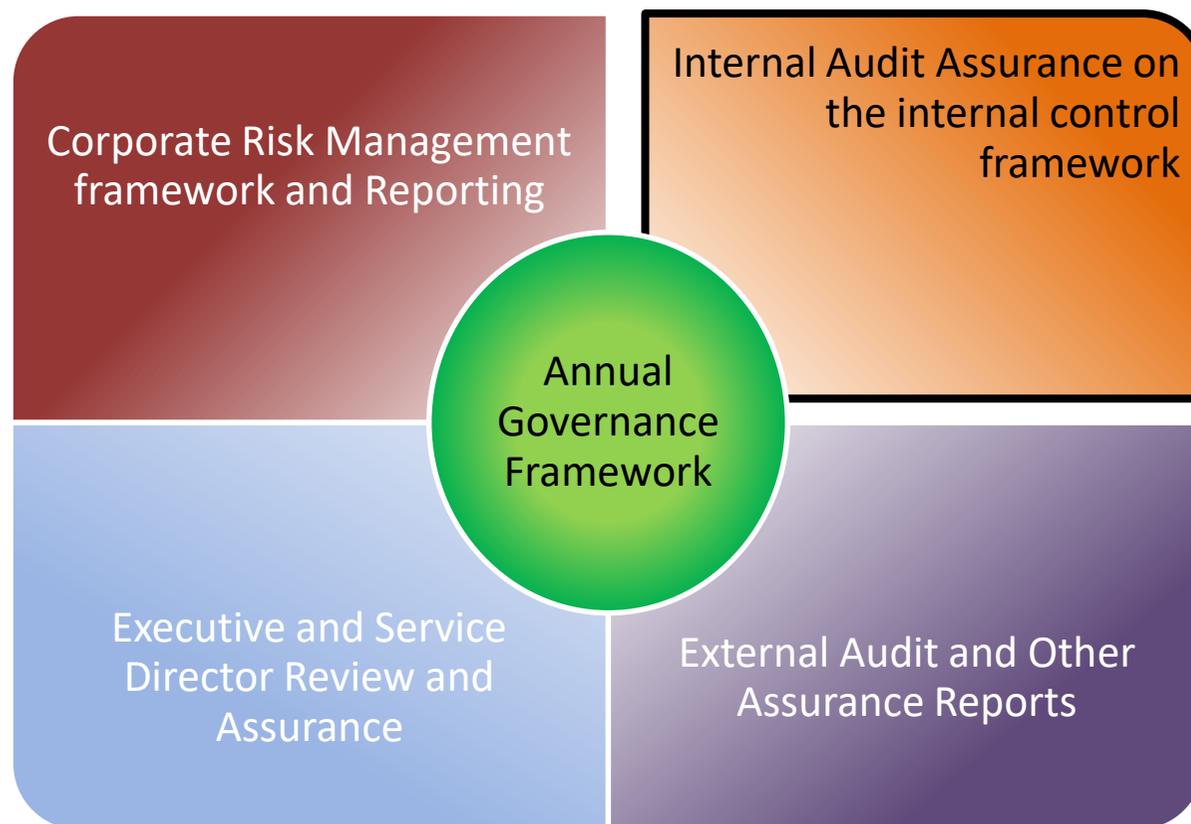
Appendix 2 - Annual Governance Framework Assurance

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.



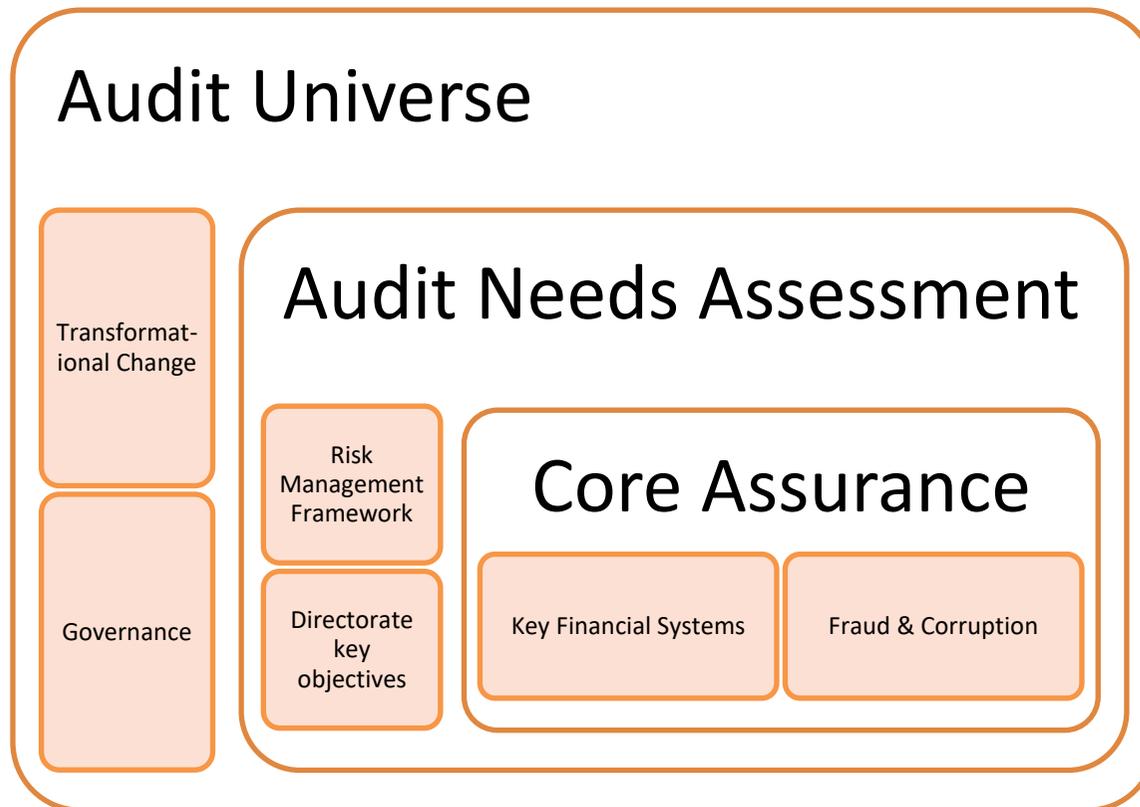
The AGS needs to be presented to, and approved by, the Governance Committee, and then signed by the Chair.

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

Our process to create the audit plan includes discussions with management, review of risk registers, consideration of previous work. We also consider the Audit Universe we maintain for the council. Ultimately, our requirement is to undertake a broad-based audit plan of work that supports provision of an end of year assurance report to support the council's own governance statement.

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

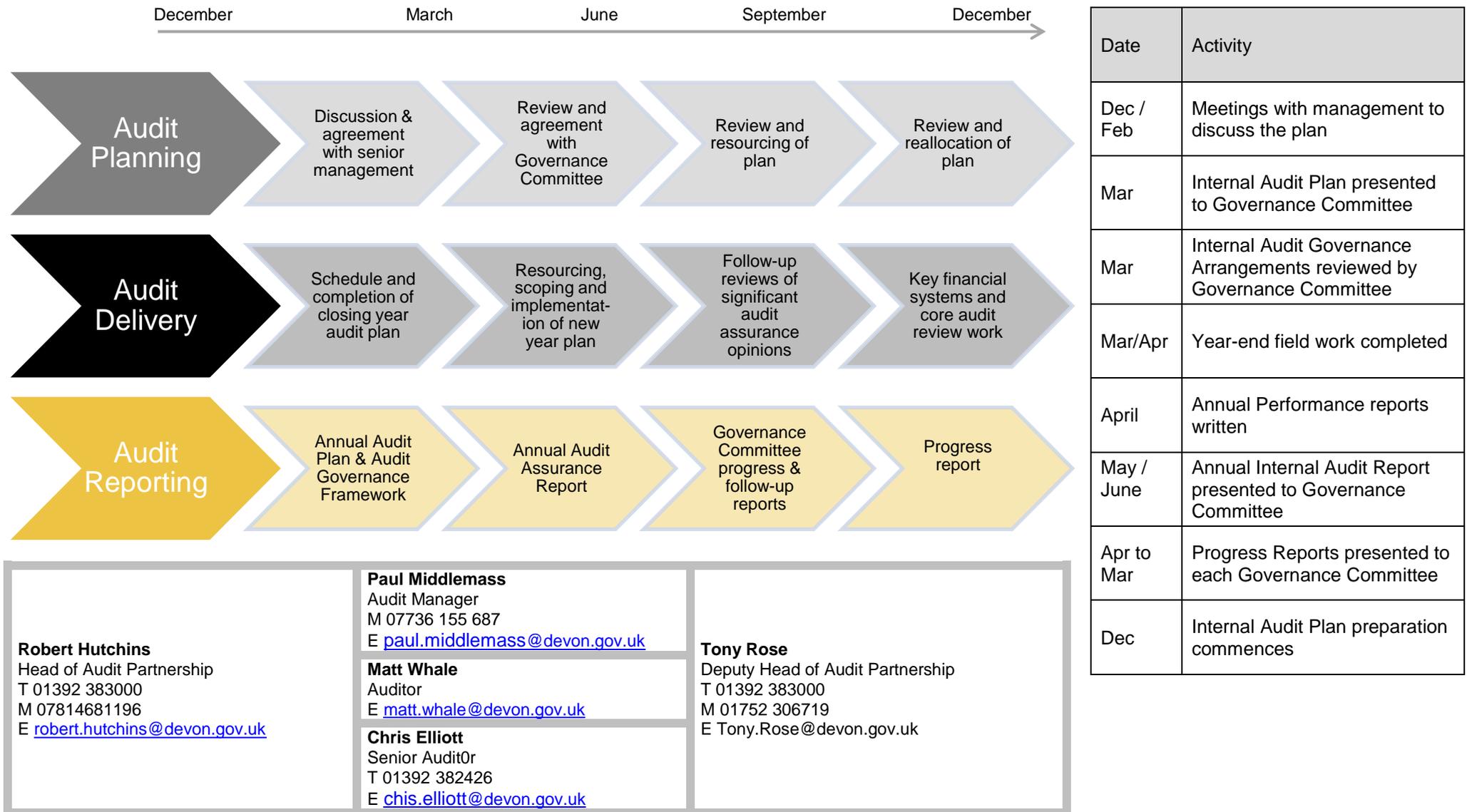
Discussions and liaison with Directors and Senior Officers regarding the risks which threaten the achievement of corporate or service objectives, including changes and / or the introduction of new systems, operations, programs, and corporate initiatives

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

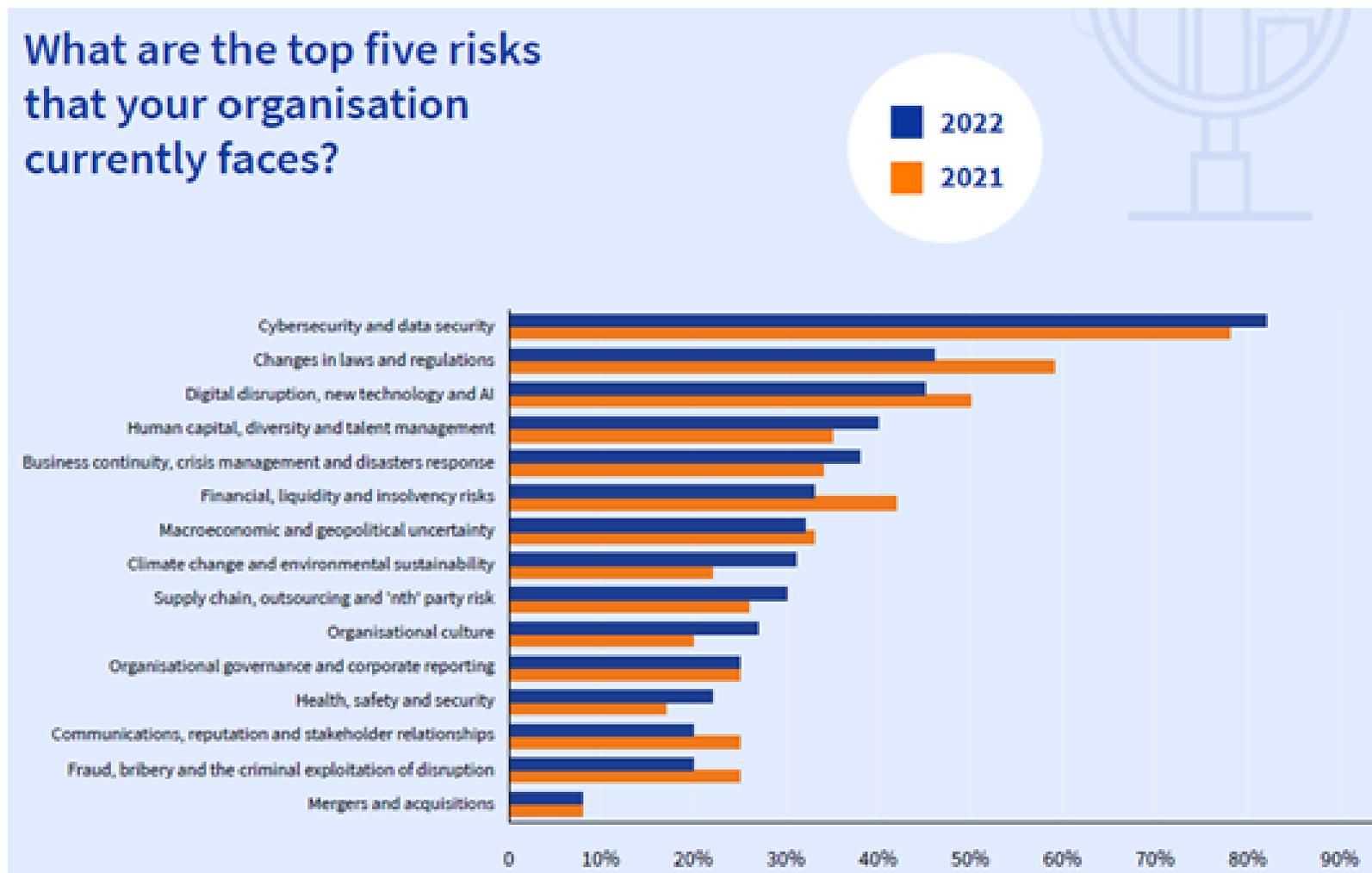


Appendix 5 Sector Risk Model

(Source Institute of Internal Auditors – Risk in Focus 2022)

Key Risk areas:

- Cyber security still the number one concern for almost everyone.
- Changes in laws and regulations also important although a reduction since last year.
- Increase in financial liquidity concerns.
- Climate change increasing back on the agenda.



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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 .