

Report to: **Audit Committee**
Date: **6 April 2021**
Title: **2021/22 Internal Audit Plan**
Portfolio Area: **Support Services – Cllr C Edmonds**
Wards Affected: **All**
Urgent Decision: **N** Approval and clearance obtained: **Y**

Date next steps can be taken:

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Recommendations:

It is recommended that:

- 1. The report be approved, and**
- 2. The proposed Internal Audit Plan for 2021/22 at Appendix A be approved.**

1. Executive summary

- 1.1 The purpose of this report is to provide Members with the opportunity to review and comment upon the proposed internal audit plan for 2021/22.
- 1.2 Whilst West Devon Borough Council and South Hams District Council operate as two unique councils, services are delivered by one integrated organisation; to reflect that shared services working arrangement, the 2021/22 audit plan is now presented as one combined plan. Where there are risks or issues that relate specifically

to one council and not the other, the audit plan will be varied to include those areas of work as appropriate.

- 1.3 The report provides information on the legislative requirement for local authorities to provide an Internal Audit (IA) service in accordance with the Accounts and Audit Regulations and Public Sector Internal Audit Standards; the need for an annual risk-based IA plan to be prepared; and the methodology of identifying the audit needs for the Authority.
- 1.4 The 2021/22 audit plan sets out the proposed audit resource allocated to each audit area, although the plan needs to remain flexible to be able to respond to any changing risks and priorities of the Authority given the significant changes across the public sector.

2. Background

- 2.1 All principal Local Authorities, including West Devon Borough Council, are subject to 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 or guidance”.

- 2.2 The Public Sector Internal Audit Standards require that the Head of Internal Audit 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 Head of Internal Audit 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.
- 2.3 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.

3. Outcomes/outputs

- 3.1 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 both West Devon Borough Council and South Hams District Council, known as the “Audit Universe” using a number of factors/criteria. The final score, or risk factor, for each area determines an initial schedule of priorities for audit attention.

The audit plan for 2021/22 has been created by:

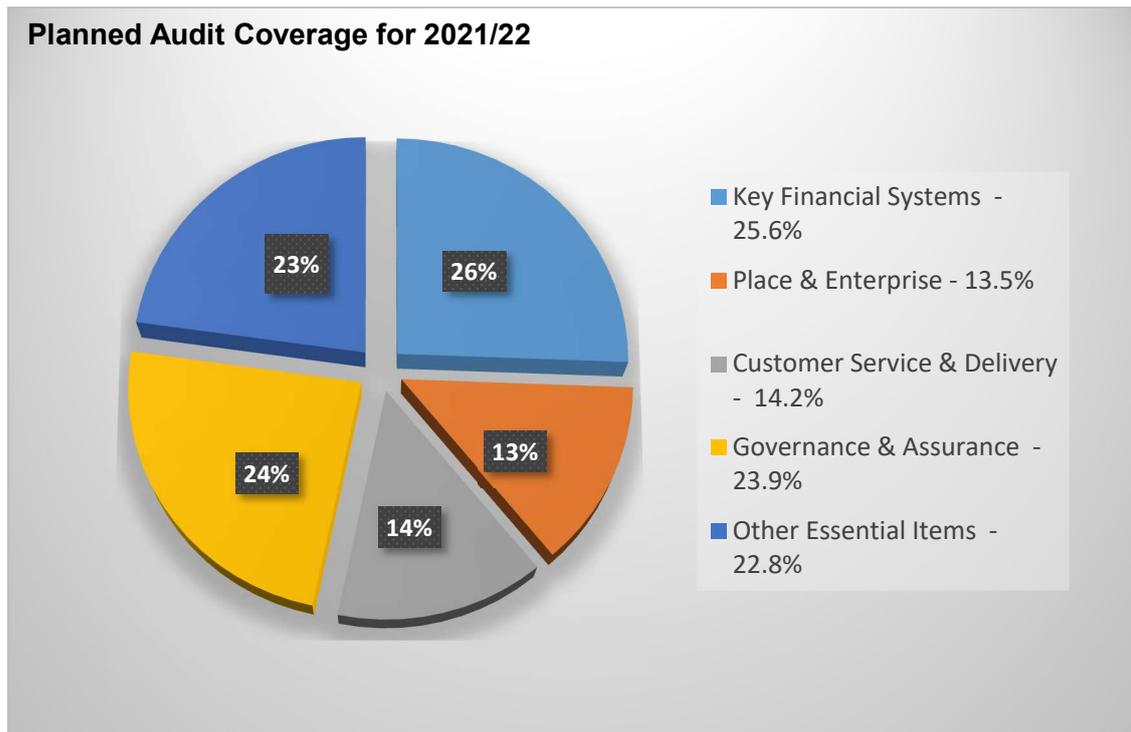


- 3.2 The overall percentage of internal audit coverage proposed for each area of the audit plan is represented in the chart at figure 1 below. The combined planned audit coverage for 2021/22 totals 430 days, the same as in previous years, see Appendix A for the proposed detailed plan. It should be borne in mind that, in accordance with the Public Sector Internal Audit Standards, the plan needs to remain flexible to be able to respond to the changing risks and priorities of the Authority with any changes reported back to this Committee. To provide for some flexibility, the Internal Audit Plan includes a small contingency to allow for unplanned work.
- 3.3 The COVID-19 pandemic impacted on Internal Audit's work during 2020/21, with Internal Audit resources used to assist officers in the payment of various grants to businesses, in particular the evaluation/reviewing of applications. As a result, several audits due to undertaken in 2020/21 have been delayed and now appear in the proposed plan for 2021/22. In addition, the proposed plan recognises

the need for increased assurance that controls are effective following the Covid-19 emergency.

3.4 The overall percentage of internal audit coverage proposed for each area of the audit plan is represented in the chart at figure 1 below.

Figure 1



4. Options available and consideration of risk

4.1 No alternative approach has been considered as the failure to develop a risk-based plan to determine the priorities of internal audit activity which is consistent with the priorities of the organisation would be in contravention of the Public Sector Internal Audit Standards and the Accounts and Audit Regulations 2015.

5. Proposed Way Forward

5.1 We will be flexible in our approach to ensure that the audit plan continues to reflect the changing risks and corporate priorities of the Council with the timetabling of audits agreed with management to ensure our work is delivered at the most effective time for the organisation.

6. Implications

| Implications | Relevant to proposals Y/N | Details and proposed measures to address |
|---|---------------------------|--|
| Legal/Governance | Y | <p>The Accounts and Audit Regulations 2015 issued by the Secretary of State require every local authority to 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.</p> <p>The work of the internal audit service assists the Council in maintaining high standards of public accountability and probity in the use of public funds. The service has a role in promoting robust service planning, performance monitoring and review throughout the organisation, together with ensuring compliance with the Council's statutory obligations.</p> |
| Financial | Y | <p>There are no additional or new financial implications arising from this report. The cost of the internal audit team is in line with budget expectations.</p> |
| Risk | Y | <p>The work of the internal audit service is an intrinsic element of the Council's overall corporate governance, risk management and internal control framework.</p> |
| Supporting Corporate Strategy | | |
| Climate Change – Carbon / Biodiversity Impact | Y | <p>None directly arising from this report. However, the Internal Audit function, managed by Devon Audit Partnership is very mindful of the need to minimise travel in completing the internal audit plan. Where possible, desk-top review of documents, and the use of electronic records, is used to obtain evidence to support the audit process, although it is inevitable that on-site verification may be required at times.</p> <p>The team use an audit management system (Mki) which enables managerial review to take place remotely, thus also saving on the need for travel.</p> |
| Comprehensive Impact Assessment Implications | | |

| | | |
|--------------------------------------|---|---|
| Equality and Diversity | N | There are no specific equality and diversity issues arising from this report. |
| Safeguarding | N | There are no specific safeguarding issues arising from this report. |
| Community Safety, Crime and Disorder | N | There are no specific community safety, crime and disorder issues arising from this report. |
| Health, Safety and Wellbeing | N | There are no specific health, safety and wellbeing issues arising from this report. |
| Other implications | N | There are no other specific implications arising from this report. |

Supporting Information

Appendices:

There are no separate appendices to this report.

Background Papers:

None.

Approval and clearance of report

| Process checklist | Completed |
|--|------------------|
| Portfolio Holder briefed | Yes |
| SLT Rep briefed | Yes |
| Relevant Exec Director sign off (draft) | Yes |
| Data protection issues considered | Yes |
| If exempt information, public (part 1) report also drafted. (Cabinet/Scrutiny) | N/A |

Appendix A

| Proposed 2021/22 Combined Audit Plan for West Devon Borough Council & South Hams District Council | | |
|--|-----------------|------------|
| KEY FINANCIAL SYSTEMS | Priority / Risk | Days |
| Main Accounting System (inc budgetary control) | H | 15 |
| Payroll | H | 15 |
| Creditor (Payments) | M | 15 |
| Debtors (Income Collection) | M | 15 |
| Business Rates | M | 15 |
| Council Tax | M | 15 |
| Housing Benefits | M | 15 |
| Treasury Management | L | 5 |
| KEY FINANCIAL SYSTEMS | | 110 |
| | | |
| PLACE & ENTERPRISE | Priority / Risk | Days |
| Community Housing Programme <i>deferred from 2020-21</i> | H | 10 |
| Commercial Property & Rents Follow Up <i>deferred from 2020-21</i> | H | 5 |
| Salcombe Harbour (S.Hams) <i>deferred from 2020-21</i> | M | 10 |
| Dartmouth Lower Ferry (S.Hams) <i>deferred from 2020-21</i> | M | 5 |
| COVID-19 – Business Grants – Post Scheme Assurance | H | 13 |
| Commercial Investment Strategy – (delegations, mgt of risk, project approach) | H | 15 |
| PLACE & ENTERPRISE | | 58 |
| | | |
| CUSTOMER SERVICE & DELIVERY | Priority/Risk | Days |
| ICT Audit (areas to be identified) | H | 23 |
| Locality Officers – Management, roles & scheduling <i>deferred from 2020-21</i> (Review implementation of new service) | H | 15 |
| Cash Collection & Online Payments <i>deferred from 2020-21</i> | M | 5 |
| Building Maintenance – Works Scheduling – Follow-Up | H | 3 |
| Response and Recovery to COVID-19 | H | 15 |
| CUSTOMER SERVICE & DELIVERY | | 61 |

| GOVERNANCE & ASSURANCE | Priority/Risk | Days |
|---|---------------|------------|
| Project Management – Governance and Process deferred from 2020-21 | H | 15 |
| Contract Management – Leisure Management & Waste Collection and Street Cleansing Contract deferred from 2020-21 | H | 15 |
| Change Control – Business Processes deferred from 2020-21 | H | 10 |
| Risk Management Review - deferred from 2020-21 | M | 10 |
| Performance Management (Data quality) Follow Up | M | 3 |
| Future IT Project | H | 15 |
| Corporate Information Management - Data Retention, Filing System Housekeeping | H | 10 |
| Climate Change | H | 5 |
| Election Teams | M | 10 |
| New Payroll/HR system (Procurement, Project Mgt) | H | 10 |
| GOVERNANCE & ASSURANCE | | 103 |
| | | |
| OTHER ESSENTIAL ITEMS | Priority/Risk | Days |
| Completion of 2020-21 Audit Plan | | 20 |
| Audit Management including:- - Audit planning, - Monitoring & reporting, - Audit Committee | | 28 |
| Annual Governance Statement | | 2 |
| Exemptions from Financial Regulations | | 5 |
| Grants – LEAF and LAG – extension to end of 2021 | | 20 |
| National Fraud Initiative (NFI) – Data Matching | | 5 |
| Contingency & Advice | | 18 |
| OTHER ESSENTIAL ITEMS | | 98 |
| | | |
| TOTAL AUDIT PLAN | | 430 |