

Internal Audit

Internal Audit Plan -
Including the Internal Audit
Charter and Strategy
2023-24

Torbay Council
Audit Committee

March 2023

Not Protectively Marked



Tony Rose
Head of Devon Audit Partnership



Support, Assurance and Innovation

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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, South Hams & West Devon, Torridge and North Devon councils and Devon & Somerset Fire & Rescue Service. 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 tony.d.rose@devon.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 Senior Leadership Team. The Audit 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).

This Council's Internal Audit Charter at Appendix 5 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, along with 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 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. At the start of each audit the scope is discussed and agreed with management with the view to providing management, the Chief Finance Officer (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 2023/24.

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

Tony Rose
Head of Audit Partnership

High Level Audit Plan

This chart shows a summary of planned audit coverage for the year totalling 720 direct days (756 including 36 days for Schools). 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 Council and, to this end, it will be regularly reviewed with directorates, and updated as necessary, to ensure it remains valid and appropriate.

There has been a growing trend in the sector towards more flexible audit plans to enable internal audit to be more agile and responsive to changing risks. The value of this approach has been highlighted in previous years during the Covid-19 pandemic.

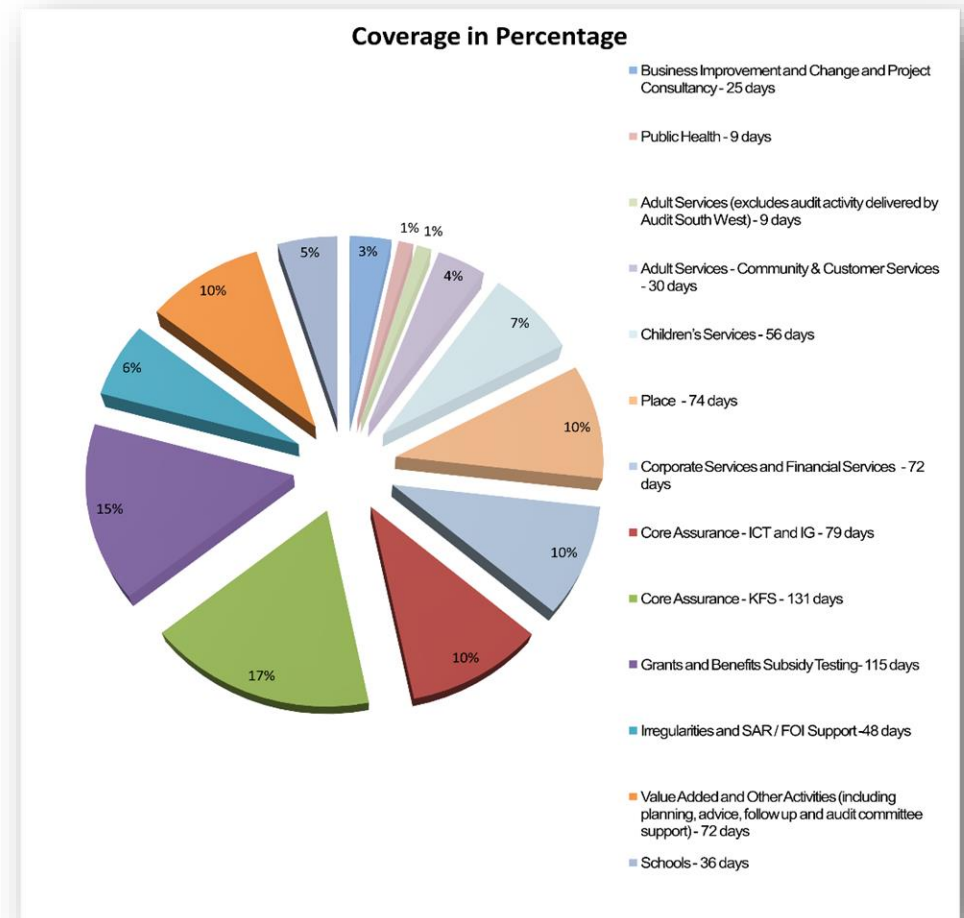
As outlined in Appendix 3 to this report, the Audit Plan is drawn up considering various factors including risks to the Council as outlined in the Council's risk register, and the views of Directors and Senior Officers. Detailed terms of reference will be drawn up and agreed with management prior to the start of each assignment – in this way we can ensure that the key and current risks to the operation or function are considered during our review. A brief overview of proposed audits is provided on the following page.

As we progress through the year, any changes to the audit plan will be agreed by the s151 officer and are notified to the Audit Committee via our six-monthly monitoring reports.

The Internal Audit Plan is intended to cover the period 1st April to 31st March. We know from our experience that our work does not start on the 1st April or finish on the 31st March. The delivery of the work commences in April with the bulk of the work delivered within each financial year, concluding with our reports being finalised after year end. This timeframe helps to ensure the Annual Head of Internal Audit Assurance Opinion is based on the fullest possible breath of work in line with each Internal Audit Plan

We regularly review wider risk information to help inform our Internal Audit Plans. Recently the [Institute of Internal Auditors \(IIA\)](#), the [World Economic Forum](#) and Institute of Risk Management (IRM) [IRM Global Risk Trends 2023 \(theirm.org\)](#) have produced documents linked to global, national, and regional risks, many of which are relevant to the services delivered by Local Authorities. In addition, Mazars undertake an annual review of emerging risks, the latest one being the [2022 version](#).

These documents provide a useful information source for Auditors, Senior Management and Audit Committee Members as they consider what items should be included in the Annual Internal Audit plan. These can be found using the links should you wish to view them.



Service Area Overview of Audit Coverage

Thematic Overview
Audit Coverage

Adult Services	Adult Services Community & Customer Services	Public Health	Children's Services	Corporate Services & Financial Services	Pride in Place	Business Projects & Value Added
ICO Sustainability and Improvement Plan (management and monitoring) ASW Assurance <i>The Director of Adult Services works with ASW Assurance to devise an audit plan covering Adult Services delivered by the Trust.</i>	Housing (including cross Council joint working e.g., with Pride in Place) Health & Safety	Mental Health Commissioning and Performance Management	Fostering and Connected Carers Sufficiency Strategy Residential Placements Safety Valve Recovery Plan Progress	Performance and Risk Management CRM System – following implementation Democratic Services and Member Allowances Elections Registrars Printing (contract management) Procurement of IT Solutions	Tor Bay Harbour Authority - Income s106 and CIL Green Waste Collection Scheme (commissioning, monitoring, income and borrowing) Land Release Fund (use of monies, adherence to conditions) Events Highways (commissioning, monitoring)	Business Improvement and Change Information Governance Steering Group Irregularity Prevention and Investigation Subject access and freedom of information requests Advice Audit Follow Up Schools incl. Financial Value Standard

Core Assurance

Business Processes & Governance – Commissioning and Performance Monitoring, Grant Certification, and Audit Assurance Planning and Reporting

Key Financial Systems – Payroll, IBS Sys Admin, Creditors & Electronic Ordering, FIMS Sys Admin, Debtors & Corporate Debt, Benefits & Council Tax Support Scheme, Income Collection, Asset Register, Council Tax & Non-Domestic Rates, General Ledger & Bank Reconciliation, Treasury Management

ICT and IG – Firewall - deep dive, IT Asset Management - deep dive, User Management - deep dive, ICT KFS (including Continuity and Disaster Recovery arrangements for key systems) Follow up audit, Information Governance – Data Quality and Records Management, SARs Processes

The diagram shows the thematic approach to the elements proposed for audit coverage in the coming year as identified through risk assessment and discussion with Senior Management. This overview is supported by the detailed plans from page 4.

Proposed audit reviews

* Whilst audit area titles are detailed below, our practice is to agree detailed scopes closer to the actual timing of the audits.

Risk Area / Audit Entity *	Audit Needs Assessment (ANA) – an assessment of the priority of the planned review	Proposed Timing
		Quarter
Business Improvement and Change and Project Consultancy		
Business Improvement and Change Programme - project 'trusted advisor' including review of <ul style="list-style-type: none"> o Council Redesign Programme (including sub-projects such as Customer Relationship Management / Open Portal) o Children's Services (including CS IT Systems Board) o Digitalisation o S106 & CIL System Implementation o Other emerging projects as required 	ANA – critical	1-4
Other Directorate Areas (excluding Business Improvement and Change and project consultancy)		
Public Health		
Mental Health Commissioning and Performance Management	ANA – high, client request	2
Adult Services		
ICO Sustainability and Improvement Plan (management and monitoring)	ANA – high, client request	2
The Director of Adult Services is working with colleagues at ASW Assurance to devise an audit plan that meets key risks / challenges regarding services delivered by the Trust.	Audit areas to be notified and agreed by the Director of Adult Services Audit Plan to be approved at TSDFT's Audit Committee	
Adult Services – Community and Customer Services		
Housing (including cross council joint working, e.g., with Pride in Place)	ANA - medium	1
Health & Safety	ANA - high	1
Children's Services		
Fostering and Connected Carers	ANA – medium	1
Sufficiency Strategy Progress	ANA – high, client request (s151)	2
Residential Placements	ANA – medium, client request (s151)	2
Safety Valve Recovery Plan Progress	ANA – high, client request (s151)	3

Risk Area / Audit Entity *	Audit Needs Assessment (ANA) – an assessment of the priority of the planned review	Proposed Timing
		Quarter
School Financial Value Standard (SFVS)	n/a	1
Schools - summary of findings provided in relation to Authority Controlled Schools	Service bought by Schools	n/a
Pride in Place		
Tor Bay Harbour Authority - Income	ANA – medium, client request (s151)	2
Section 106 and Community Infrastructure Levy (including the determination process in Planning, how specific projects are commissioned, and reallocations)	ANA – high	1
Green Waste Collection Scheme (commissioning, monitoring, income and borrowing)	ANA – medium, client request (s151)	3
Land Release Fund (use of monies, adherence to conditions)	ANA – high, client request (s151)	2
Events	ANA – medium, client request (s151)	3
Highways (commissioning, monitoring)	ANA – high, client request (s151)	1
Corporate Services and Finance		
Performance and Risk Management	ANA – high, client request	4
CRM System – following implementation	ANA – high, client request (s151)	4
Democratic Services and Member Allowances	ANA – medium, client request	3
Elections	ANA – medium, client request	3
Registrars	ANA – medium, client request	2
Printing (contract management)	ANA – medium, client request (s151)	4
Procurement of IT Solutions	ANA – high, client request (s151)	4
Core Assurance – ICT and IG		
Firewall - deep dive	ANA - high	3
IT Asset Management - deep dive	ANA – high	2
User Management - deep dive	ANA – high	4
ICT KFS (including Continuity and Disaster Recovery arrangements for key systems) Follow up audit	ANA - medium	3
Information Governance – Data Quality and Records Management	ANA - high	2
SARs Processes	ANA – high, client request	2

Risk Area / Audit Entity *	Audit Needs Assessment (ANA) – an assessment of the priority of the planned review	Proposed Timing
		Quarter
Information Governance Steering Group	ANA – high, client request	1-4
Core Assurance – Key Financial Systems and Grant Certification		
General Ledger (Main Accounting System) and Bank Reconciliation	ANA – medium	3
Creditors & Electronic Ordering (POP)	ANA – high	3
Debtors and Corporate Debt (follow up audit)	ANA – high	3
FIMS Sys Admin	ANA – high	1
Asset Register (follow up audit)	ANA – medium	1
Treasury Management	ANA – medium	1
Income Collection	ANA – medium	2
Payroll	ANA – high	4
Benefits and CTAX Support Scheme	ANA – high	2
Council Tax and Non-Domestic Rates	ANA – medium	3
IBS Open / W360 Sys Admin	ANA – high	1
<p>A rolling programme of audits is adopted for key financial systems whereby although the overall planned days is likely to remain stable each year, the work programmes may differ, with each audit having varying amounts of system review, testing or a combination of the two, or follow up of the previous year's audit findings. This approach enables us to deliver a more cost-effective service, whilst providing enough assurance as to the adequacy of the Authority's material system control environment.</p>		
Grant Certification	ANA – client request	n/a
Benefits Subsidy		2-3
Value Added and Other Activities		
Irregularity Prevention and Investigation	business driven requirement, client request	n/a
Subject access and freedom of information requests		n/a
Advice		n/a
Audit Follow Up		3
Other activities (including audit planning and annual plan report; support for audit committee; 6 month and annual monitoring reports; support for the preparation of the AGS; attendance at corporate meetings; external audit liaison etc.)		n/a

Risk Assessment Key

ANA - Audit Needs Assessment risk level

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 as requested by the Financial, Ethics and Probity (FEP) Group, and will also carry out pro-active anti-fraud and corruption testing of systems considered to be most at risk to fraud as directed by FEP. 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 will liaise with the Council’s Corporate Fraud Officer, to enable resource to be focussed on identifying and preventing fraud before it happens. Additionally, new guidance introduced by CIPFA, in their ‘Code of practice on managing the risk of fraud and corruption’, and also the Home Office ‘UK Anti-Corruption Plan’, will further inform the direction of counter-fraud arrangements going forwards.

The Cabinet Office runs a national data matching exercise (The National Fraud Initiative - NFI) run every two years, which is managed by Torbay Council’s Counter Fraud Officer.

Internal Audit Governance

An element of our work is classified as “other chargeable activities” – 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. 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., Grant Thornton),
- Support to the Council’s internal Risk Management team.

Partnership working with other audit agencies

We will continue to work towards the development of 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) and ASW Assurance (Internal Audit for NHS).

Appendix 1 - Audit Framework

Internal Audit is a statutory service in the context of The Accounts and Audit (England) Regulations 2015 amended 2021, 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.

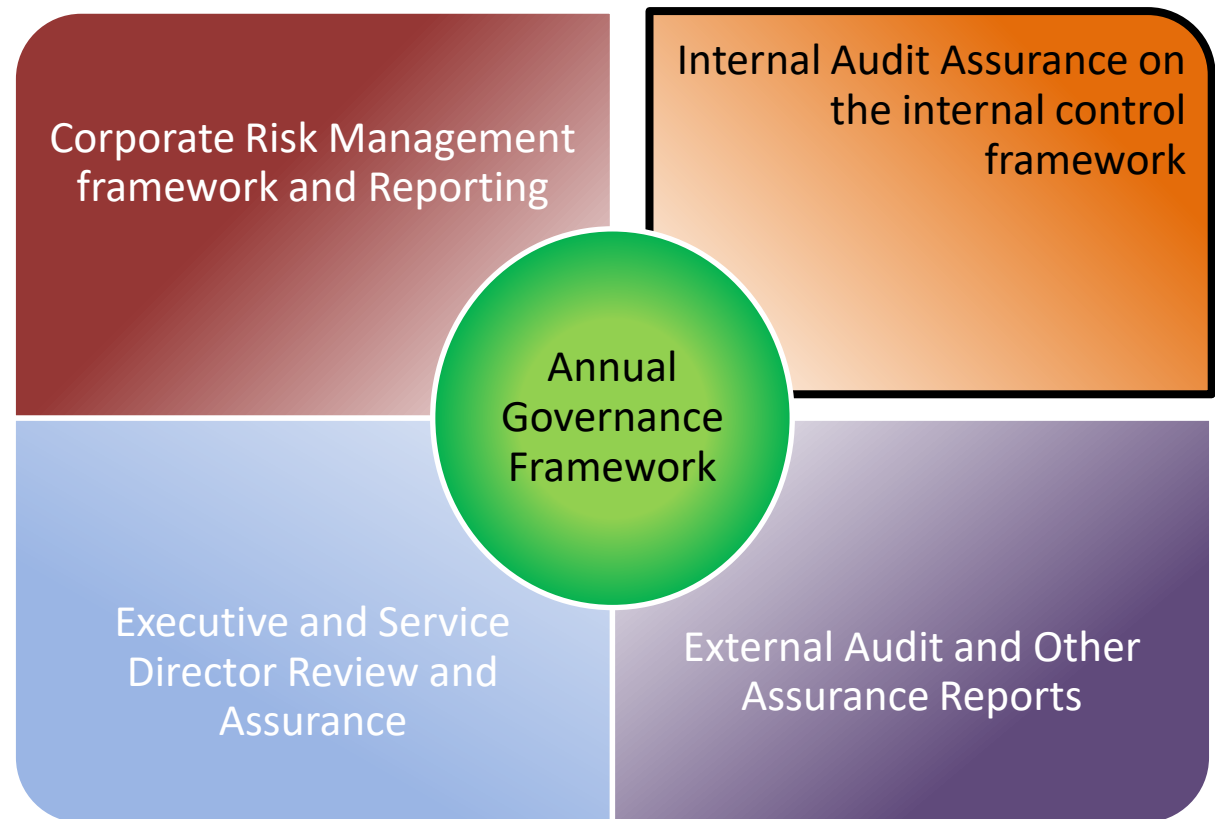
Appendix 2 - Annual Governance Framework Assurance

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, Leader of the Council and Chair of the Audit Committee,
- 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'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 Audit Committee, and then signed by the Chair.

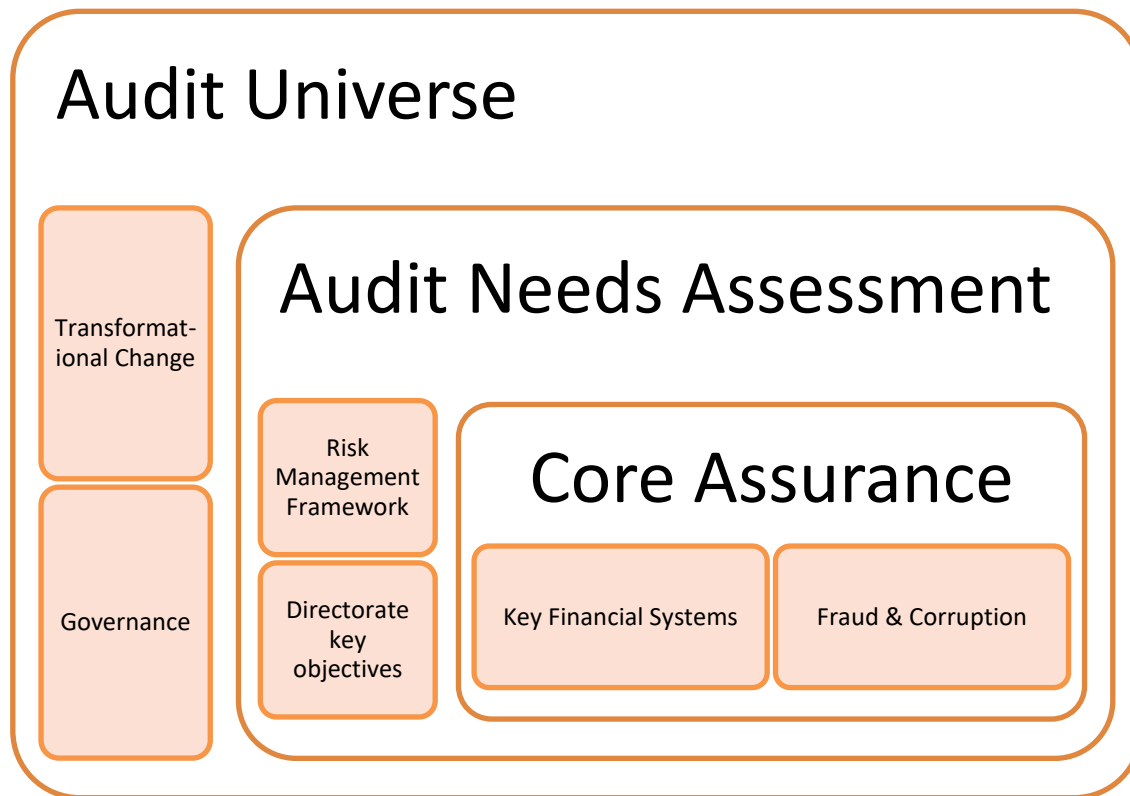
The Committee should satisfy themselves, from the assurances provided by the Annual Governance process, SLT, Internal Audit, and other assurance providers (e.g., ASW Assurance) that the statement meets statutory requirements.

Appendix 3 - Audit Needs Assessment

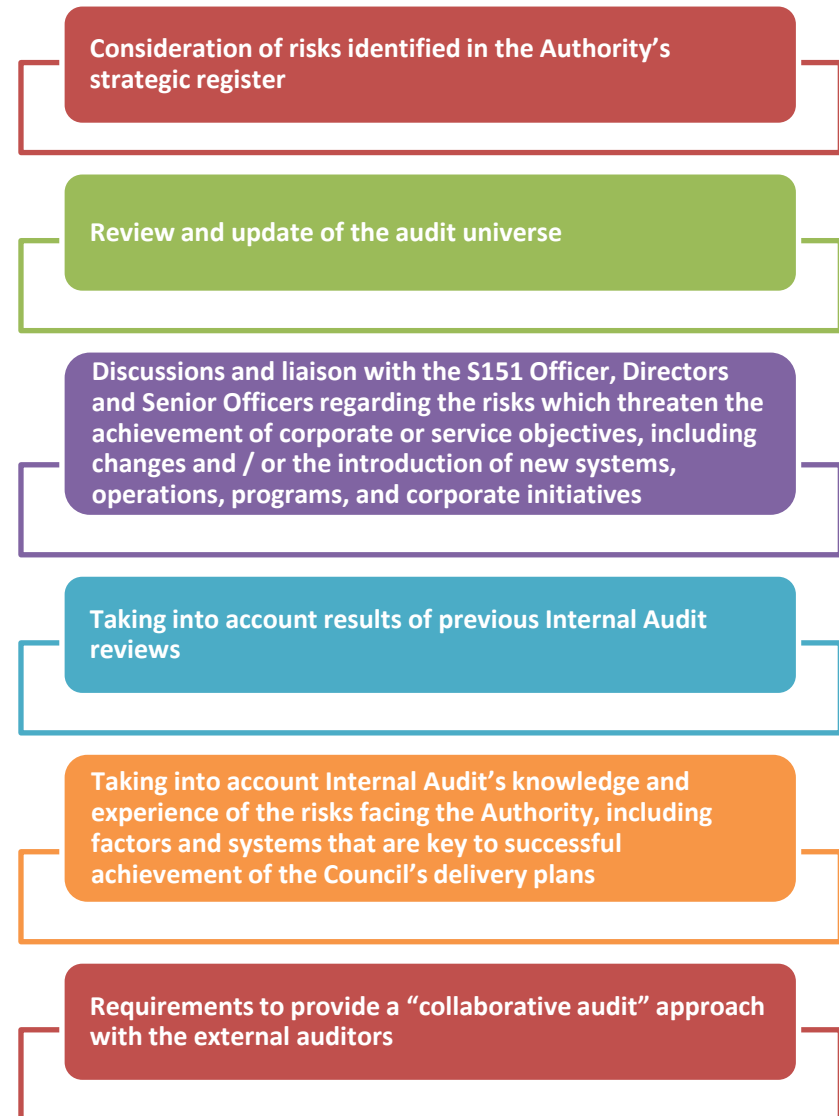
We work closely with the Council’s S151 Officer and employ a risk-based priority audit planning tool to identify those areas where audit resources can be most usefully targeted.

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.

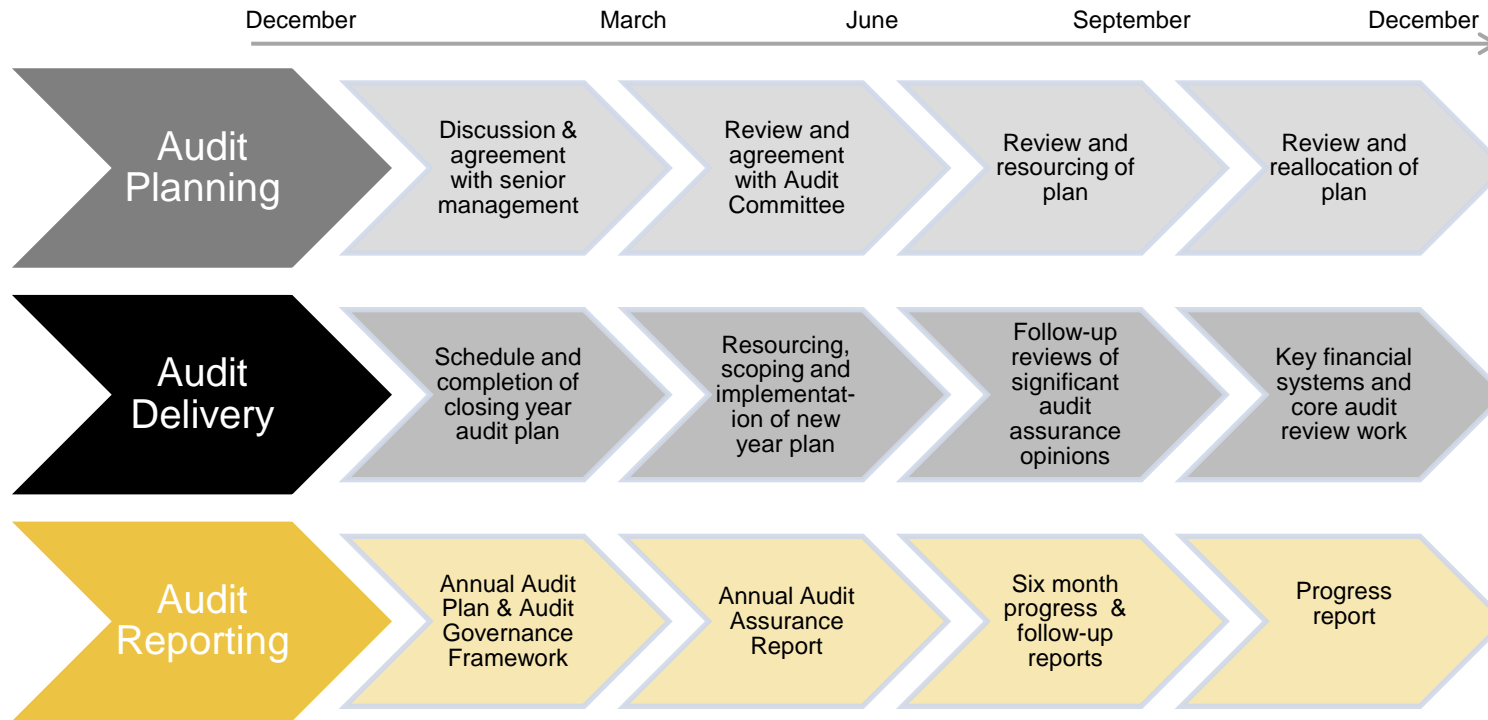
The result is the Internal Audit Plan set out earlier in this report.



The audit plan for the year plan has been created by:



Appendix 4 - Our Audit Team and the Audit Delivery Cycle



Date	Activity
Dec to Feb 2023	Directorate planning meetings
March 2023	Internal Audit Plan presented to Audit Committee
	Internal Audit Governance Arrangements reviewed by Audit Committee
	Year-end field work completed
Apr / May 2023	Annual Performance reports written
May 2023	Annual Internal Audit Report presented to Audit Committee
	Follow –up work of previous year’s audit work commences
January 2024	Follow-up and progress reports presented to Audit Committee
January 2024	Six-month progress reports presented to Audit Committee
	2024/25 Internal Audit Plan preparation commences

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		Claire Moore Audit Manager – Schools T 01392 383000 E claire.moore@devon.gov.uk

MISSION

The Mission of Devon Audit Partnership is to enhance and protect organisational value by providing risk based and objective assurance, advice, and insight across its partners.

TERMS OF REFERENCE

This document details the **Internal Audit Charter** and **Internal Audit Strategy** for Torbay Council as required by the Public Sector Internal Audit Standards (PSIAS). The 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 \(DAP\)](#), and the scope of Internal Audit work. This Charter complies with the mandatory requirements of the PSIAS. The accompanying Audit Strategy is designed to deliver the requirements outlined in the Charter.

DEFINITIONS

Internal auditing is defined by the Public Sector Internal Audit Standards (PSIAS) as “an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes”

The PSIAS 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 Senior Leadership Team. They also make reference to the role of “Chief Audit Executive” For the Council this role is fulfilled by the Head of Devon Audit Partnership (HoDAP).

INDEX TO SECTIONS OF THE CHARTER AND STRATEGY

Charter

3. Statutory Requirements and Purpose of Internal Audit
4. Professionalism, Ethics and Independence
6. Authority
7. Accountability
8. Responsibilities
9. Management
10. Internal Audit Plan and Resources
11. Internal Audit Reporting
12. Relationship with the Audit Committee and Conformance to the Charter
13. Quality Assurance and Improvement Programme

Strategy

14. Audit Strategy - Purpose
15. Annual Audit Opinion
16. Audit Planning & Delivery
17. Performance Management and Quality Assurance
19. Resources and skills
20. Staff Development and use of MKI

CHARTER - STATUTORY REQUIREMENTS AND PURPOSE OF INTERNAL AUDIT

Statutory Requirements

Internal Audit is a statutory service in the context of The Accounts and Audit (England) Regulations 2015, which state:

5.—(1) 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.

In addition, the Local Government Act 1972, Section 151, requires every local authority to designate an officer responsible for the proper administration of its financial affairs. In the Council, the Director of Finance is the 'Section 151 Officer'. One way in which this duty is discharged is by maintaining an adequate and effective internal audit service.

The Purpose and Aim of Internal Audit

The role of Internal Audit is to understand the key risks of the Council, to examine and evaluate the adequacy and effectiveness of the system of risk management and the entire control environment as operated throughout the organisation, and contribute to the proper, economic, efficient, and effective use of resources. In addition, the other objectives of the function are to:

- Support the Section 151 Officer to discharge their statutory duties
- Contribute to and support the Finance function in ensuring the provision of, and promoting the need for, sound financial systems
- Support the corporate efficiency and resource management processes by conducting value for money and efficiency studies and supporting the work of corporate working groups as appropriate
- Provide a quality fraud investigation service which safeguards public monies.

The existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient, and well-ordered manner.

Internal Audit for the Council is provided by Devon Audit Partnership. We aim to provide a high quality, professional, effective, and efficient Internal Audit Service to the Members, directorate areas and service areas of the Council, adding value whenever possible.

CHARTER - PROFESSIONALISM, ETHICS, AND INDEPENDENCE

Being Professional

Devon Audit Partnership will adhere to the relevant codes and guidance. In particular, we adhere to the Institute of Internal Auditors' (IIA's) mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the Public Sector Internal Audit Standards. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing within the public sector and for evaluating the effectiveness of Internal Audit's performance. The IIA's Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, Internal Audit will adhere to the Council's relevant policies and procedures and the internal audit manual. Internal Auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not, however, imply infallibility.

Our Ethics

Internal auditors in UK public sector organisations must conform to the Code of Ethics as set out by IIA. This Code of Ethics promotes an ethical culture in the profession of internal auditing. If individual internal auditors have membership of another professional body, then they must also comply with the relevant requirements of that organisation.

The Code of Ethics extends beyond the definition of internal auditing to include two essential components:

1. Principles that are relevant to the profession and practice of internal auditing.
2. Rules of Conduct that describe behaviour norms expected of internal auditors.

The Code of Ethics provides guidance to internal auditors serving others and applies to both individuals and entities that provide internal auditing services. The Code of Ethics promotes an ethical, professional culture. It does not supersede or replace Codes of Ethics of employing organisations. Internal auditors must also have regard to the Committee on Standards of Public Life's Seven Principles of Public Life

CHARTER - PROFESSIONALISM, ETHICS, AND INDEPENDENCE

Being Independent

Internal Audit should be independent of the activities that it audits. The status of Internal Audit should enable it to function effectively. The support of the Council is essential and recognition of the independence of Internal Audit is fundamental to its effectiveness.

The Head of Devon Audit Partnership should have direct access to and freedom to report in his or her own name and without fear or favour to, all officers and members and particularly to those charged with governance (the Audit Committee). In the event of the necessity arising, the facility also exists for Internal Audit to have direct access to the Chief Executive, the S.151 Officer and the Chair of the Audit Committee.

The Council should make arrangements for Internal Audit to have adequate budgetary resources to maintain organisational independence.

The Head of Devon Audit Partnership should have sufficient status to facilitate the effective discussion of audit strategies, audit plans, audit reports and action plans with senior management and members of the Council.

Auditors should be mindful of being independent, and must:

- Have an objective attitude of mind and be in a sufficiently independent position to be able to exercise judgment, express opinions and present recommendations with impartiality;
- Notwithstanding employment by the Partnership / Council, must be free from any conflict of interest arising from any professional or personal relationships or from any pecuniary or other interests in an activity or organisation which is subject to audit;
- Be free from undue influences which either restrict or modify the scope or conduct of their work or significantly affect judgment as to the content of the internal audit report; and
- Not allow their objectivity to be impaired by auditing an activity for which they have or have had responsibility.



CHARTER - AUTHORITY

Internal Audit, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of the organisation's records, physical properties, and personnel pertinent to carrying out any engagement.

All employees are requested to assist Internal Audit in fulfilling its roles and responsibilities. This is enforced in the Accounts and Audit (England) Regulations 2015 section 5(2-3) that state that: Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit:

- 2) (a) make available such documents and records; and
- (b) supply such information and explanations as are considered necessary by those conducting the internal audit.
- (3) in this regulation “documents and records” includes information recorded in an electronic form

In addition, Internal Audit, through the HoDAP, where deemed necessary, will have unrestricted access to:

- The Chief Executive
- Members
- Individual Directors and Heads of Service
- Section 151 Officer
- Monitoring Officer
- All authority employees
- All authority premises.

CHARTER - ACCOUNTABILITY

Devon Audit Partnership is a shared service established and managed via a Partnership Committee and Board with representation from each partner. The Partnership operates as a separate entity from the client authorities and Internal Audit is therefore independent of the activities which it audits. This ensures unbiased judgements essential to proper conduct and the provision of impartial advice to management. DAP operates within a framework that allows:

- Unrestricted access to senior management and members;
- Reporting in its own name;
- and Separation from line operations

Every effort will be made to preserve objectivity by ensuring that all audit staff are free from any conflicts of interest and do not, ordinarily, undertake any non-audit duties.

The HoDAP fulfils the role of Chief Audit Executive at the Authority and will confirm to the Audit Committee, at least annually, the organisational independence of the internal audit activity. The Director of Finance 'Section 151 Officer' will liaise with the HoDAP and is therefore responsible for monitoring performance and ensuring independence.

The HoDAP reports functionally to the Audit Committee on items such as:

- Approving the internal audit charter;
- Approving the risk based internal audit plan and resources;
- Receiving reports from the Head of Devon Audit Partnership on the section's performance against the plan and other matters;
- Approving the Head of Devon Audit Partnership's annual report'
- Approve the review of the effectiveness of the system of internal audit.

The HoDAP has direct access to the Audit Committee and has the opportunity to meet privately with the Audit Committee.

CHARTER - RESPONSIBILITIES

The Chief Executive, Directors, Heads of Service and other senior officers are responsible for ensuring internal control arrangements are sufficient to address the risks facing their services. The HoDAP will provide assurance to the Director of Finance 'Section 151 Officer' regarding the adequacy and effectiveness of the Council's financial framework, helping meet obligations under the LGA 1972 Section 151.

The HoDAP will provide assurance to the Monitoring Officer in relation to the adequacy and effectiveness of the systems of governance within the Council helping them meet their obligations under the Local Government and Housing Act 1989 and the Council's Constitution. The HoDAP will also work with the Monitoring Officer to ensure the effective implementation of the Council's Whistleblowing Policy'

Internal Audit responsibilities include:

- Examining and evaluating the soundness, adequacy, and application of the Council's systems of internal control, risk management and corporate governance arrangements;
- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- Reviewing the systems established to ensure compliance with policies, plans, procedures, and regulations which could have a significant impact on operations;
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
- Investigating alleged fraud and other irregularities referred to the service by management, or concerns of fraud or other irregularities arising from audits, where it is considered that an independent investigation cannot be carried out by management;
- Appraising the economy, efficiency and effectiveness with which resources are employed and the quality of performance in carrying out assigned duties including Value for Money Studies;
- Working in partnership with other bodies to secure robust internal controls that protect the Council's interests;
- Advising on internal control implications of new systems;
- Providing consulting and advisory services related to governance, risk management and control as appropriate for the organisation; and,
- Reporting significant risk exposures and control issues identified to Audit Committee and to senior management, including fraud risks, governance issues.

CHARTER - MANAGEMENT

The PSIAS describe the requirement for the management of the internal audit function. This sets out various criteria that the HoDAP (as Chief Audit Executive) must meet, and includes:

- Be appropriately qualified;
- Determine the priorities of, deliver and manage the Council's internal audit service through a risk based annual audit plan;
- Regularly liaise with the Council's external auditors to ensure that scarce audit resources are used effectively;
- Include in the plan the approach to using other sources of assurance if appropriate;
- Be accountable, report and build a relationship with the Council's Audit Committee and S151 Officer; and
- Monitor and report upon the effectiveness of the service delivered and compliance with professional and ethical standards.

These criteria are brought together in an Audit Strategy which explains how the service will be delivered and reflect the resources and skills required.

The HoDAP is required to give an annual audit opinion on the governance, risk and control framework based on the audit work done.

The HoDAP should also have the opportunity for free and unfettered access to the Chief Executive and meet periodically with the Monitoring Officer and S151 Officer to discuss issues that may impact on the Council's governance, risk and control framework and agree any action required.

CHARTER - INTERNAL AUDIT PLAN AND RESOURCES

At least annually, the HoDAP will submit to the Audit Committee a risk-based internal audit plan for review and approval. The HoDAP will:

- Develop the annual plan through discussions with Leadership and Heads of Service based on an understanding of the significant risks of the organisation;
- Submit the plan to the Audit Committee for review and agreement;
- Implement the agreed audit plan;
- Maintain a professional audit staff with sufficient knowledge, skills, and experience to carry out the plan and carry out continuous review of the development and training needs;
- Maintain a programme of quality assurance and a culture of continuous improvement;

The internal audit plan will include timings as well as budget and resource requirements for the next fiscal year. The Head of internal audit will communicate the impact of resource limitations and significant interim changes to senior management and the Audit Committee.

Internal Audit resources must be appropriately targeted by assessing the risk, materiality and dependency of the Council's systems and processes. Any significant deviation from the approved Internal Audit plan will be communicated through the periodic activity reporting process.

A requirement of the Council's anti-Fraud and Corruption Strategy is that the HoDAP be notified of all suspected or detected fraud, corruption, or impropriety. All reported irregularities will be investigated in line with established strategies and policies. The audit plan will include sufficient resource to undertake proactive anti-fraud work. Internal audit activities will be conducted in accordance with Council strategic objectives and established policies / procedures.

Monitoring of internal audit's processes is carried out on a continuous basis by internal audit management. Council's members and management may rely on the professional expertise of the HoDAP to provide assurance. Periodically, independent review may be carried out: for example, through peer reviews; ensuring compliance with the PSIAS is an essential approach to such a review.

CHARTER - INTERNAL AUDIT REPORTING

The primary purpose of Internal Audit reporting is to provide to management an independent and objective opinion on governance, the control environment, and risk exposure and to prompt management to implement agreed actions. Internal Audit should have direct access and freedom to report in their own name and without fear or favour to, all officers and members, particularly to those charged with governance (the Audit Committee).

A written report will be prepared for every internal audit project and issued to the appropriate manager accountable for the activities under review. Reports will include an 'opinion' on the risk and adequacy of controls in the area that has been audited, which, together, will form the basis of the annual audit opinion on the overall control environment. The aim of every Internal Audit report should be to:

- Give an opinion on the risk and controls of the area under review, building up to the annual opinion on the control environment; and
- Recommend and agree actions for change leading to improvement in governance, risk management, the control environment and performance.

The Manager will be asked to respond to the report within 21 days, although this period can be extended by agreement. The response must show what actions have been taken or are planned in relation to each risk or control weakness identified. If action is not to be taken, this must also be stated. The HoDAP is responsible for assessing whether the manager's response is adequate

Where deemed necessary, the Internal Audit report will be subject to a follow-up, in order to ascertain whether the action stated by management in their response to the report has been implemented.

The HoDAP will:

- Submit periodic reports to the Audit Committee summarising key findings of reviews and the results of follow-ups undertaken;
- Submit an annual Internal Audit Report to the Audit Committee, incorporating an opinion on the Council's control environment. This will also inform the Annual Governance Statement.



CHARTER - RELATIONSHIP WITH THE AUDIT COMMITTEE, AND CONFORMANCE TO THE CHARTER

The Council's Audit Committee will act as "the Board" as defined in the Public Sector Internal Audit Standards (PSIAS), The Specific Functions of the Audit Committee are set out in the Council's Constitution (Part 2 Article 9 Audit Committee).

The HoDAP will assist the Committee in being effective and in meeting its obligations. To facilitate this, the HoDAP will:

- Attend meetings, and contribute to the agenda;
- Ensure that it receives, and understands, documents that describe how Internal Audit will fulfil its objectives (e.g., the Audit Strategy, annual work programmes, progress reports);
- report the outcomes of internal audit work, in sufficient detail to allow the committee to understand what assurance it can take from that work and/or what unresolved risks or issues it needs to address;
- establish if anything arising from the work of the committee requires consideration of changes to the audit plan, and vice versa;
- present an annual report on the effectiveness of the system of internal audit; and
- present an annual internal audit report including an overall opinion on the governance, risk, and control framework

Any instances of non conformance with the Internal Audit Definition, Code of Conduct or the Standards must be reported to the Audit Committee, and in significant cases consideration given to inclusion in the Annual Governance Statement.

The Head of Devon Audit Partnership will advise the Audit Committee on behalf of the Council on the content of the Charter and the need for any subsequent amendment. The Charter should be approved and regularly reviewed by the Audit Committee.

CHARTER - QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

The PSIAS states that a quality assurance and improvement programme must be developed; the programme should be informed by both internal and external assessments.

An external assessment must be conducted at least once in five years by a suitably qualified, independent assessor. For DAP this was recently conducted at the end of 2021 by the Head of Southwest London Audit Partnership, and the Chief Internal Auditor of Orbis (a partnership organisation covering Brighton and Hove, East Sussex, and Surrey County Council).

The assessment result was that *“Based on the work carried out, it is our overall opinion that DAP generally conforms* with the Standards and the Code of Ethics”*.

The report noted that *“as a result of our work, a small number of areas where partial conformance was identified. These were minor observations, none of which were significant enough to affect the overall opinion”*. DAP is actively addressing these improvement areas.

* **Generally Conforms** - This is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards

AUDIT STRATEGY - PURPOSE

The PSIAS require the HoDAP to produce an Audit Charter setting out audits purpose, authority, and responsibility. We deliver this through our Audit Strategy which:

- Is a high-level statement of how the internal audit service will be delivered and developed in accordance with the Charter and how it links to the organisational objectives and priorities;
- Should be approved, but not directed, by the Audit Committee.
- Will communicate the contribution that Internal Audit makes to the organisation and should include:
 - Internal audit objectives and outcomes;
 - How the HoDAP will form and evidence his opinion on the governance, risk and control framework to support the Annual Governance Statement;
 - How Internal Audit's work will identify and address significant local and national issues and risks; ➤
How the service will be provided, and
 - The resources and skills required to deliver the Strategy.

The Strategy should be kept up to date with the organisation and its changing priorities.

AUDIT STRATEGY - OPINION ON THE GOVERNANCE, RISK AND CONTROL FRAMEWORK

A key objective of Internal Audit is to communicate to management an independent and objective opinion on the governance, risk, and control framework, and to prompt management to implement agreed actions.

Significant issues and risks will be brought to the attention of the S.151 Officer as and when they arise. Regular formal meetings will be held to discuss issues arising and other matters.

The HoDAP will report progress against the annual audit plan and any emerging issues and risks to the Audit Committee. The HoDAP will also provide a written annual report to the Audit Committee, timed to support their recommendation to approve the Annual Governance Statement, to the Council.

The Head of Devon Audit Partnership's annual report to the Audit Committee will:

- Provide an opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework;
- Disclose any qualifications to that opinion, together with the reasons for the qualification;
- Present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance streams;
- Draw attention to any issues the HoDAP judges particularly relevant to the preparation of the Annual Governance Statement;
- Compare audit work actually undertaken against the work that was planned and summarise the performance of the internal audit function against its performance measures and targets; and
- Comment on compliance with the Public Sector Internal Audit Standards and communicate the results of the internal audit quality assurance programme.

AUDIT STRATEGY - PLANNING & AUDIT DELIVERY

INCLUDING LOCAL AND NATIONAL ISSUES AND RISKS

The audit planning process includes the creation of and ongoing revision of an “audit universe” This seeks to identify all risks, systems and processes that may be subject to an internal audit review.

The audit universe will include a risk assessment scoring methodology that takes account of a number of factors including: the Council’s own risk score; value of financial transactions; level of change, impact on the public; political sensitivity; when last audited; and the impact of an audit. This will inform the basis of the resources allocated to each planned audit area.

The results from the audit universe will be used in creating an annual audit plan; such a plan will take account of emerging risks at both local and national level.

Assignment Planning & Delivery

Further planning and risk assessment is required at the commencement of each individual audit assignment to establish the scope of the audit and the level of testing required.

The primary objective of the audit is to provide management with an independent opinion on the risk and control framework through individual audits in the audit plan. Individual audits will be completed using our methodology in our Audit Manual to the standards set by PSIAS, to independently evaluate the effectiveness of internal controls. Our audit assignment report will communicate our opinion and include agreed management action, where required, to improve the effectiveness of risk management, control, and governance processes.

AUDIT STRATEGY - PERFORMANCE MANAGEMENT AND QUALITY ASSURANCE

The PSIAS state that the HoDAP should have in place an internal performance management and quality assurance framework; this framework must include:

- A comprehensive set of *targets to measure performance*. These should be regularly monitored and the progress against these targets reported appropriately;
- Seeking *user feedback* for each individual audit and periodically for the whole service;
- A periodic review of the service against the Strategy and the achievement of its aims and objectives. The results of this should inform the future Strategy and be reported to the Audit Committee;
- Internal quality reviews to be undertaken periodically to ensure compliance with the PSIAS and the Audit Manual (self-assessment); and
- An action plan to implement improvements.

The PSIAS and the Internal Audit Manual state that internal audit performance, quality and effectiveness should be assessed for each individual audit; and for the Internal Audit Service as a whole. The HoDAP will closely monitor the performance of the team to ensure agreed targets are achieved. A series of performance indicators have been developed for this purpose (please see the following pages).

Customer feedback is also used to define and refine the audit approach. Devon Audit Partnership will seek feedback from: auditees; senior leadership; and executive management. The results from our feedback will be reported to Senior Management and the Audit Committee in the half year and annual reports.

The HoDAP is expected to ensure that the performance and the effectiveness of the service improves over time, in terms of both the achievement of targets and the quality of the service provided to the user.

AUDIT STRATEGY - PERFORMANCE MANAGEMENT AND QUALITY ASSURANCE

Performance Indicator	Full year target
Percentage of Audit Plan completed	90%
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%
Draft reports produced with target number of days (currently 15 days)	90%
Final reports produced within target number of days (currently 10 days)	90%

Internal Audit
Performance
Monitoring
Targets

Task	Performance measure
Agreement of Annual audit plan	Agreed by Chief Executive, Leadership Team and Audit Committee prior to start of financial year
Agreement of assignment brief	Assignment briefs are agreed with and provided to auditee at least two weeks before planned commencement date.
Undertake audit fieldwork	Fieldwork commenced at agreed time
Verbal debrief	Confirm this took place as expected; was a useful summary of the key issues; reflects the findings in the draft report.
Draft report	Promptly issued within 15 days of finishing our fieldwork. Report is "accurate" and recommendations are both workable and useful.
Draft report meeting (if required)	Such a meeting was useful in understanding the audit issues
Annual internal audit report	Prepared promptly and ready for senior management consideration by end of May. Report accurately reflects the key issues identified during the year.
Presentation of internal audit report to Management and Audit Committee.	Presentation was clear and concise. Presented was knowledgeable in subject area and able to answer questions posed by management / members.
Contact with the audit team outside of assignment work.	You were successfully able to contact the person you needed, or our staff directed you correctly to the appropriate person. Emails, letters, telephone calls are dealt with promptly and effectively.

Other indicators measured as part of the audit process that will be captured and reported to senior management

AUDIT STRATEGY - RESOURCES AND SKILLS

The PSIAS and the Audit Manual states that:

- Internal Audit must be appropriately staffed in terms of numbers, grades, qualifications and experience, having regard to its responsibilities and objectives, or have access to the appropriate resources;
- The Internal Audit service shall be managed by an appropriately qualified professional with wide experience of internal audit and of its management; and
- The Chief Audit Executive (Head of Devon Audit Partnership) should be of the calibre reflecting the responsibilities arising from the need to liaise with members, senior management, and other professionals, and be suitably experienced.

DAP currently has c.40 staff who operate from any one of our three main locations (Plymouth, Torquay, and Exeter), we also operate from offices at Torridge DC (Bideford), Mid Devon DC (Tiverton) and South Hams/West Devon Councils (Totnes). The Partnership employs a number of specialists in areas such as Computer Audit, Contracts Audit and Counter Fraud Investigators as well as a mix of experienced, professionally qualified and non-qualified staff.

The Partnership draws on a range of skilled staff to meet the audit needs. Our current staff includes: -

- 3 x Chartered Accountants
- 8 x qualified IIA (CMIIA and PIIA)
- 1 x qualified computer audit (QICA)
- 1 x risk management (IRM)
- 11 x AAT (qualified and part qualified)
- 6 x ACFS / ACFT (accredited counter fraud specialists)
- 4 x ILM (Institute of Leadership & Management) level 5 or above
- 4 Apprentices (Fraud, Cyber, Data Analyst, IIA)

AUDIT STRATEGY - STAFF DEVELOPMENT AND TRAINING AND USE OF MK AUDIT

Staff Skills and Development

Devon Audit Partnership management assess the skills of staff to ensure the right people are available to undertake the work required.

Staff keep up to date with developments within internal audit by attending seminars, taking part in webinars and conferences, attending training events and keeping up to date on topics via websites and professional bodies. Learning from these events helps management to ensure they know what skills will be required of our team in the coming years, and to plan accordingly.

Devon Audit Partnership follows formal appraisal processes that identify how employees are developing and create training and development plans to address needs.

Internal Audit Software System

Devon Audit Partnership uses Pentana MK as an audit management system. This system allows Partnership management to effectively plan, deliver, and report audit work in a consistent and efficient manner. The system provides a secure working platform and ensures confidentiality of data. The system promotes mobile working, allowing the team to work effectively at client locations or at remote locations should the need arise.

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