

East Devon District Council

Proposed 2021-22 Internal Audit Plan and Internal Audit Charter

The Internal Audit Plan: Summary

The internal audit plan represents a summary of the proposed audit coverage that the internal audit team will deliver throughout the 2021/22 financial year.

Delivery of an internal audit programme of work that provides sufficient and appropriate coverage, will enable us to provide a well-informed and comprehensive year-end annual internal audit opinion.

Introduction and Objective of the Internal Audit Plan

Internal audit provides an independent and objective opinion on the Authority's risk management, governance, and control environment by evaluating its effectiveness.

Prior to the start of each financial year, SWAP, in conjunction with senior management, put together a proposed plan of audit work. The objective of our planning process and subsequent plan is to put us in a position to provide a well-informed and comprehensive annual audit opinion, based on sufficient and appropriate coverage of key business objectives, associated risks, and risk management processes.

The outcomes of each of the audits in our planned programme of work, will provide senior management and Members with assurance that the current risks faced by the Authority in these areas are adequately controlled and managed.

It should be noted that internal audit is only one source of assurance, and the outcomes of internal audit reviews should be considered alongside other sources, as part of the 'three lines' assurance model. Key findings from our internal audit work should also be considered in conjunction with completion of the Authority's AGS.

It is the responsibility of the Authority's Senior Management Team and the Audit Committee, to confirm that the audit coverage contained within the proposed audit plan is sufficient and appropriate in providing independent assurance against the key risks faced by the organisation.

When reviewing the proposed internal audit plan (as set out in Appendix 1), key questions to consider include:

- Are the areas selected for coverage this coming year appropriate?
- Does the internal audit plan cover the organisation's key risks as they are recognised by the Senior Management Team and Audit and Governance Committee?
- Is sufficient assurance being received within our annual plan to monitor the organisation's risk profile effectively?

The Internal Audit Plan: Approach

To develop an appropriate risk-based audit plan, SWAP have consulted with senior management, as well as reviewing key documentation, in order to obtain an understanding of the organisation's strategies, key business objectives, associated risks, and risk management processes.

Approach to Internal Audit Planning 2021/22

The factors considered in putting together the 2021/22 internal audit plan have been set out below:



Due to the pace of change within Local Authorities and now the impact from Covid-19, it is becoming increasingly difficult to accurately predict longer-term key organisational risks. Our approach to delivering your internal audit plan will remain flexible to meet that change and respond to new and emerging risks. We will be embracing short-term prioritisation with regular review/updates to the audit plan to mirror the changing pace of risk and assurance needs. We will adopt an 'agile' approach and, each quarter, we will review the next quarter's plan to ensure that we are auditing the right areas at the right time; any necessary changes will, of course, be agreed with the Corporate Management Team, and the Audit Committee will be kept informed.

The Internal Audit Plan: Risk Assessment

A documented risk assessment prior to developing an internal audit plan, ensures that sufficient and appropriate areas are identified for consideration.

As above, it is the responsibility of the Authority's Leadership Team, and the Audit Committee to ensure that, following our risk assessment, the proposed plan contains sufficient and appropriate coverage.

Internal Audit Annual Risk Assessment

Our 2021/22 internal audit programme of work is based on a documented risk assessment, which SWAP will re-visit regularly, but at least annually. The input of senior management as well as review of the Authority's risk register will be considered in this process.

Below we have set out a summary of the outcomes of the risk assessment for East Devon District Council:



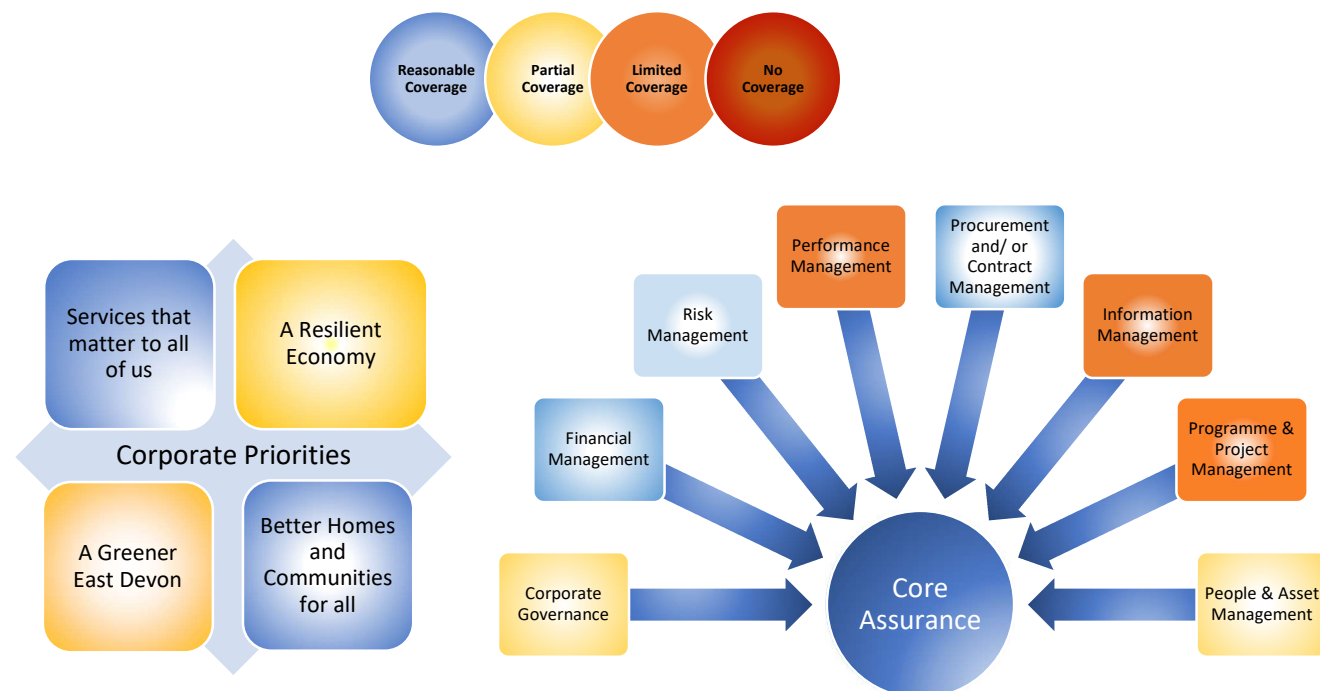
The Internal Audit Plan: Coverage

Following our SWAP Risk Assessment above, we have set out how the proposed 20/21 plan presented in Appendix 1 provides coverage of the Authority's key corporate outcomes, as well as our core areas of recommended coverage.

Internal audit is only one source of assurance; therefore, where we have highlighted gaps in our coverage, assurance should be sought from other sources where possible in order to ensure sufficient and appropriate assurances are received.

Internal Audit Coverage in 2021/22

Following our SWAP risk assessment, we have set out below the extent to which the proposed plan presented in Appendix 1 provides coverage of the Authority's key corporate priorities, as well as our core areas of recommended coverage. Where we have highlighted limited or no coverage, Senior Management and Audit Committee should seek and document assurance from alternative sources, or consider re-focussing internal audit resource to provide coverage of these areas:



Internal audit coverage can never be absolute and responsibility for risk management, governance and internal control arrangements will always remain fully with management. As such, internal audit cannot provide complete assurance over any area, and equally cannot provide any guarantee against material errors, loss or fraud.

The Internal Audit Plan: SWAP

SWAP Internal Audit Services is a public sector, not-for-profit partnership, owned by the public sector partners that it serves. The SWAP Partnership now includes 26 public sector partners, crossing eight Counties, but also providing services throughout the UK.

As a company, SWAP has adopted the following values, which we ask our clients to assess us against following every piece of work that we do:

- Candid
- Relevant
- Inclusive
- Innovative
- Dedicated

Your Internal Audit Service

Audit Resources

The current internal audit resources available represent a sufficient and appropriate mix of seniority and skill to be effectively deployed to deliver the planned work. The key contacts in respect of your internal audit service for East Devon District Council are:

Alastair Woodland, Assistant Director – alastair.woodland@swapaudit.co.uk, or 07720312467

Adam Williams, Principal Auditor – adam.williams@swapaudit.co.uk

Georgina Teale, Senior Auditor – Georgina.teale@swapaudit.co.uk

Conformance with Public Sector Internal Audit Standards

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

Every three years, SWAP is subject to an External Quality Assessment of Internal Audit Activity. The last of these was carried out in February 2020 which confirmed conformance with the Public Sector Internal Audit Standards.

Conflicts of Interest

We are not aware of any conflicts of interest within East Devon District Council that would present an impairment to our independence or objectivity. Furthermore, we are satisfied that we will conform with our IIA Code of Ethics in relation to Integrity, Objectivity, Confidentiality, and Competency.

Consultancy Engagements

As part of our internal audit service, we may accept proposed consultancy engagements, based on the engagement's potential to improve management of risk, add value and improve the organisation's operations. Consultancy work that is accepted, will contribute to our annual opinion and will be included in our plan of work.

Approach to Fraud

Internal audit may assess the adequacy of the arrangements to prevent and detect irregularities, fraud and corruption. We have dedicated counter fraud resource available to undertake specific investigations if required. However, the primary responsibility for preventing and detecting corruption, fraud and irregularities rests with

The Internal Audit Plan: SWAP

Over and above our internal audit service delivery, SWAP will look to add value throughout the year wherever possible. This will include:

- **Benchmarking and sharing of best practice between our public-sector Partners**
- **Regular newsletters and bulletins containing emerging issues and risks.**
- **Communication of fraud alerts received both regionally and nationally.**
- **Annual Member training sessions**

management who should institute adequate systems of internal control, including clear objectives, segregation of duties and proper authorisation procedures.

Our Reporting

A summary of internal audit activity will be reported quarterly to senior management and the Audit Committee. This reporting will include any significant risk and control issues (including fraud risks), governance issues and other matters that require the attention of senior management and/or the Audit Committee. We will also report any response from management to a risk we have highlighted that, in our view, may be unacceptable to the organisation.

Internal Audit Performance:

As part of our regular reporting to senior management and the Audit Committee, we will report on internal audit performance. The following performance targets will be used to measure the performance of our audit activity:

Performance Measure	Performance Target
<u>Delivery of Annual Internal Audit Plan</u> Completed at year end.	>90%
<u>Quality of Audit Work</u> Overall Client Satisfaction <i>(did our audit work meet or exceed expectations, when looking at our Communication, Auditor Professionalism and Competence, and Value to the Organisation)</i>	>95%
<u>Outcomes from Audit Work</u> Value to the Organisation <i>(client view of whether our audit work met or exceeded expectations, in terms of value to their area)</i>	>95%

It should be noted that the audit titles and high-level scopes included below are only indicative at this stage for planning our resources. At the start of each audit, an initial discussion will be held to agree the specific terms of reference for the piece of work, which includes the objective and scope for the review.

As we move to a more continuous audit planning cycle the following Table A outlines the work for quarters 1 and 2 (April – September 2021). Further down Table B highlights the potential work for later in 2021-22 which will be confirmed towards the end of quarter 2.

Table A

Audit Name	Areas of Coverage and Brief Rationale	Quarter	Link Corporate Risk Register (Strategic or Operational)	Link to Corporate Outcome	Healthy Organisation Theme
Accounts Receivable (Debtors)	<i>Review again in 2020/21 as there were significant changes going on in the department including new systems and processes. Review to ensure arrangements are effective for ensuring all invoices are raised where necessary and effective debt collection arrangements in place to maximise income to the Authority.</i>	1	FIN-RK-0158	Services that matter to all of us	Financial Management
Payroll	<i>. To include Strata payroll. Implementation of iTrent changes</i>	1	FIN-RK-0081	Services that matter to all of us	Financial Management
Post payment assurance for COVID-19 grant schemes	<i>Undertaking post payment assurance checks. There has been a requirement to pay grants as quickly as possible with caveats in the conditions that there will be significant post payment assurance work.</i>	1	-	Services that matter to all of us	Corporate Governance
Health and Wellbeing	<i>Impact of Covid-19 on staff and mental health support provided by the Council</i>	1	OD-RK-0024	Services that matter to all of us	People and Asset Management
Contract Management	<i>Focus on smaller contracts. Follow up on potential issues identified in the Procurement Audit.</i>	1	LGL-RK-0113	Services that matter to all of us	Commissioning and Procurement
Risk Management	<i>Is Risk Management fully imbedded? Risks to Council Priorities not included in Register.</i>	2	-	Services that matter to all of us	Risk Management
Decision Making	<i>This is to examine the clarity on decision making process and ensure that decisions are made in line with delegated powers. It will also examine the relationship arrangements for effective decision making. Deferred from Q4 of 2020-21 Plan.</i>	2	010-RK-0211	Services that matter to all of us	Corporate Governance

Audit Name	Areas of Coverage and Brief Rationale	Quarter	Link Corporate Risk Register (Strategic or Operational)	Link to Corporate Outcome	Healthy Organisation Theme
Workforce Planning	<i>Austerity has forced local government to significantly cut its workforce. There has also been a freeze on public sector pay. As councils have reorganised and delivery models have changed skill sets have changed and staff have higher workloads. What is EDDC doing to maintain dedicated and competent workforce with the right skills. Consider workforce planning, succession planning, recruitment and retention process and staff training opportunities.</i>	2	OD-RK-0025	<i>Services that matter to all of us</i>	<i>People and Asset Management</i>
ICT Assurance	<i>Potential time to cover aspects around the ICT environment outside of Strata's remit.</i>	2	-	-	<i>Information Management</i>
Corporate H&S – Revised Working arrangements	<i>Focus on changes as a result of COVID-19 and workforce returning to the office environment during 2021. Updating of risk assessments</i>	2	010-RK-0208	<i>Services that matter to all of us</i>	<i>People and Asset Management</i>
Financial Planning (MTFP)	<i>Budget gap for 2021/22 and 2022/23.</i>	2	010-RK-0054	<i>Services that matter to all of us</i>	<i>Financial Management</i>
Fleet Management	<i>Requested by Members. Focus on whether the current policy is appropriate and the green agenda – increased use of Electrical Vehicles.</i>	2	N/A	<i>Services that matter to all of us.</i>	<i>People and Asset Management</i>
S106/CIL	<i>Limited Assurance Opinion audit in 2020/21. Follow up of actions agreed.</i>	2	PLA-EK-0198	<i>Homes and Communities</i>	<i>Programme Management</i>

The following audits are other areas that we are planning on undertaking in quarter 3 and 4 but could be subject to change. This will form the basis of a rolling 12-month plan. A longer list of other potential areas for consideration can be found on the members portal.

Table B

Audit Name	Areas of Coverage and Brief Rationale	Indicative Quarter	Link Corporate Risk Register (Strategic or Operational)	Link to Corporate Outcome	Healthy Organisation Theme
Play Schemes/Areas	Capital, repairs, inspections for safety	3	STR-RK-0006	Homes and Comm	People and Asset Management
Main Accounting	Key control audit last completed in 2018/19. This will include budgetary control	3	010-RK-0054	Services that matter to all of us	Financial Management
Housing Rents	Impact of Covid-19 on rental income. Possible increase in tenants claiming Universal Credit/Housing Benefit	3	HOU-RK-0045	Services that matter to all of us	Financial Management
Housing Benefit and Council Tax Support	Has there been an increase in Housing Benefit claims due to COVID-19? Review of controls over the new Council Tax Support Scheme.	3	FIN-RK-0109	Services that matter to all of us.	Financial Management
Economic Resilience	Impact of Covid-19 on Growth Point (Strategic Risk) and other area development. Decline of High Streets. What is EDDC doing to support small businesses.	3	010-RK-0025	A Resilient Economy	Programme management
Leisure East Devon (LED)	We reviewed this back in 2014/15 but not since. To look at arrangements in place to ensure that the leisure service is being delivered according to the contracts in place.	3	COU-RK-0092	Homes and Comm	Programme & Project Management
Homelessness	Look at increasing need for Temporary Accommodation due to Covid-19. Impact on the housing service due to more people getting evicted.	3	010-RK-0026	Homes and Communities	-
Housing Compliance – Asbestos	Rolling Programme of audits covering Gas Safety, Fire Safety Management, Asbestos Management and legionella. For 2021-22 the focus will be on Asbestos. The Council has a legal duty under the Asbestos Regulations to ensure that properties with asbestos are known and effectively managed.	4	HOU-RK-0023	Homes and Communities	-

Audit Name	Areas of Coverage and Brief Rationale	Indicative Quarter	Link Corporate Risk Register (Strategic or Operational)	Link to Corporate Outcome	Healthy Organisation Theme
Disabilities Facilities Grants (DFG) and Better Care Funds	<p><i>You could get a DFG grant if you're disabled and need to make changes to your home, for example to: widen doors and install ramps; improve access to rooms and facilities – e.g., stairlifts or a downstairs bathroom; provide a heating system suitable for your needs; adapt heating or lighting controls to make them easier to use.</i></p> <p><i>The Council haven't been using all the grants allocated. This review will look at how the grants are promoted and administered to ensure they are being used effectively and the risk around fraud is minimised.</i></p>	4	HOU-RK-0040	Homes and Communities	Financial Management
Climate Change	Climate Change Strategy in place. Focus on progress made by services on their Carbon Impaction Action plans	4	N/A	A Greener East Devon	Programme Management

The Internal Audit Charter

Purpose

The purpose of this Charter is to set out the nature, role, responsibility, status and authority of internal auditing within East Devon District Council, and to outline the scope of internal audit work.

Approval

This Charter was approved by the Audit and Governance Committee on 24 September 2020 and is reviewed each year to confirm it remains accurate and up to date. It was last reviewed by the Audit and Governance Committee on 18 March 2021*.

Provision of Internal Audit Services

The internal audit service is provided by the SWAP Internal Audit Services (SWAP). This charter should be read in conjunction with the Service Agreement, which forms part of the legal agreement between the SWAP partners.

The budget for the provision of the internal audit service is determined by the Council, in conjunction with the Members Meeting. The general financial provisions are laid down in the legal agreement, including the level of financial contribution by the Council, and may only be amended by unanimous agreement of the Members Meeting. The budget is based on an audit needs assessment which is reviewed each year by the S151 Officer in consultation with the Chief Executive of SWAP.

Role of Internal Audit

The Accounts and Audit (England) Regulations 2015, state that: *“A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the public sector internal auditing standards or guidance.”*

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the Council’s operations. It helps the Council accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Responsibilities of Management, Audit, Governance and Standards Committee and of Internal Audit

Management¹

Management is responsible for ensuring SWAP has:

- the support of management and the Council;
- direct access and freedom to report to senior management, including the Council’s Chief Executive and the Audit, Governance and Standards Committee; and
- Notification of suspected or detected fraud, corruption or impropriety.

Management is responsible for establishing (including the tracking and implementation of Internal Audit recommendations) and maintaining internal controls, including proper accounting records and other management information and is also responsible for the appropriate and effective management of risk.

¹ In this instance Management refers to the Senior Management Team and Statutory Officers.

Audit and Governance Committee²

The Audit and Governance Committee is responsible for approving the scope of internal audit work, receiving communications from the SWAP Assistant Director (as Head of Internal Audit³) on the progress of work undertaken, reviewing the independence, objectivity, performance, professionalism and effectiveness of the Internal Audit function, and obtaining reassurance from the SWAP Assistant Director as to whether there are any limitations on scope or resources.

Internal Audit

The SWAP Assistant Director is responsible for determining the scope, except where specified by statute, of internal audit work and for recommending the action to be taken on the outcome of, or findings from, their work designed to provide assurance and add value.

Internal audit is responsible for operating under the policies established by management in line with best practice. A range of SWAP policies exist to underpin staff and service development, including to seek out and implement new innovative audit techniques and increase technological solutions to ensure provision of an efficient and effective service and consolidate the role of Trusted Advisor.

Internal audit is responsible for conducting its work in accordance with the mandatory elements of the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note. SWAP has been independently assessed and found to conform with the Standards.

Internal audit is not responsible for any of the activities which it audits. SWAP staff will not assume responsibility for the design, installation, operation or control of any procedures. SWAP staff who have previously worked for the organisation will not be asked to review any aspects of their previous department's work until a minimum of one year has elapsed.

Relationship with the External Auditors/Other Regulatory Bodies

Internal Audit will co-ordinate its work with others wherever this is beneficial to the organisation.

Status of Internal Audit in the Organisation

The Chief Executive of SWAP is responsible to the SWAP Board of Directors and the Members Meeting. Appointment or removal of the Chief Executive of SWAP is the sole responsibility of the Members Meeting.

The Chief Executive for SWAP and Assistant Director also report to the Section 151 Officer, and report to the Audit and Governance Committee as set out below.

The Assistant Director will be the first and primary point of contact for East Devon District Council for all matters relating to the Audit and Governance Committee, including the provision of periodic reports, as per company policy. The Assistant Director is also responsible for the design, development and delivery of audit plans, subject to the agreement of the Council.

² In this instance Audit, Governance and Standards Committee relates to "The Board" referred to in the PSIAS.

³ PSIAS refers to the 'chief audit executive'.

Scope and authority of Internal Audit work

There are no restrictions placed upon the scope of internal audit's work. SWAP staff engaged on internal audit work are entitled to receive and have access to whatever information or explanations they consider necessary to fulfil their responsibilities to senior management. In this regard, internal audit may have access to any records, personnel or physical property of East Devon District Council.

Internal audit work will normally include, but is not restricted to:

- reviewing the reliability and integrity of financial and operating information used for operational and strategic decision making, and the means used to identify, measure, classify and report such information;
- evaluating and appraising the risks associated with areas under review and make proposals for improving the management and communication of risks;
- appraise the effectiveness and reliability of the enterprise risk management framework and recommend improvements where necessary;
- assist management and Members to identify risks and controls with regard to the objectives of the organisation and its services;
- reviewing the systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and determining whether the organisation is in compliance;
- reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets;
- appraising the economy, efficiency and effectiveness with which resources are employed;
- reviewing operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned, with performance and accountabilities established.
- reviewing the operations of the organisation in support of their anti-fraud and corruption policy, ethical expectations and corporate values (and investigating where necessary) ethical expectations and corporate, social and environmental values and responsibilities; and.
- at the specific request of management, internal audit may provide consultancy services (including e.g. data analytics, benchmarking, strategic/project reviews/investigations etc) provided:
 - the internal auditor's independence is not compromised.
 - the internal audit service has the necessary skills to conduct the assignment, or can obtain such skills without undue cost or delay.
 - the scope of the consultancy assignment is clearly defined, and management can resource the work.

Management understands that the work being undertaken is not internal audit work although the outcomes may contribute to the annual opinion.

Planning and Reporting

SWAP will submit an internal audit plan to Management and the Audit and Governance Committee for approval, setting out the recommended scope of work and which will be developed with reference to current and emerging risks. The plan will be reviewed on a quarterly basis to ensure it remains relevant and adequately resourced.

SWAP will carry out the work as agreed, report the outcomes and findings both during and on completion of reviews, and make recommendations on action to be taken to the appropriate officers and copied to the S151 Officer. SWAP will present a regular summary of their work to Management and the Audit and Governance Committee, including assessing the organisation's implementation of previous recommendations along with any significant, persistent and outstanding issues.

Internal audit reporting will normally comprise a brief presentation to relevant officers and accompanied by an appropriately detailed written report, with the format tailored as necessary to the nature of the work. The detailed report will also be copied to the Section 151 Officer and to other relevant line management.

The Assistant Director will submit an annual report to the Audit and Governance Committee providing an overall opinion of the status of risk and internal control within the Council, based upon, and limited to, internal audit activity conducted during the previous year.

In addition to the reporting lines outlined above, the Chief Executive of SWAP and SWAP Directors and Assistant Directors have the unreserved right to report directly to the Leader of the Council, the Chairman of the Audit and Governance Committee, the organisation's Chief Executive Officer or the External Audit Manager.

Revised March 2021.