

**Cherwell District Council
South Northamptonshire Council**

Internal Audit Strategic Plan 2017/18 – 2019/20

February 2017



cw audit
audit and assurance services

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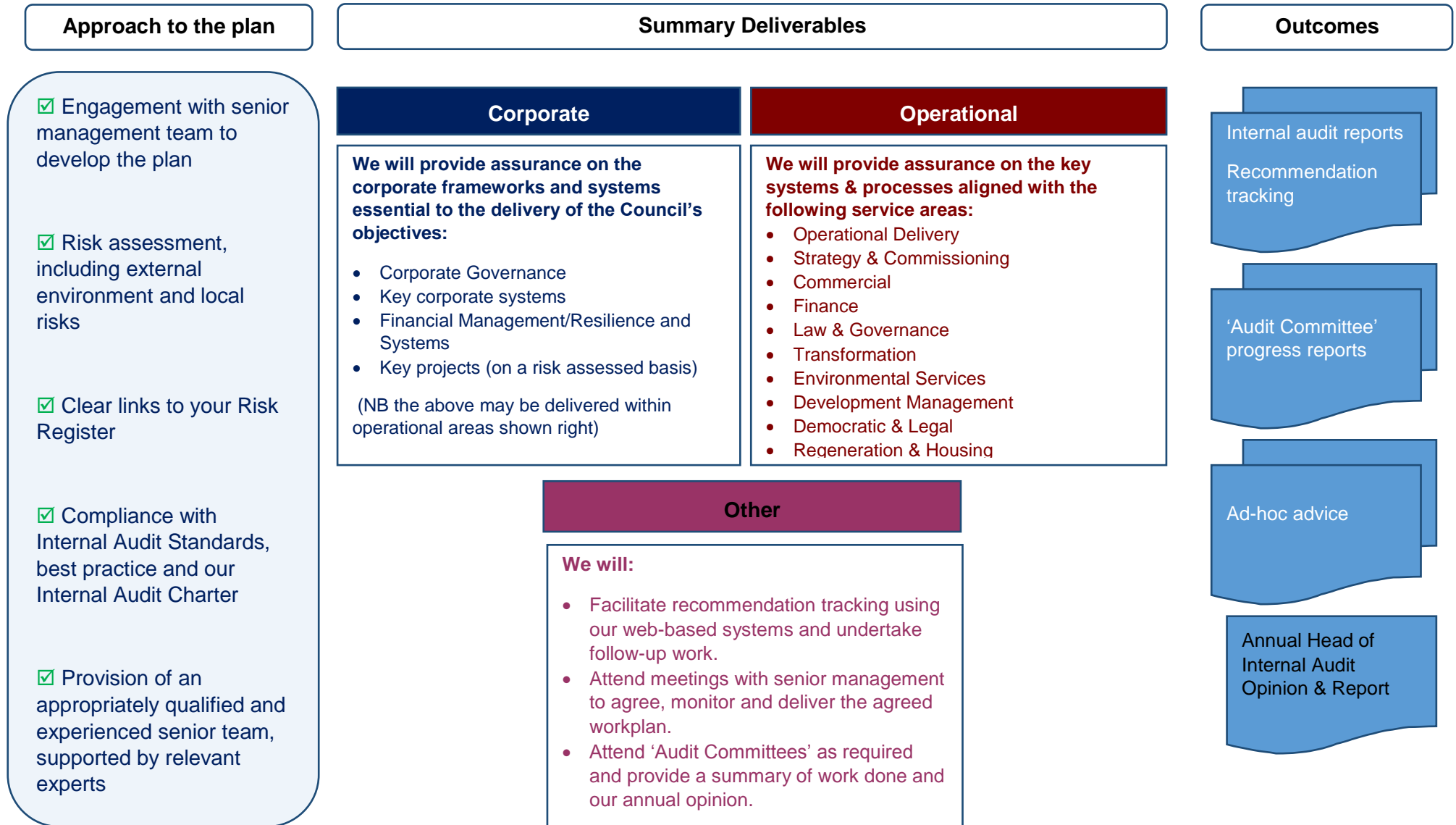
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1. Your Plan on a Page

The diagram below summarises how the detailed plan will be developed and outlines the approach to be taken in 2017/18 to deliver the plan.



2. Risk Assessment

The strategic plan for 2017/18 to 2019/20 has been prepared as follows:

- Review of risks recorded in the Strategic Risk Register reported to the December 2016 meeting of the Accounts, Audit and Risk Committee (CDC) and Audit Committee (SNC);
- Review of 2016/17 Business Plans and 5-year Business Strategies for each of the Councils.
- Assessment of any risk areas emanating from Internal Audit reviews conducted in the 2016/17 financial year reported to the relevant Committees.
- Assessment of external audit reports to the relevant Committees.
- Discussions with the Chief Finance Officer and Interim Group Accountant.

The strategic plan is attached at Appendix One. A more detailed operational plan for the 2017/18 year has also been developed following meetings with key officers of the two Councils to progress our risk assessment process, and is attached at Appendix Two.

We understand that the two Councils share a management structure and seek to operate shared systems/services in most areas. Accordingly we have prepared a plan across the two Councils based on an audit approach which can maximise efficiency where such shared structures/systems/services are largely in place. On this basis we have prepared a plan that provides for joint audits covering both Councils. The total number of days we have quoted is based on our experience of the coverage necessary for similar sized Councils in order to provide a balanced Head of Audit Opinion in accordance with Public Sector Internal Audit Standards (PSIAS) requirements. The synergy between the two Councils enables a significant saving in audit days compared to Councils without such shared systems/services.

The plan below sets out key areas of corporate governance/systems and financial assurance which we would expect to cover in the first year and indicatively in year two and three of a three-year strategic audit plan. It also refers to initial area(s) of operational assurance for the first year of the plan.

We expect our plans to be able to change given changing risks and assurance needs in any case and also to enable clearer reflection of the Councils' current and ongoing risks as our knowledge of the Councils develops.

3. The Team

Tim Ridout will act as your Chief Internal Auditor, reporting to Mark Watkins, Head of Internal Audit. Tim will lead the team, supported by a core team and relevant specialists as appropriate.

4. Price

The North of England Central Procurement Collaborative (NOECPC) Framework Agreement sets out a composite daily rate of £255 (+VAT), which remains fixed for the three year period of the contract. The agreement also allows for discounts for volume of business over certain pre-determined levels as follows:

No of Days	1-49	50-99	100-149	150-249	250-300
Discount%	0	0	0	1.5	2

Given the plan totals 272 days in year 1 (2017/18) for the two Councils together the cost of providing the Councils with a PSIAS compliant Internal Audit service will be £68860.20 plus VAT.

The cost for each Council will accordingly be £34430.10, plus VAT, per annum.

5. Conclusion

This internal audit plan has been designed to meet your requirements and fulfil the requirements of Internal Audit Standards. The draft plan for this Council is presented to the Committee for final consideration and approval.

Tim Ridout, Assistant Director of Internal Audit

Appendix One: Strategic Internal Audit Workplan 2017/18 - 2019/20

Area	Audit Assignment	2017/18	2018/19	2019/20
Corporate Governance & Systems	Information Governance/IT/Information Systems Risk Assessment	14		
	Information Governance/IT/Information Systems – audits arising from Risk Assessment (as required and agreed)		16	16
	Corporate Health & Safety		14	
	Business Continuity/Disaster Recovery (included in IT Transformation Programme)	12		
	Emergency Planning			12
	Programme/Project/Change Management (incl Transformation Programme)	14		
	Risk Management			12
	Procurement & Contract Management		14	
	Human Resources/Workforce Planning etc	14		
	Asset Management		12	
	Performance Management/Business Planning		12	
	Partnership working/shared services	14		
	Corporate Governance			16
Project Assurance – provision to provide assurance and advice in relation to key projects (to be agreed on a risk assessed basis)	12	12	12	

Area	Audit Assignment	2017/18	2018/19	2019/20
Financial Assurance	Medium Term Financial Planning/Financial Resilience/Savings & Income Maximisation	12		
	Budget management and reporting	12	12	12
	Capital Programme Management		14	
	Finance Systems* - High Level Controls	12		
	Payroll	12		
	New ledger system (Civica) – financial ledger, debtors, creditors	20		
	Finance Systems* – Rolling Audit Programme		30	30
	Income & Payment Systems** - High Level Controls	16		
	Income & Payment Systems** – Rolling Audit Programme		30	30
	Insurance			12
	Anti-Fraud & Corruption			14
Operational Assurance (reviews to provide topical assurance on key operational areas on a risk-assessed basis)	In Year 1 – Commercial Property management Future years – to be ascertained and presented in future years audit plans	16	14	14
Follow-Up	Follow-Up & Recommendation Tracking	12	12	12
Management & Advice	Contingency	24	24	24

Area	Audit Assignment	2017/18	2018/19	2019/20
	Audit Needs Assessment, Planning & Annual Report	10	10	10
	'Audit Committee'/External Audit/Senior Team meetings	16	16	16
	Contract Management & ad hoc advice	30	30	30
Total audit days for this Council		272	272	272

*, Treasury Management, Capital Accounting, IT Access Controls.

** Council Tax, Business Rates, Benefits, IT access controls.

Appendix Two: Operational Internal Audit Plan 2017/2018

Area	Rationale - Links to Strategic Risks	Work outline
CORPORATE GOVERNANCE & SYSTEMS		
Information Governance/IT/Information Systems Risk Assessment	Links to and will assure on risk C02 - ICT Loss of Systems, CO1 (Business Continuity) and CO5 (Managing Business Information)	A high level assessment of the risks in relation to the Council's Information Governance/IT/Information Systems, to highlight any areas for urgent action and to identify any areas requiring more detailed review.
Business Continuity/Disaster Recovery (included in IT Transformation Programme)	Links to and will assure on risk C02 - ICT Loss of Systems, CO1 (Business Continuity) and CO5 (Managing Data & Information), C15 (ICT Transformation & Transition)	Assessment and assurance on the Council's arrangements for business continuity and disaster recovery to support resilience of the Council's key services and functions.
Programme/Project/Change Management (incl Transformation Programme)	Relevant to a range of risks eg C15 (ICT Transformation & Transition)	Assessment and assurance on the arrangements for managing change programmes/projects, including the key Transformation Programme.
Human Resources/Workforce Planning etc	Relevant to a range of risks and will assure on matters key to the Council's strategic direction as set out right.	Assessment and assurance on the arrangements operated for identifying workforce needs and planning ahead to address these to support continuing organisational resilience and effectiveness.
Partnership working/shared services	Relevant to a range of risks and supports the strategic direction of the Council working through shared services.	Assessment and assurance on the arrangements for governing and performance managing partnership/shared services.
Project Assurance	Links to and will assure on various risks including Graven Hill (S14) and Build! (S17)	Provision to provide assurance and advice in relation to key projects (to be agreed on a risk assessed basis)
FINANCIAL ASSURANCE		

Area	Rationale - Links to Strategic Risks	Work outline
Medium Term Financial Planning/Financial Resilience/Savings & Income Maximisation	Links to and will assure on risk S02 Financial resilience. Arrangements underpin ongoing resilience of the Council.	Assessment and assurance on arrangements for medium term financial planning (including budget setting) to ensure ongoing financial resilience including planning for necessary savings and wherever possible maximising income.
Budget management and reporting	Links to and will assure on risk S02 Financial resilience. Arrangements underpin ongoing resilience of the Council.	Assessment and assurance on arrangements for managing and reporting on budgets (including identifying and addressing variances).
Finance Systems - High Level Controls	Links to and will assure on risk S02 Financial resilience. Arrangements underpin ongoing resilience of the Council.	Review of high level controls for key financial systems as defined by external audit (where not covered in other specific audits).
Payroll	Links to and will assure on risk S02 Financial resilience. Arrangements underpin ongoing resilience of the Council.	Review of arrangements for managing payroll to ensure these are suitably controlled, aiming to assure given planned/ongoing changes to the system.
New ledger system (Civica) – financial ledger, debtors, creditors	Links to and will assure on risk S02 Financial resilience. Arrangements underpin ongoing resilience of the Council.	Assessment and assurance on recently implemented Civica financials system
Income & Payment Systems - High Level Controls	Links to and will assure on risk S02 Financial resilience. Arrangements underpin ongoing resilience of the Council.	Review of high level controls for key income & payment systems as prescribed by external audit. (Council tax, business rates, and benefits payments.)

Area	Rationale - Links to Strategic Risks	Work outline
	Council and key to local populace.	
OPERATIONAL ASSURANCE		
Commercial Property management (Housing & Regeneration)	Links to and will assure on risk S02 Financial resilience and S19 (Asset Management)	Assessment and assurance of arrangements for management of commercial property eg Castle Quays and other income-generating assets, to assure on income collection, tenant management etc.

INTERNAL AUDIT CHARTER

The Internal Audit Charter set out below complies with the requirements of the Public Sector Internal Audit Standards:

1. DEFINITION

Internal Audit is an independent and objective appraisal service within the organisation:

- Internal Audit primarily provides an independent and objective opinion to the Accountable Officer (Chief Executive), the Board and the Audit Committee on the degree to which risk management, internal control and governance arrangements support the achievement of the organisation's agreed objectives. In addition, Internal Audit's findings and recommendations are beneficial to line management in the audited areas. Risk management, internal control and governance comprise the policies, procedures and operations established to ensure the achievement of objectives, the appropriate assessment of risk, the reliability of internal and external reporting and accountability processes, compliance with applicable laws and regulations, and compliance with the behavioural and ethical standards set for the organisation.
- Internal Audit also provides an independent and objective consultancy service specifically to help line management improve the organisation's risk management, control and governance arrangements. The service applies the professional skills of Internal Audit through a systematic and disciplined evaluation of the policies, procedures and operations that management have put in place to ensure the achievement of the organisation's objectives, and through recommendations for improvement. Such consultancy work contributes to the opinion, which Internal Audit provides on risk management, control and governance. Approval for any significant additional consulting services not already included in the audit plan will be sought from the Audit Committee prior to accepting the engagement.

2. STANDARDS AND ETHICS

Internal Audit acknowledges the mandatory nature of the Definition of Internal Audit, the Code of Ethics and the Standards contained in the Public Sector Internal Audit Standards. Internal Audit shall also work in accordance with any performance measures agreed with the Audit Committee.

3. INDEPENDENCE, OBJECTIVITY AND CONFLICTS OF INTEREST

All internal audit activities shall remain free of influence by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of an independent and objective mental attitude necessary in rendering reports.

Internal Auditors shall have no executive or direct operational responsibility or authority over any of the activities they review. Individual auditors will have an impartial, unbiased attitude, characterised by integrity and an objective approach to work, and should avoid conflicts of interest. Individual auditors must declare any conflict of interest to the Head of Internal Audit. Any conflicts of interest encountered by the Head of Internal Audit must be declared to the Director of Finance. Internal Auditors will have regard to the Committee on Standards of Public Life's Seven Principles of Public Life.

4. AUTHORITY and ACCOUNTABILITY

Internal Audit derives its authority from the Board, the Accountable Officer and Audit Committee. The Head of Internal Audit reports on a functional basis to the Board via the Audit Committee. For administrative purposes, the Head of Internal Audit reports to the Director of Finance. The Head of Internal Audit has a direct right of access to the Chair of the Audit Committee and the Chair of the organisation if deemed necessary. The Audit Committee shall have regular private meetings with the Head of Internal Audit. The Audit Committee approves all Internal Audit plans and may review any aspect of its work.

5. INTERNAL AUDIT TEAM

The Head of Internal Audit is responsible for ensuring the team is adequately staffed and that there is access to the full range of knowledge, skills, qualifications and experience to deliver the Internal Audit Plan in line with the Public Sector Internal Audit Standards. The team will undertake regular assessments of professional competence through an on-going appraisal and development programme (i.e. Personal Development Plans and Continuing Professional Development) with training provided where necessary. Auditors also have responsibilities for applying due professional care when performing their duties. The Head of Internal Audit must hold a professional qualification.

If the Head of Internal Audit, Chief Executive, Director of Finance or the Audit Committee consider that the level of Internal Audit resources or the terms of reference in any way limit the scope of Internal Audit, or prejudice the ability of Internal Audit to deliver a service consistent with the definition of internal auditing, they should advise the Board accordingly.

6. SCOPE

The Head of Internal Audit is responsible for developing and maintaining an Internal Audit Strategy for providing the Chief Executive, economically and efficiently, with objective evaluation of, and opinions on, the effectiveness of the organisation's risk management, control and governance

arrangements. The Head of Internal Audit's opinion is a key element of the framework of assurance the Chief Executive needs to inform the completion of the Annual Governance Statement. This strategy will be realised through the delivery of considered and approved annual plans. These will systematically review and evaluate risk management, control and governance which comprises the policies, procedures and operations in place to:

- Establish, and monitor the achievement of, the organisations objectives.
- Identify, assess and manage the risks to achieving the organisations objectives.
- Ensure the economical, effective and efficient use of resources.
- Ensure compliance with established policies (including behavioural and ethical expectations), procedures, laws and regulations.
- Safeguard the organisation's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption.
- Ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes.

Internal Audit's planning will embrace risk management, control and governance processes of the organisation including all its operations, resources, services and responsibilities for other bodies.

7. APPROACH

To ensure delivery of its objectives, Internal Audit will develop and implement an Audit Strategy. This will be prepared each year and will describe arrangements for the delivery of the internal audit service based upon knowledge of the organisation's objectives, risk assessment, and appropriate management consultation.

The allocation of resources between assurance and consultative work will be set out. A detailed Annual Operational Plan will be prepared designed to implement the audit strategy. The audit strategy and annual plans shall be prepared to support the audit opinion to the Accountable Officer on the risk management, internal control and governance arrangements within the organisation. Both the strategy and annual plans will be approved by the Audit Committee and reported to the Board.

8. REPORTING

Internal Audit will report formally to the Audit Committee through the following:

An annual report will be presented to confirm completion of the audit plan and will include the Head of Internal Audit opinion provided for the Accountable Officer that will support the Annual Governance Statement. The Head of Internal Audit opinion will:

- a)** State the overall adequacy and effectiveness of the Trust's risk management, control and governance processes;
- b)** Disclose any qualification to that opinion, together with the reasons for the qualification;
- c)** Present a summary of the audit work undertaken to formulate the opinion, including reliance placed on work by other assurance bodies;
- d)** Draw attention to any issues internal audit judge as being particularly relevant to the preparation of the Annual Governance Statement;
- e)** Compare work actually undertaken with the work which was planned and summarise performance of the internal audit function against its performance measures criteria; and
- f)** Comment where necessary on compliance with the Public Sector Internal Audit Standards and internal quality assurance arrangements.

For each Audit Committee meeting a progress report will be presented to summarise progress against the plan. The findings arising from individual audit reviews will be reported in accordance with Audit Committee requirements. The Audit Committee members will be provided with copies of individual audit reports for each assignment undertaken unless the Head of Internal Audit is advised otherwise. The reports will include an action plan with target dates for completion.

Following the closure of fieldwork, Internal Audit will discuss findings with operational/local managers. Operational/Local management will receive draft reports which will include the action plans they have agreed following the discussion of findings. A copy of the draft report will also be provided to the relevant Executive Director. The draft report will give an "assurance" opinion on the area reviewed. The draft report will also indicate action ratings for individual report findings and recommendations.

Operational management will be required to respond to the draft report, stating their agreement or otherwise to the content of the report, identifying action, staff with responsibility for implementation and the dates by which action will be taken. Final reports inclusive of management comments will be issued by Internal Audit to the relevant Executive Director within 5 working days of management responses being received. The final report will be placed on the agenda for the next available Audit Committee. Internal Audit will make provision to review the implementation of agreed action within the agreed timescales. However, where there are issues of particular concern provision maybe made for follow up review within the same financial year. Issue and clearance of follow up reports shall be as for other assignments referred to above.

9. IRREGULARITIES, FRAUD AND CORRUPTION

It is the responsibility of management to maintain systems that ensure organisation's resources are utilised in the manner and on activities intended. This includes the responsibility for the prevention and detection of fraud and other illegal acts. Internal Audit shall not be relied upon to detect fraud or other irregularities. However, Internal Audit will give due regard to the possibility of fraud and other irregularities in work undertaken. Additionally, Internal Audit shall seek to identify weaknesses in control that could permit fraud or irregularity. If Internal Audit discovers suspicion or evidence of fraud or irregularity, this will immediately be reported to the organisation's Counter Fraud team in accordance with the organisation's Counter Fraud Policy & Fraud Response Plan.

10. RELATIONSHIPS

In order to maximise its contribution to the Board's overall framework of assurance, Internal Audit will work closely with the organisation's Director of Finance in planning its work programme. Co-operative relationships with line management enhance the ability of internal audit to achieve its objectives effectively. Audit work will be planned in conjunction with management as far as possible, particularly in respect of the timing of audit work.

Internal Audit will meet regularly with the external auditor to consult on audit plans, discuss matters of mutual interest, discuss common understanding of audit techniques, method and terminology, and to see opportunities for co-operation in the conduct of audit work. In particular, internal audit make available their working files to the external auditor for them to place reliance upon the work of Internal Audit where appropriate

The Head of Internal Audit will establish a means to gain an overview of other assurance providers' approaches and output as part of the establishment of an integrated assurance framework. In addition the Head of Internal Audit shall make provision to form an opinion where key systems are being operated by organisation's outside of the remit of the Accountable Officer, or through a shared or joint arrangement.

11. ACCESS

Internal Audit shall have the authority to access all the organisation's information, documents, records including patient records where appropriate, assets, personnel and premises that it considers necessary to fulfil its role. This shall extend to the resources of the third parties that provide services on behalf of the organisation. All information obtained during the course of a review will be regarded as strictly confidential to the organisation and shall not be divulged to any third party without the prior permission of the Accountable Officer. However, open access shall be granted to the organisation's external auditors. In any instances of conflict this will be referred for resolution to the Director of Finance, Chief Executive or Chair of Audit Committee as appropriate.

12. QUALITY ASSURANCE

The work of internal audit is controlled at each level of operation to ensure that a continuously effective level of performance, compliant with the Public Sector Internal Audit Standards is being achieved. The Head of Internal Audit will establish a quality assurance programme designed to give assurance through internal and external review that the work of internal audit is compliant with the Public Sector Internal Audit Standards and to achieve its objectives. A commentary on compliance against the Standards will be provided in the annual audit report to Audit Committee.

13. APPROVAL, REVIEW AND INTERPRETATION OF THE CHARTER

This Internal Audit Charter shall be reviewed annually and approved by the Audit Committee*.

* The Public Sector Internal Audit Standards require the Charter to be approved by the Board, however, for the Public Sector the following definition of Board is provided: *Audit Committee – the governance group charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting*

For the purposes of this plan the Director of Finance is the Chief Finance and Strategy Officer.