

Cherwell District Council  
South Northamptonshire Council

Internal Audit Plan 2018/19 – 2019/20

April 2018



**cw audit**

audit and assurance services

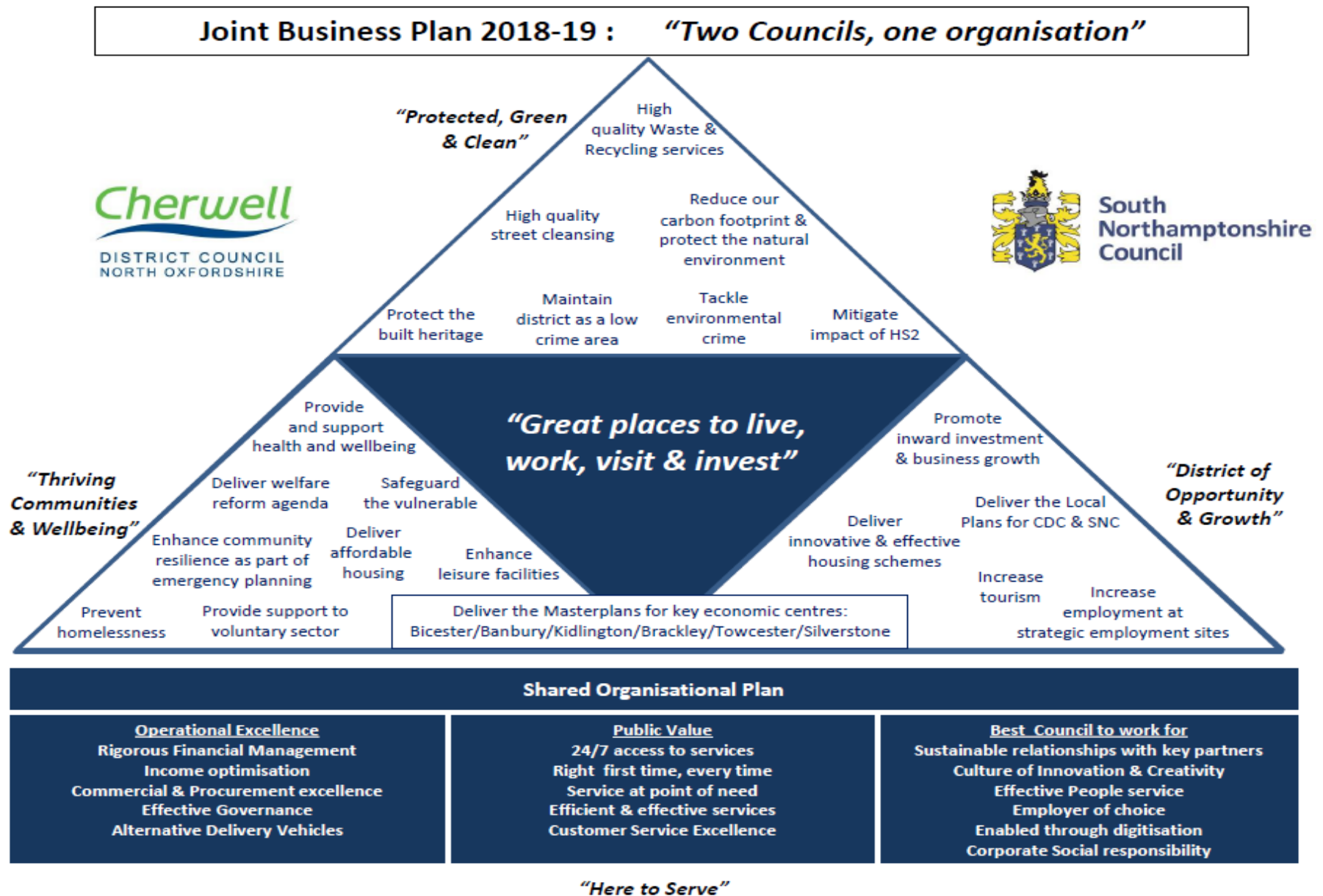
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# 1. Your Plan on a Page



## 2. Risk Assessment

The plan for 2018/19 to 2019/20 has been prepared as follows:

- Review of risks recorded in the Leadership Risk Registers for the two Councils;
- Review of Business Plans and Business Strategies for each of the Councils, as encapsulated in the Plan on a Page in Section 1.
- Assessment of any risk areas emanating from Internal Audit reviews conducted in the 2017/18 financial year reported to the relevant Committees.
- Assessment of external audit reports to the relevant Committees.
- Discussions with Directors.

The plan is attached at Appendix One. Detailed scopes for each audit will be agreed with the Councils during the year to ensure topical risks and assurance needs are addressed as effectively as possible.

We expect our plans to be able to change given changing risks and assurance needs and current and ongoing risks as our knowledge of the Councils continues to develop and as management changes and service transformation continue.

## 3. The Team

Mark Watkins will act as your Head of Internal Audit, reporting to Paul Dudfield, Consortium Director. Mark will lead the team, with Anand Persaud as Audit Manager, supported by a core team and relevant specialists as appropriate.

## 4. Conclusion

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

**Mark Watkins, Head of Internal Audit**

## Appendix One: Internal Audit Workplan 2018/19 - 2019/20

Area	Audit Assignment	Links to 2018/19 Leadership Risk Register reference	Lead Director/Assistant Director(s)	2018/19 audits – planned time	2018/19 audits – planned timing	2019/20
Corporate Governance & Systems	Cybersecurity	L05 Business Continuity L09 Cybersecurity	Director, Customers & Service Development; Assistant Director, Customer & IT Services	10*	Quarter 2	0
	Information Governance	LO2 Statutory functions		12	Quarter 2	0
	Information Technology	Links to a range of risks		12	Quarter 2	0
	Business Continuity Management	L05 Business Continuity		10*	Quarter 2	0
	Corporate Health & Safety	L08 Health and Safety	Executive Director, Finance & Governance; AD Property, Investment and Contract Management	14	Quarter 2	0
	Emergency Planning	LO2 Statutory functions L07 Emergency Planning	Executive Director Environment; AD Environmental Health and Licensing	0		12
	Risk Management	Links to all risks	Director Customers and Development; AD Performance and Transformation	0		12
	Procurement & Contract Management	L01 Financial Resilience L12 Financial Sustainability of Third Party Suppliers	Executive Director, Finance & Governance; Assistant Director, Finance & Procurement/ Assistant Director Property, Investment and Contract Management	14	Quarter 2	0

Area	Audit Assignment	Links to 2018/19 Leadership Risk Register reference	Lead Director/Assistant Director(s)	2018/19 audits – planned time	2018/19 audits – planned timing	2019/20
	Human Resources	L03 Lack of Management Capacity	Director, Customers & Service Development; Assistant Director, HR, OD and Payroll	14	Quarter 2	0
	Asset Management	L01 Financial Resilience	Executive Director, Finance & Governance ; Assistant Director Property, Investment and Contract Management	0		12
	Performance Management/Business Planning	L01 Financial Resilience	Director, Customers & Service Development; Assistant Director Performance and Transformation	0		12
	Partnership working	L01 Financial Resilience L06 Partnering	Further CEDR engagement required	14	Quarter 4	0
	Safeguarding	L10 Safeguarding	Executive Director Wellbeing; AD Communities	0		12
	Corporate Governance	LO2 Statutory functions	Executive Director, Finance & Governance ; Assistant Director, Law & Governance	0		16
	Project Assurance – provision to provide assurance and advice in relation to key projects (to be agreed on a risk assessed basis)	L01 Financial Resilience	Dependent on projects covered	15	To be agreed dependent on projects covered	15
	Legal compliance	LO2 Statutory functions	Executive Director, Finance & Governance ; Assistant Director, Law & Governance	14	Quarter 1	0

Area	Audit Assignment	Links to 2018/19 Leadership Risk Register reference	Lead Director/Assistant Director(s)	2018/19 audits – planned time	2018/19 audits – planned timing	2019/20
Financial Assurance	Medium Term Financial Planning/Financial Resilience	L01 Financial Resilience	Executive Director, Finance & Governance ; Assistant Director, Finance & Procurement	12	Quarter 3	12
	Budget management and reporting	L01 Financial Resilience	Executive Director, Finance & Governance ; Assistant Director, Finance & Procurement	12	Quarter 3	12
	Capital Programme Management	L01 Financial Resilience	Executive Director, Finance & Governance ; Assistant Director, Finance & Procurement	12	Quarter 3	0
	Capital Project assurance	L01 Financial Resilience	Executive Director, Finance & Governance ; Assistant Director, Finance & Procurement/ Assistant Director, Property, Investment & Contract Management	12	Quarter 1	0
	Payroll	L01 Financial Resilience	Director, Customers & Service Development; Assistant Director, HR, OD and Payroll	12	Quarter 4	0
	Finance Systems (ledger and creditors - key controls only in 2017/18)	L01 Financial Resilience	Executive Director, Finance & Governance ; Assistant Director, Finance & Procurement	30	Quarter 3	30
	Debtors review	N/A	Executive Director, Finance & Governance ; Assistant Director, Finance & Procurement	0		0
	Revenues & Benefits (key controls only in 2017/18)	L01 Financial Resilience L11 Income generation	Executive Director, Finance & Governance ; Assistant Director, Finance & Procurement	25	Quarter 3	25

Area	Audit Assignment	Links to 2018/19 Leadership Risk Register reference	Lead Director/Assistant Director(s)	2018/19 audits – planned time	2018/19 audits – planned timing	2019/20
	Anti-Fraud & Corruption	L01 Financial Resilience	Executive Director, Finance & Governance ; Assistant Director, Finance & Procurement	0		14
Operational Assurance	To be agreed - reviews to provide topical assurance on key operational areas on a risk-assessed basis, eg: Corporate Complaints management; Elections Build! (2017-18 – Commercial Property review)	Dependent on reviews agreed	Dependent on reviews agreed	25	To be agreed dependent on reviews required	25
Follow-Up	Follow-Up & Recommendation Tracking		Dependent on reviews carried out	12	Ongoing	12
Management & Advice	Contingency		Dependent on reviews agreed	15	To be agreed dependent on reviews required	0
	Audit Needs Assessment, Planning & Annual Report		N/A	10	Quarter 1 and 4	10
	'Audit Committees'/External Audit/Senior Team meetings		N/A	16	Ongoing	16
	Contract Management & ad hoc advice		N/A	25	Ongoing	25
<b>Total audit days</b>				<b>327**</b>		<b>272</b>

\*Funded from 17/18 plan.

\*\* plus an additional 20 days for Business Continuity & Cyber Security carried forward from 17/18 plan



## 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 and the Audit Committees on the degree to which risk management, internal control and governance arrangements support the achievement of the organisations' agreed objectives. In addition, Internal Audit's findings and recommendations are beneficial to senior management in the audited areas. Senior management is defined as any manager with responsibility for the system under review by Internal Audit. 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 senior 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 Committees prior to accepting the engagement.

Please see note at the end of this Charter for further definitions.

### 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 Committees.

### 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. CW Audit does not accept any roles that involve executive or direct operational responsibility or authority over any of the activities it reviews. The internal audit activity may provide assurance services where it had previously performed consulting services, provided the nature of the consulting does not impair objectivity and provided individual objectivity is managed when assigning resources to the engagement.

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 Executive Director (Finance and Governance). Internal Auditors will have regard to the Committees on Standards of Public Life's Seven Principles of Public Life.

### 4. Authority & Accountability

Internal Audit derives its authority from the Accountable Officer and Audit Committees. The Head of Internal Audit reports on a functional basis via the Audit Committees. For administrative purposes, the Head of Internal Audit reports to the Executive Director (Finance and Governance). The Head of Internal Audit has a direct right of access to the Chair of the Audit Committees and the Chair of the organisation if deemed necessary. The Audit Committees shall have regular private meetings with the Head of Internal Audit. The Audit Committees 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 PSIAS. 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, Executive Director (Finance and Governance) or the Audit Committees 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 Councils 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 a considered and approved annual risk based plan. To develop the risk based plan, the Head of Internal Audit consults with senior management and the Audit Committees and obtains an understanding of the organisations' strategies, key business objectives, associated risks and risk management processes. The Head of Internal Audit reviews and adjusts the plan as necessary, in response to changes in the organisations' business, risks, operations, programmes, systems, and controls.

The audit plan will systematically review 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 organisations' 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.

## 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 Committees.

## 8. Reporting

Internal Audit will report formally to the Audit Committees 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 opinion must take into account the strategies, objectives and risks of the organisations and the expectations of senior management, the Audit Committees and other stakeholders. The Head of Internal Audit opinion will:

- a)** State the overall adequacy and effectiveness of the Councils' 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 Committees 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 Committees requirements. The Audit Committees 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 Committees.

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 Specialist (or other equivalent officer) in accordance with the organisation's Counter Fraud Policy & Fraud Response Plan.

## 10. Relationships

In order to maximise its contribution to the Councils' overall framework of assurance, Internal Audit will work closely with the organisations' Executive Director (Finance and Governance) in planning its work programme. Co-operative relationships with senior and 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, 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 Executive Director (Finance and Governance), Chief Executive or Chair of Audit Committees 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 PSIAS and to achieve its objectives. A commentary on compliance against the Standards will be provided in the annual audit report to Audit Committees.

## 13. Approval, Review and Interpretation of the Charter

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

\* 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 Committees – 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.*