

Cherwell District Council

Account Audit and Risk Committee

21 June 2021

Internal Audit Strategy and Plan 2021/22

Report of the Director of Finance

This report is public

Purpose of report

The report presents the Internal Audit Strategy and Plan for 2021/22.

1. Recommendations

The meeting is recommended:

- 1.1 to note and comment on the Internal Audit Strategy and Plan for 2021/22.

2. Introduction

- 2.1 This report presents the Internal Audit Strategy and Internal Audit Plan for 2021/22. A separate plan for Counter-Fraud activity will be presented to the July 2021 Committee.

- 2.2 Appendix 3 sets out the annual Internal Audit plan for 2021/22.

- 2.3 The key focus of audit activity during the year includes

- Financial Management
- Directorate Strategic Risks
- Governance
- IT and Information Governance

3. Report Details

Background

- 3.1 The Accounts and Audit Regulations 2015 state that the Council needs to maintain an adequate and effective system of internal audit of its accounting records, and of its system of internal control in accordance with the proper

internal audit practices; these are defined as the Public Sector Internal Auditing Standards 2013, updated March 2017.

- 3.2 The Public Sector Internal Auditing Standards defines “Internal auditing is 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.”
- 3.3 The Chief Internal Auditor is required to provide an annual report on the System of Internal Control which is used to inform the Council’s Annual Governance Statement. In providing this opinion we are required to review annually the financial management, risk management and governance processes operating within the Council. This includes reviewing internal control systems for key processes on a risk basis.
- 3.4 The Internal Audit Annual Plan is drafted and presented at the start of each financial year, however, will evolve and needs to be dynamic and subject to amendments / responsive to organisational change and resulting emerging risks during the year. The operational impacts, new control environment, any changes in governance arrangements, resulting from events such as the pandemic, need to be assessed and internal audit resources targeted across immediate priority areas for the organisation.

Audit Planning Methodology

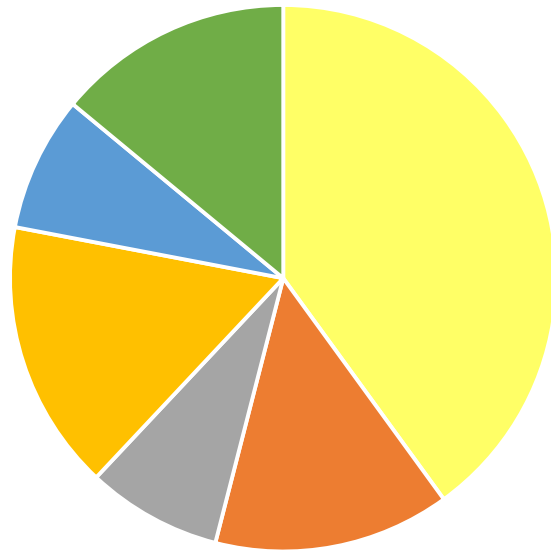
- 3.5 The Internal Audit Plan is developed to consider the corporate vision and priorities of Cherwell District Council, the Leadership Team’s (CEDR) priorities and management’s assessment of risk as set out in the strategic risk register. The audit plan includes cross referencing to those priorities and risks.
- 3.6 We also use our own risk assessment against each activity assessing their significance, sensitivity and materiality – ranking each activity as high, medium or low priority for inclusion within the Internal Audit Plan.
- 3.7 Audit planning is undertaken in accordance with Cherwell District Council’s Internal Audit Charter and Public Sector Internal Audit Standards.
- 3.8 As part of the annual planning process the Chief Internal Auditor meets with members of CEDR and other Senior Managers. This provides crucial insight and intelligence into the strategic and operational priorities of the organisation. Quarterly meetings with senior management are attended to ensure the plan is kept under continuous review. The plan is also reviewed quarterly with reference to the risk registers and presented to the Accounts, Audit and Risk Committee for consideration and comment. This ongoing review and insight enables the audit plan to be flexible to meet any changing assurance needs and risks of the organisation.
- 3.9 Our aim is to align our work with other assurance providers, including the External Auditors.

- 3.10 The Chief Internal Auditor continues to attend the Counties Chief Auditor Network (National Group) and also the Midland Counties and Districts Chief Internal Auditors Group to enable networking and to share good practice. This contributes to the internal audit planning activity.
- 3.11 The Accounts, Audit & Risk Committee will receive a quarterly report, including a status update on the approved work plans, and a summary of the outcomes of completed audits.

Internal Audit Resourcing

- 3.12 From 1 April 2020, the Internal Audit team commenced a joint working approach, providing the internal audit service across both Oxfordshire County Council (OCC) and Cherwell District Council (CDC). From 1 April 2021 OCC also now provide the Counter Fraud Service to CDC. One of the key benefits of this arrangement is being able to build a more sustainable team with the skills and capacity resilience that will help embrace future challenges. We were provided additional resources across Internal Audit and Counter Fraud, to be able to provide the joint service and during 2020/21 we successfully recruited to the new posts. The audit management team strongly believe that working as an in-house internal audit function in any organisation drives an increased quality of output, as not only do the in-house team members have a good strategic and operational understanding of the organisation, but also have an ongoing commitment to organisational improvement and adding real value.
- 3.13 The 2021/22 internal audit structure is included in Appendix 1. The Accounts, Audit & Risk Committee are regularly updated regarding the Internal Audit resourcing position.
- 3.14 The planned chargeable days available to CDC in 2021/22 = 215. This includes days spent directly on audit assignments and also days spent on non-audit assignment work, for example audit planning, committee and senior management team meeting attendance, follow up of agreed management actions, production of the annual report. The following chart shows an approximate split of chargeable audit activity days across auditable areas.

CDC Split of audit activity 2021/22



- Finance - 40%
- HR - 14%
- Information Governance - 8%
- IT - 16%
- Environment and Place - 8%
- Other (e.g. grant certification) - 14%

Counter-Fraud

3.15 Internal Audit have the responsibility for Counter-Fraud. The Counter Fraud Strategy and Plan for 2021/22 will be presented to the July Accounts, Audit & Risk Committee. This will include combined Counter Fraud/Internal Audit activities.

Quality & Performance

3.16 OCC/CDC Internal Audit operates in conformance with the Public Sector Internal Audit Standards. We promote excellence and quality through our audit process, application of our Quality Assurance Improvement Programme and training and development. During 2021/22 we will be supporting two members of staff to complete the Chartered Internal Audit qualification. We are supporting another two members of staff to complete the Certified Internal Audit Qualification. We also have two apprentices within the team – one Counter Fraud and one for Internal Audit.

3.17 We use a number of ways to monitor our performance, respond to feedback and seek opportunities to improve. Evidence of the quality of our audits is gained through feedback from auditees and the results of supervision and quality assurance undertaken as part of our audit process.

3.18 The performance indicators for 2021/22 are attached as appendix 2 to this report.

4. Conclusion and Reasons for Recommendations

- 4.1 This report summarises the audit planning methodology, resourcing and strategy for delivery of the internal audit function for 2020/21. It presents the internal audit plan, progress against which will be reported back to the committee on a quarterly basis.

5. Consultation

- 5.1 Not applicable.

6. Alternative Options and Reasons for Rejection

- 6.1 The following alternative options have been identified and rejected for the reasons as set out below.

Option 1: No alternative options have been identified as this report is for information only.

7. Implications

Financial and Resource Implications

- 7.1 There are no financial implications arising directly from this report.

Comments checked by:

Michael Furness, Assistant Director of Finance, 01295 221845

michael.furness@cherwell-dc.gov.uk

Legal Implications

- 7.2 The Accounts and Audit Regulations 2015 requires the council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance, and this report draws attention to the ongoing effectiveness of that undertaking. There are otherwise no legal implications arising directly from this report.

Comments checked by:

Richard Hawtin, Team Leader – Non-contentious, 01295 221695

richard.hawtin@cherwell-dc.gov.uk

Risk Management Implications

- 7.3 There are no risk management issues arising directly from this report.

Comments checked by:

Louise Tustian, Head of Insight and Corporate Programmes 01295 221786
louise.tustian@cherwell-dc.gov.uk

8. Decision Information

Wards Affected

All wards are affected

Links to Corporate Plan and Policy Framework

All corporate plan themes.

Lead Councillor

Councillor Tony Ilott – Lead Member for Financial Management.

Document Information

Appendix number and title

- Appendix 1 – Internal Audit Structure Chart 2021/22
- Appendix 2 – Internal Audit Performance Indicators 2021/22
- Appendix 3 – Internal Audit Plan 2021/22

Background papers

None

Report Author and contact details

Sarah Cox, Chief Internal Auditor
Sarah.cox@cherwell-dc.gov.uk