

Cherwell District Council

Accounts Audit and Risk Committee

25 May 2022

Internal Audit Strategy and Plan 2022/23

Report of Assistant Director of Finance

This report is public

Purpose of report

The report presents the Internal Audit Strategy and Plan for 2022/23.

1. Recommendations

The meeting is recommended:

- 1.1 To note and comment on the Internal Audit Strategy and Plan for 2022/23.

2. Introduction

- 2.1 This report presents the Internal Audit Strategy and Internal Audit Plan for 2022/23. A separate plan for Counter-Fraud activity will be presented to the July 2022 Committee.

- 2.2 Appendix 3 sets out the annual Internal Audit plan for 2022/23.

- 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 Internal Audit (IA) is 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 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 IA also use its 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 the Leadership Team 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 Oxfordshire County Council (OCC) Internal Audit team have provided the internal audit service to Cherwell District Council (CDC). From 1 April 2021 OCC have also provided the Counter Fraud Service to CDC. This arrangement has enabled us to build a more sustainable team with skills and capacity resilience. IA has developed a good strategic and operational understanding of the organisation and have an ongoing commitment to organisational improvement and adding real value. It was decided at the 25 April 2022 meeting of the Joint Shared Services and Personnel Committee that OCC would continue to provide both Internal Audit and Counter Fraud Services to CDC under revised partnership working arrangements which will include the development of a new Service Level Agreement.
- 3.13 The 2022/23 internal audit structure is included in Appendix 1. The Accounts, Audit & Risk Committee are regularly updated regarding the Internal Audit resourcing position.
- 3.14 There continues to be a national challenge with the recruitment of good quality internal audit staff, particularly at a Senior Auditor level. Internal Audit continues with the approach of “growing our own” and is aiming to recruit a new internal audit apprentice over the summer. The current internal audit apprentice has been successfully appointed to an Auditor post, reflecting excellent progress and development.
- 3.15 The planned chargeable days available to CDC in 2022/23 = 200. 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.

Counter-Fraud

- 3.16 Internal Audit have the responsibility for Counter-Fraud. The Counter Fraud Strategy and Plan for 2022/23 will be presented to the July Accounts, Audit & Risk Committee.

Quality & Performance

- 3.17 Internal Audit operates in conformance with the Public Sector Internal Audit Standards. IA promote excellence and quality through the audit process adopted, application of the Quality Assurance Improvement Programme and training and development. During 2022/23 one member of staff will be supported to complete the Certified Internal Audit Qualification. There is an apprentice within the counter fraud team and will be looking to appoint a new apprentice within internal audit.
- 3.18 A number of ways are used to monitor performance, respond to feedback and seek opportunities to improve. Evidence of the quality of audits is gained through feedback from auditees and the results of supervision and quality assurance undertaken as part of the audit process.
- 3.19 The performance indicators for 2022/23 are attached as appendix 2 to this report. An amendment has been made to performance indicator 3. Previously this target was 15 days between the issue of the draft report and the final report, however this did not allow sufficient time for all relevant senior managers to be able to input to the development of the agreed action plan. This has now been amended so that the target is 10 days from receipt of the management response. A new indicator has also been added for 2022/23 – number 6, which will report on the number of repeat actions / findings (if any) that are raised, where follow up audits identify that actions have not been implemented effectively and the risk/issues previously identified still exist.

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 2022/23. It presents the internal audit plan, progress against which will be reported back to the committee on a quarterly basis.

5. Consultation

- 5.1 None

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 Funding for the 200 audit days has been set aside within the 2022/23 budget.

Comments checked by:

Michael Furness, Assistant Director of Finance, 01295 221845

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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:

Shahin Ismail, Monitoring Officer & Assistant Director – Law, Governance & Democratic Services (interim)

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Risk Implications

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

Comments checked by:

Celia Prado-Teeling, Interim Assistant Director – Customer Focus, 01295 221556, Celia.prado-teeling@cherwell-dc.gov.uk

Equalities and Inclusion Implications

- 7.4 There are no equalities and inclusion implications arising directly from this report.

Comments checked by:

Celia Prado-Teeling, Interim Assistant Director – Customer Focus, 01295 221556, Celia.prado-teeling@cherwell-dc.gov.uk

8.0 Decision Information

Key Decision

Financial Threshold Met: N/A

Community Impact Threshold Met: N/A

Wards Affected

All

Links to Corporate Plan and Policy Framework

All

Lead Councillor

N/A

Document Information**Appendix number and title**

- Appendix 1 - Internal Audit Structure Chart 2022/23
- Appendix 2 - Internal Audit Performance Indicators 2022/23
- Appendix 3 - Internal Audit Plan 2022/23

Background papers

None

Report Author and contact details

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