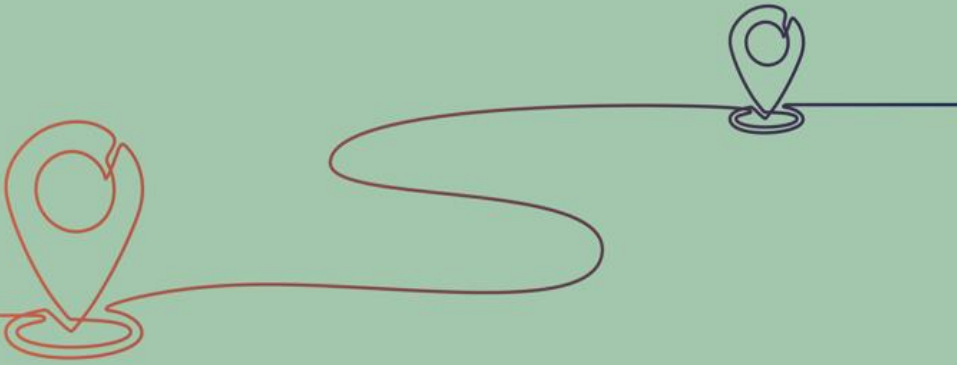


Internal Audit Work Programme 2024/25



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Introduction



- 1 This report sets out the proposed 2024/25 programme of internal audit work for Cherwell District Council. It also introduces a proposed internal audit charter. Approval of the charter is required to ensure that the internal service is able to deliver its work in accordance with professional standards.
- 2 The work of internal audit is governed by the Public Sector Internal Audit Standards (PSIAS) and the council's audit charter. To comply with professional standards and the charter, internal audit work must be risk based and take into account the requirement to produce an evidence-based annual internal audit opinion. Accordingly, planned work should be reviewed and adjusted in response to changes in the business, risks, operations, programmes, systems and internal controls.
- 3 Specifically, the PSIAS require that the Head of Internal Audit "*must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals. The risk-based plan must take into account the requirement to produce an annual internal audit opinion.*"
- 4 The Head of Internal Audit's annual opinion is formed following an independent and objective assessment of the effectiveness of the framework of risk management, governance and internal control. Our planned audit work includes coverage of all three areas to develop a wider understanding of the assurance framework of the council, and to produce a body of work which allows us to provide our opinion.
- 5 Responsibility for effective risk management, governance and internal control arrangements remains with the council. The Head of Internal Audit cannot be expected to prevent or detect all weaknesses or failures in internal control nor can internal audit work cover all areas of risk across the organisation.

Strategic context



- 6 Overall, Cherwell District Council is on a stable financial footing for 2024/25. However, it is not immune from the real-terms reductions in local government funding over the last decade nor from future funding reforms planned by central government. This is reflected in the assumptions made in the medium term financial strategy which project that the council will move into a deficit position from 2025/26, with this continuing up to 2027/28¹.
- 7 Savings totalling £1.8m are planned for 2024/25, a significant proportion of which are expected to be achieved through service transformation and associated operational efficiencies. These efficiencies will be achieved

¹ Budget Setting for 2024/25 and the Medium-Term Financial Strategy up to 2028/29 (Executive, 5 February 2024)

within the context of the council's wider transformation programme which takes a strategic, cross-cutting approach to service redesign.

- 8 The council's services have only relatively recently returned to sovereign control following more than a decade of partnering with other local authorities. A key priority for the council will be to ensure that its services remain resilient, efficient, and aligned to council priorities.
- 9 The council also holds and manages a diverse portfolio of property assets for a local authority of its size. These comprise operational, income-producing, housing, community and other types of properties and land, including public open space. The council's assets have a net book value of £160m². The recently launched property asset management strategy will introduce significant changes to how these assets are managed corporately.
- 10 The council is committed to place-shaping by creating a strong identity and attracting inward investment to facilitate economic growth across the district. It is also prioritising regeneration having made, and continuing to make, significant financial investment in the district's town centres and other localities. The council aims to support housing delivery in the district too, establishing a property development company as a vehicle to deliver on this. At the same time, the council has ambitions to tackle environmental sustainability in the face of the climate crisis and to create healthy and resilient communities³. Balancing these priorities with the need to deliver its statutory services is a key challenge for the council.
- 11 Cherwell District Council is an ambitious organisation. Maintaining effective operational arrangements is an essential building block in achieving these ambitions. Internal audit contributes to overall objectives by helping to ensure that systems of governance, risk management and control that underpin operational arrangements are robust. To maximise the value of internal audit, it is vital that we provide assurance in the right areas at the right time. We have designed the processes for developing the internal audit work programme, and refining it through the year, to do that.

Programme principles: development & delivery

- 12 Flexible work programming and a risk-based approach to prioritising internal audit work are important principles for delivery of Cherwell District Council's 2024/25 internal audit work programme.
- 13 Audit priorities are determined at the start of the year but are continuously revisited to ensure that planned work provides maximum value from available internal audit resource. This could mean that the work programme changes during the year as risks and priorities change.

² Property Asst Management Strategy (Executive, 4 March 2024)

³ Business Plan 2024-25 (Executive, 5 February 2024)

- 14 Veritau uses what is known as the 'opinion framework' to identify, prioritise, and organise delivery of internal audit work. The opinion framework is comprised of three parts.
- 15 The main component of the framework is a definition of 11 key assurance areas. These represent areas of internal control that we believe to be essential to the proper functioning of the council. Systems and controls in each area need to be operating effectively to maximise the likelihood that the council's objectives are achieved without undue exposure to risk. The 11 key assurance areas are shown in figure 1 below.

Figure 1: 11 key assurance areas.

11 key assurance areas	
Strategic planning	
Organisational governance	
Financial governance	
Risk management	
Information governance	
Performance management and data quality	
Procurement and contract management	
People management	
Asset management	
Programme and project management	
ICT governance	

- 16 Overlaid on the key assurance areas are two further components of the framework:
- ▲ Organisational risks (identified from the leadership risk register)
 - ▲ Organisational objectives (identified from the business plan and other key strategies)
- 17 When identifying internal audit priorities, we apply the framework to determine whether planned work will, when taken as a whole, provide sufficient coverage to provide an informed annual opinion.
- 18 Pieces of work in the programme are individually prioritised. Decisions on delivery priorities will be based on judgement, and will be made having given consideration to several prioritisation factors. For example, where controls are changing or risks are increasing, where work provides broader assurance or an area is of particular importance to the council,

where we have no recent sources of assurance, and where there are time pressures linked to the work or specific scheduling requirements.

- 19 Decisions on internal audit priorities will be made in consultation with the council through our ongoing dialogue with senior officers. The committee will be provided with information on current internal audit priorities throughout the year as part of regular progress reporting.

2024/25 Internal audit work



- 20 The proposed internal audit work programme for 2024/25 is included in annex A.
- 21 The overall level of service is based on an indicative number of days, for planning purposes (200 for 2024/25). The proposed areas of coverage in the 2024/25 work programme have been subject to consultation with directors and senior officers from across the organisation.
- 22 Internal audit activity is organised into several functional programme areas. These areas are set out in table 1 below.

Table 1: Work programme functional areas.

Programme area	Purpose
▲ Strategic / corporate & cross cutting	To provide assurance on areas which, by virtue of their importance to good governance and stewardship, are fundamental to the ongoing success of the council.
▲ Technical / projects	To provide assurance on those areas of a technical nature and where project management is involved. These areas are key to the council as the risks involved could detrimentally affect the delivery of services.
▲ Financial systems	To provide assurance on the key areas of financial risk. This helps provide assurance to the council that risks of loss or error are minimised.
▲ Service areas	To provide assurance on key systems and processes within individual service areas. These areas face risks which are individually significant but which could also have the potential to impact more widely on the operations or reputation of the council if they were to materialise.
▲ Other assurance work	An allocation of time to allow for continuous audit planning and information gathering, unexpected work, grant certifications, and the follow up of work we have already carried out (ensuring that agreed actions have been implemented by management).

**▲ Client support,
advice & liaison**

Work we carry out to support the council in its functions. This includes the time spent providing support and advice, and liaising with staff.

- 23 Since Veritau is new to Cherwell District Council, audit priorities in the 2024/25 programme have been focused on work of a strategic / corporate and cross cutting nature. These areas make the biggest contribution towards fundamental systems of governance, risk management, and internal control. Undertaking audits in these areas will allow us to evaluate whether suitable arrangements are in place and operating effectively.
- 24 It is important that internal audit understands the strength of arrangements in these areas before broadening assurance across other types of internal audit activity in subsequent years.
- 25 The programme also includes two ICT audits in recognition of the threat that cybersecurity incidents pose to the council's data, systems integrity, and operational resilience.⁴

⁴ Risk Monitoring Report January 2024 (Accounts, Audit and Risk Committee, 20 March 2024)

ANNEX A: internal audit work programme 2024/25

Programme area	Internal audit activity
Strategic / corporate & cross cutting	<ul style="list-style-type: none"> ▲ Risk management ▲ Performance management ▲ Local authority trading company governance ▲ Information governance ▲ Procurement compliance ▲ Corporate health and safety
Technical / projects	<ul style="list-style-type: none"> ▲ Cybersecurity: cloud and network security ▲ ICT applications: third party assurance
Other assurance work	<ul style="list-style-type: none"> ▲ Follow-up of previously agreed management actions ▲ Grant certifications ▲ Continuous audit planning and additional assurance gathering to help support our opinion on the framework of risk management, governance and internal control ▲ Attendance at, and contribution to, governance- and assurance-related working groups
Client support, advice & liaison	<ul style="list-style-type: none"> ▲ Committee preparation and attendance ▲ Key stakeholder liaison ▲ Support and advice on control, governance, and risk related issues



- 26 As described previously, the work of internal audit is governed by the Public Sector Internal Audit Standards (PSIAS). These standards require that the purpose, authority, and responsibility of the internal audit service be defined in an internal audit charter.
- 27 The standards also require the Head of Internal Audit to periodically review the internal audit charter and present it to senior management and 'the board' for approval. The Accounts, Audit and Risk Committee fulfils the role of 'the board' in relation to internal audit standards and activities.
- 28 Since 1 May 2024, the council's internal audit service has been provided by Veritau. A proposed new internal audit charter, reflecting the intended relationship between Veritau and the council, is included in appendix 2 for approval by the committee.