

OXFORDSHIRE COUNTY COUNCIL
INTERNAL AUDIT SERVICES
INTERNAL AUDIT STRATEGY 2013/14

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Chief Internal Auditor

April 2013

INTERNAL AUDIT SERVICES

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1. Introduction

- 1.1 This paper details the Internal Audit Strategy, including the resources available and how we will be delivering our service in 2013/14. Work plans will be prepared on a quarterly basis and will be presented to the Audit Committee for approval. The work plan for Q1 is attached as an appendix to this report.

2. Internal Audit Strategy

- 2.1 The Accounts and Audit Regulations 2011 (S6) 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. In 2013, the Institute of Internal Audit (IIA) in conjunction with the Chartered Institute of Public Finance and Accountancy (CIPFA) published a combined Public Sector Internal Auditing Standards. In April 2013, we are expecting CIPFA to publish a Local Government Practice Note to accompany these standards. Together they will become the “proper practice” referred to in the Accounts and Audit Regulations 2011. In Quarter 1 the Chief Internal Auditor will undertake a self assessment against the revised Local Government standards, and will report back on the findings to the Regulatory and Audit Committee.
- 2.2 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.”
- 2.3 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. The methodology for identifying areas for audit is detailed in section 3 of this report.
- 2.4 The Internal Audit Service is delivered in collaboration with Buckinghamshire County Council, with resources shared between the two Councils.

- 2.5 A key part of the strategy is ensuring the right skills mix and resources exist to deliver an effective service. The resources in place for 2013/14 are shown in the table in section 4 of this report. Part of the resource budget is not yet committed. This will be used to try and recruit additional in house staff; however, should this not be successful we will use the budget to buy in days through the Audit Services Contract with Deloitte.
- 2.6 In Oxfordshire we will continue to contract out IT Audit.
- 2.7 As reported previously there is relationship within the Internal Audit Team which presents a potential conflict of interest. The Chief Internal Audit is related to the Senior Auditor who leads on counter-fraud. The conflict is being managed; the Senior Auditor's line manager, the Audit Manager, has a direct reporting line to the Deputy Chief Finance Officer (The CIA's line manager), on any performance related issues, including appraisals; Counter-fraud activity is managed in collaboration with Wokingham Borough Council, where the Investigations Manager, manages to counter-fraud activity undertaken by the Senior Auditor, and liaises with line manager on any performance matters. There is no direct management between the CIA and the Senior Auditor.
- 2.8 There will remain a significant emphasis for internal audit activity reviewing financial systems and compliance with the governance framework; however, a key priority for 2013/14 will be to complete assurance mapping for all critical services across the Council. This was part of the 2012/13 strategy, but we were unable to deliver it. This year it will be a priority, and the resource structure has been adjusted to ensure it is achievable. Internal Audit will support with the assurance mapping, and testing the effectiveness of the defined assurance procedures. To ensure we are directing audit resources to key risk areas we will be operating on a quarterly planning cycle.

3. Audit Planning Methodology

- 3.1 A quarterly internal audit plan will be produced in consultation with the Directors and their Leadership Teams during quarterly meetings.
- 3.2 The Quarterly plans will be presented to the Audit & Governance Committee for consideration and comment.
- 3.3 The Audit Plans will continue to be influenced by external organisations and statutory bodies we work with and provide assurance to. We will be developing a joint working protocol with Ernst and Young that will enable us to review our approach to the auditing of key financial systems without affecting the assurance we can give.
- 3.4 We will continue to support the Corporate Governance Assurance Group in producing the annual governance statement through undertaking annual compliance audits that will support Directors in completing their annual statements. The Chief Internal Auditor is a member of the Group

3.5 Counter-fraud will continue to be part of the planned audit activity. Where an investigation is required this will be a charged back service, and the income used to back fill, or procure the services as required. We have an agreement with Wokingham Borough Council to provide a fraud investigation service on a call off basis.

4. Resources

4.1 The Internal Audit Service is resourced as follows as at 1 April 2013:

In House Team	2013/14 FTE	Chargeable Days available	Planned OCC days 2013/14	Planned External days 2013/14
Chief Internal Auditor	1.0	185	93	92
Audit Managers	1.6	290	220	80
Principal Auditor	1.0	154	154	0
Principal Auditor (Contracts)	1.0	200	125	75
Senior Auditor	2.0	400	200	200
Audit Assistant	0.8	139	139	0
External				
IT Audit		130	100	30
Deloitte		225	70	155
Wokingham		150	150	
Other				
To be sourced through recruitment or Call off		170	120	50

Total	7.4	2043	1371	682
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Analysis of auditor days

	2013/14	Comments	2012/13	Diff.	Reason for change
Gross days – In house team	1882	This represents 7.4 FTE	2423	-541	Reduction of in house staff
Contract days	505	This is made up of: 100 days IT Audit plus 30 days IT Audit for TVPA 224 days Audit Services Contract. 150 days collaboration with Wokingham	390	+115	The increase in days reflects the reduction in FTE in house, pending recruitment, and the collaboration with WBC
Other	170	To be sourced through recruitment or Call off		+170	There is unallocated budget for recruitment. This will be used for call off if recruitment is unsuccessful.
Total Gross days	2557		2813	-256	
Overheads	370	This time is for bank holidays, annual	562	-192	The reduction is due to the staffing changes and a

		leave, special leave, training, contingency for sick absence, and recruitment. It also includes for expected paternity leave in quarter 2.			reduction in the time for professional training. This may be subject to change depending on the outcome of the recruitment.
Non Chargeable Days	144	The non chargeable days are for non audit related activity, including administration time, the wider role of the AHOF (Audit), staff appraisals, 1:1's and departmental work.	191	-47	Small increase in non-chargeable days due to staffing changes.
Total Chargeable days available	2043	This is the number of days that contribute directly to internal audit activity.	2060	-17	
Chargeable Days – non assignment	219	These are days not attributed to planned audit activity, such as the Chief Internal Auditors management days, admin support for actual audit work, preparation of the audit plan, operational planning, reports for the AWG and Audit Committee, and corporate assurance groups	263	-44	
Chargeable days – External Clients (BCC and TVPA)	682		627	+ 55 days	235 days are outsourced, but the remaining 447 days are by the in house team reflecting the collaboration with Buckinghamshire and TVP

Chargeable days – OCC assignment based	1142	This is the number of days available for delivering the audit plan.	1170	-28	
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4.2 It is planned that Internal Audit Services will deliver a minimum of 1142 days on Audit Assignments that will be designed to provide reasonable assurance on the system of internal control. As outlined above the quarterly plans will be presented to the Audit & Governance Committee, with Q1 attached as appendix 2. The type of audit activity will be:

Key Financial Systems	<p>We will test any changes to the existing systems, and will undertake walkthrough test to confirm the system. We will agree with External Audit the key controls to be tested, and undertake the compliance/substantive testing.</p> <p>We will also complete our assurance work through analytical review using the audit interrogation software on identified areas of fraud risk and error.</p>
Governance	<p>We will undertake testing across Directorates of compliance against the governance and regulatory framework, including the key control processes covering HR, ICT, Financial Management, Risk Management, Project Management, Performance, and Procurement. This will provide evidence to the Directors for completion of their annual assurance statement.</p>
Schools	<p>We will seek assurance through analytical review on SAP and through the work of the Schools Finance Support Team, with targeted visits to schools if and when required.</p>
IT Audit	<p>We will undertake a programme of audits of operational systems, and we will provide assurance on major ICT strategic projects planned in 2011/12</p>
Contract Audit	<p>We will be undertaking a programme of Contract Audits, including major</p>

	procurement. A key focus will be contract management, and compliance with the Contract Standing Orders.
Operational Risk	Performance systems for key operational risks ascertained through consultation with Corporate Performance Team and Directors be reviewed and tested.
Strategic Risk	Performance systems for the management of strategic risk, for example major procurement and projects will be reviewed and tested.
Counter Fraud	A programme of Counter-Fraud work will be produced, including raising awareness, and proactive fraud testing using the Audit Interrogation software.
Follow Up	We will continue to monitor and report on the implementation of agreed management action.

5 Performance Monitoring / Reporting

- 5.1 The proposed performance indicators for 2013/14 are attached as appendix 1 to this report.
- 5.2 The Audit Committee will receive a quarterly report, including the next quarters plan for approval, a status update on the approved work plans, and a summary of the outcomes of completed audits. As a matter of course any audits with an “unacceptable” overall opinion will be reported to the AWG, who should call in the responsible Manager for assurance on what action is being taken. It is also proposed that the AWG receive monitoring reports on outstanding management actions as a matter of course from Internal Audit.

6. RECOMMENDATION

The Committee is RECOMMENDED to approve the Internal Audit Strategy and the Q1 Work Plan.

Ian Dyson

Chief Internal Auditor

April 2013

APPENDIX 1 Proposed PERFORMANCE INDICATORS 2013/14

	Performance Measure	Target	Frequency reporting of	Method
1	Elapsed time between start of the audit (opening meeting) and Exit Meeting.	Target date agreed for each assignment by the Audit manager, stated on Terms of Reference, but should be no more than 3 X the total audit assignment days (excepting annual leave etc)	Quarterly report to A&G	Internal Audit Performance Monitoring System
2	Elapsed Time for completion of audit work (exit meeting) to issue of draft report.	15 Days	Quarterly report to A&G Committee.	Internal Audit Performance Monitoring System
3	Elapsed Time between issue of Draft report and issue of Final Report	15 Days	Quarterly report to A&G Committee.	Internal Audit Performance Monitoring System
4	% of 2013/14 planned audit activity completed by 30 April 2014	100%	Report to A&G Committee	Internal Audit Performance Monitoring System
5	% of management actions implemented	90% of all management actions	Every Quarter to AWG	Action Management Tracking System
6	Effectiveness of Internal Audit	Acceptable opinion	Monitoring Officer report to A&G Committee	
7	Extended Management Team satisfaction with internal audit work	Satisfactory or above	Annually - review of the effectiveness of IA	Questionnaire

APPENDIX 2 Audit & Governance Committee 17 April 2013 - Draft 2013/14 Quarter 1 Plan.

Directorate	Qtr Start	Audit
CEF	1	<p>CEF Governance and Financial Management</p> <p>This is an annual audit to review governance and financial management arrangements in place within each directorate. The programme of work will be completed over the whole year, and will include areas such as <i>Financial Management including budget setting & control, Structure and Authority, Information Governance, Business Management, Business Continuity, Human Resources and Legislation.</i></p> <p>During Quarter 1, Internal Audit will review the area of <u>Budget Setting</u>. A separate audit is also planned to start in quarter 1 which look to provide assurance on the system for Review of Charges within each directorate.</p>
CEF	1	<p>CEF - Assurance Mapping</p> <p>During quarter 1 Internal Audit will be developing the methodology for undertaking an exercise to map out the assurance framework for all key services within the County Council, initially focussing on CEF. It will be a major piece of work, but the outcome should provide management with a high level review of the management controls in place to assure them that service objectives and outcomes will be met, or to provide the early warnings when action is required. Where gaps in the assurance framework are identified this will be used to direct future internal audit activity.</p>
CEF	1	<p>CEF Troubled Families Grant</p> <p>This is a new grant which Internal Audit are required to sign off, first submission of a small sample of families was reviewed and signed off in January 2013. Audit Manager will continue to advise on design of controls for data collection and reporting prior to summer return being made.</p>
SCS	1	<p>SCS Governance and Financial Management</p> <p>This is an annual audit to review governance and financial management arrangements in place within</p>

Directorate	Qtr Start	Audit
		<p>each directorate. The programme of work will be completed over the whole year, and will include areas such as Financial Management including budget setting & control, Structure and Authority, Information Governance, Business Management, Business Continuity, Human Resources and Legislation.</p> <p>During Quarter 1, Internal Audit will review the area of Budget Setting. A separate audit is also planned to start in quarter 1 which look to provide assurance on the system for Review of Charges within each directorate.</p>
SCS	1	<p>LEAN project The Audit Manager will review the scoping of the new project which aims to review and re-design processes in Adult Social Care to ensure they are lean, appropriate and in line with future direction of the service. Future Internal Audit involvement will be agreed to include review of draft "to-be" processes and also review of system mapping exercise.</p>
SCS (OFRS)	1	<p>OFRS – Joint Fire Control The Audit Manager will continue to work with the project manager in reviewing the progress against key stages of the project implementation. Specific audit activity will be agreed which will include review of the project management governance arrangements.</p>
SCS	1	<p>NHS Information Governance Toolkit (IGT)</p> <p>S&CS access to NHS networks and systems is dependent upon them complying with NHS IGT requirements. This audit will review the compliance with those requirements</p>
CEO	1	<p>CEO Governance and Financial Management</p> <p>This is an annual audit to review governance and financial management arrangements in place within each directorate. The programme of work will be completed over the whole year, and will include areas such as <i>Financial Management including budget setting & control, Structure and Authority, Information Governance, Business Management, Business Continuity, Human Resources and Legislation.</i></p>

Directorate	Qtr Start	Audit
		During Quarter 1, Internal Audit will review the area of <u>Budget Setting</u> . A separate audit is also planned to start in quarter 1 which look to provide assurance on the system for Review of Charges within each directorate.
EE	1	<p>EE Governance and Financial Management (including Customer Services)</p> <p>This is an annual audit to review governance and financial management arrangements in place within each directorate. The programme of work will be completed over the whole year, and will include areas such as Financial Management including budget setting & control, Structure and Authority, Information Governance, Business Management, Business Continuity, Human Resources and Legislation.</p> <p>During Quarter 1, Internal Audit will review the area of Budget Setting. A separate audit is also planned to start in quarter 1 which look to provide assurance on the system for Review of Charges within each directorate.</p>
EE	1	<p>Integrated Transport Unit</p> <p>The review will focus on the management and operations within the Integrated Transport Unit. The service delivers transport for eligible clients wishing to attend residential care homes, day centres and adult training centres for people with learning disabilities.</p> <p>The audit will also review the ITU Business Plan for the provision of transport to day services and the services provided to SCS.</p>
EE	1	<p>Property and FM Contract</p> <p>Internal Audit will continue to review the governance arrangements for this contract, and specifically in Q1 will, in conjunction with the contract management team, undertake a detailed “audit” of the final accounts for a number of works. This will include going back to prime accounting records held by CCS.</p>
EE	1	<p>Highways Contract</p> <p>This audit will review the management and operation of the Highways Contract with Atkins. The audit</p>

Directorate	Qtr Start	Audit
		will focus on the contract management controls, performance and financial processes in place.
E&E (OCS) & SCS	1	<p>Abacus Re-tender</p> <p>The Audit Manager will continue to work with the project manager in reviewing the progress against key stages of this project implementation.</p>
E&E (OCS)	1	<p>Transforming Oxfordshire Customer Services</p> <p>The review will cover the overall governance and programme management arrangements in place within the TOCS programme. For quarter one, the audit will cover the process and approval mechanism for the outcome of the service reviews currently being conducted. Further work will be completed during the remainder of 2013/14, depending on the outcome and recommendations of the service review process.</p> <p>Additionally, an overview of the Customer Service Centre Programme will also be maintained with testing being undertaken on any key changes to processes and internal controls, as required.</p>
E&E (OCS)	1	<p>Reshaping Finance</p> <p>The audit will review the project to deliver changes to the financial management processes within the Council. The review will focus on how the changes are implemented and communicated across the organisation.</p>
E&E (OCS)	1	<p>HR Self Service</p> <p>Internal Audit will provide advice and support in delivering the objectives of the HR Self Service Project. This will include providing assurance on the design of any new key process or changes relating to the four work streams of the project:</p> <ul style="list-style-type: none"> - Personal Details Management (including Bank Details). - Travel and Expense Management.

Directorate	Qtr Start	Audit
		<ul style="list-style-type: none"> - Sickness and Absence Management. - E-Payslips.
E&E (OCS)	1	<p>Procurement Improvements Project</p> <p>From April 2013, the remaining improvements and actions as part of the PIP will be managed in house. This audit will monitor the remaining deliverables of the PIP, reviewing changes to processes, in particular the design of controls and reporting, as required, to the Project Board.</p> <p>Once operational, testing will be undertaken on the revised procurement processes in place.</p>
E&E (OCS)	1	<p>Schools Finance & Technical Team (Part 2)</p> <p>The Schools Support and Technical Team is the main provider of assurance on the performance of financial management at schools. This audit will follow up on the 2012/13 review, focussing on the effectiveness of the budget monitoring and financial management arrangements in place.</p>
E&E (OCS)	1	<p>Mobile Computing</p> <p>To review the security of data held and processed on mobile devices, such as tablets, laptops and smartphones. There has been significant growth in the use of mobile devices and it remains a key risk area, especially in terms of compliance with the Data Protection Act 1998.</p>
E&E (OCS)	1	<p>NHS Information Governance Toolkit (IGT)</p> <p>To ensure compliance with NHS IGT requirements. S&CS access to NHS networks and systems is dependent upon them complying with NHS IGT requirements.</p>
PH	1	<p>Public Health</p> <p>This is not a specific audit, but Internal Audit are monitoring the on-going project for the mobilisation of Public Health responsibility to the Council with effect from April 2013. Future Internal Audit activity to be agreed.</p>
Contract Audit	1	<p>A needs assessment for contract audit is being undertaken from which a detailed plan will be produced. Key contracts within E&E are already highlighted for review in Q1</p>

Directorate	Qtr Start	Audit
Counter-Fraud	1	<p data-bbox="464 269 1881 375">During Q1 the main focus of the Counter-Fraud activity will be undertaking a full fraud risk assessment. This will be used to highlight priority areas for proactive fraud testing. The results of the fraud risk assessment and proactive testing plan will be presented to the A&G Committee in July.</p> <p data-bbox="464 415 1822 480">We will be refreshing the Counter-fraud plan, and will continue with the Directorate presentations aiming to raise awareness of whistleblowing and counter-fraud responsibilities.</p> <p data-bbox="464 521 1860 586">We will also continue reviewing the NFI data matches highlighted from the 2012 NFI Data Matching exercise.</p>
Assurance Mapping methodology	1	<p data-bbox="464 602 1902 737">During Q1 we will develop the methodology and communication strategy in preparation for undertaking the assurance mapping exercise across all critical services. It is intended the output should be a process for regular management assurance on key risks, and annual assurance for the Audit & Governance Committee</p>