

AUDIT & GOVERNANCE COMMITTEE
10 MAY 2023

INTERNAL AUDIT STRATEGY & PLAN 2023/24

Report by Director of Finance

RECOMMENDATION

1. The Committee is RECOMMENDED to:

Comment and note the Internal Audit Strategy and Internal Audit Plan for 2023/24.

Executive Summary

2. This report presents the Internal Audit Strategy and Internal Audit Plan for 2023/24. A separate plan for Counter-Fraud activity will be presented to the July 2023 Committee.
3. Appendix 2 sets out the annual Internal Audit plan for 2023/24.
4. The key focus of audit activity during the year includes
 - Financial Management
 - Contract Management
 - Directorate Strategic Risks
 - Governance

Introduction

5. 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.
6. 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.”

7. 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.
8. 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

9. The Internal Audit Plan is developed to consider the corporate vision and priorities of Oxfordshire County Council, the Strategic Leadership Team's (SLT) priorities and management's assessment of risk as set out in the strategic and directorate risk registers. The audit plan includes cross referencing to those priorities and risks.
10. 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.
11. Audit planning is undertaken in accordance with Oxfordshire County Council's Internal Audit Charter and Public Sector Internal Audit Standards.
12. As part of the annual planning process the Chief Internal Auditor meets with members of the Strategic Leadership Team and other Senior Managers. This provides crucial insight and intelligence into the strategic and operational priorities of the organisation. There are regular meetings with each of the Directorates to ensure the plan is kept under continuous review. The plan is also reviewed quarterly and presented to the Audit and Governance 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.
13. The Audit and Governance Committee will continue throughout 2023/24 to gain assurance through reports from Senior Management on key areas.
14. Our aim is to align our work with other assurance providers where appropriate, including the External Auditors, Health Auditors and the auditors for the IBC (Hampshire's Integrated Business Centre).

15. The Chief Internal Auditor is a member of the Corporate Governance Assurance Group, which supports the monitoring and development of the assurance framework and production of the Annual Governance Statement. This includes review of the key governance areas through the Corporate Leads.
16. 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.
17. The Audit and Governance Committee will receive a quarterly report, including a status update on the approved work plans, and a summary of the outcomes of completed audits.

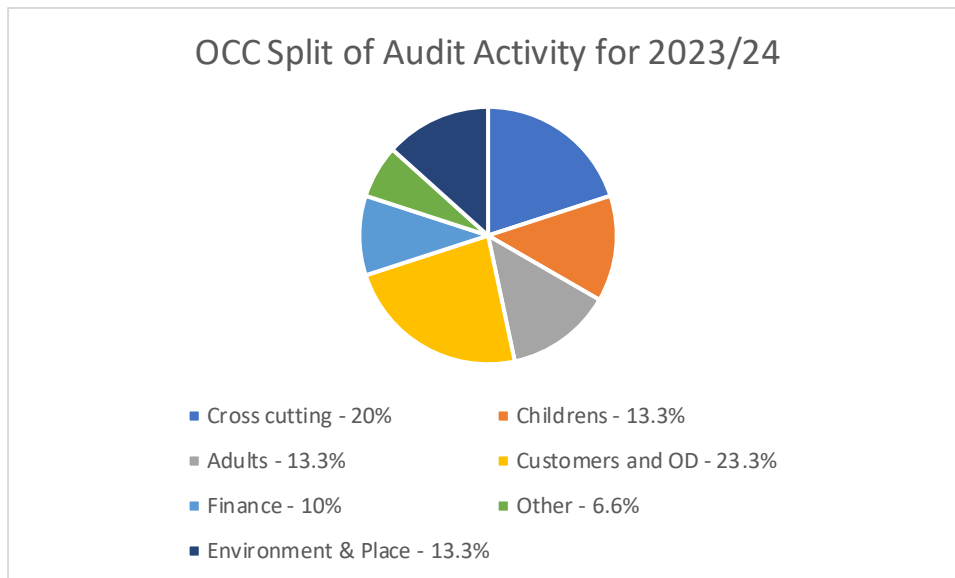
Counter-Fraud

18. Internal Audit have the responsibility for Counter-Fraud. The Counter Fraud Strategy and Plan for 2023/24 will be presented to the July Audit & Governance Committee.

Internal Audit Resourcing

19. The 2022/24 internal audit structure is included in Appendix 3. The Audit & Governance Committee are regularly updated regarding the Internal Audit resourcing position.
20. Following the de-coupling from Cherwell District Council (CDC), we are continuing to provide the Internal Audit and Counter Fraud Service to CDC under a service level agreement. 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. This arrangement is subject to annual review.
21. There continues to be a national challenge with the recruitment of good quality internal audit staff, particularly at a Senior Auditor level. We continue with the approach of "growing our own" and recruited a new Internal Audit Apprentice in October 2022. Our previous internal audit apprentice was successfully appointed to an Auditor post, reflecting excellent progress and development. We have a vacancy for a Senior Auditor and are trying to successfully recruit to this post, we are also exploring options to cover this post on an interim basis.
22. The planned chargeable days available to OCC in 2023/24 = 1100 (after deducting overheads such as annual leave, and other absences). This is assuming we are able to cover / recruit to the Senior Auditor vacancy. The

planned days available for Internal Audit assignments are 900 days. This is in line with the previous allocations in 2022/23, 2021/22 & 2020/21. (Other Chargeable days – non- audit assignment, are recorded at the end of the narrative plan in Appendix 2) The following chart shows an approximate split of chargeable audit activity days across directorates.



Quality & Performance

23. Oxfordshire County Council 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 2023/24 we will be supporting a member of staff to complete the Certified Internal Audit Qualification. We also have two current apprenticeship posts within the team – one Counter Fraud and one for Internal Audit.
24. 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.
25. During 2023/24 we will be subject to an external assessment against Public Sector Internal Audit Standards. This is recommended practice every 5 years. The results of the external assessment will be reported to the Audit & Governance Committee.
26. The performance indicators for 2023/24 are attached as appendix 1 to this report. A new indicator was added for 2022/23 – number 6, where we aimed to report on the number of repeat actions / findings (if any) that are raised, where follow up audits identify those actions have not been implemented effectively

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May 2023.

APPENDIX 1 PERFORMANCE INDICATORS 2023/24

| | Performance Measure | Target | Frequency of reporting | Method |
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| 1 | Elapsed time between start of the audit (opening meeting) and the Exit Meeting | Target date agreed for each assignment by the CIA, no more than three times the total audit assignment days | Quarterly report to A&G Committee. | Internal Audit Performance Monitoring System |
| 2 | Elapsed time for completion of the 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 receipt of management responses and the issue of the final report | 10 Days | Quarterly report to A&G Committee. | Internal Audit Performance Monitoring System |
| 4 | % of Internal Audit planned activity delivered | 100% of the audit plan by end of April 2024. | Annual Report to A&G Committee. | Internal Audit Performance Monitoring System |
| 5 | % of agreed management actions implemented within the agreed timescales | 90% of agreed management actions implemented | Quarterly Report to AWG | Action Management Tracking System |
| 6 | % of repeat findings/actions (relative to number of actions raised within the year) | Less than 5% of agreed management actions raised within the year. | Annual Report to A&G Committee | Internal Audit Tracking Spreadsheet |
| 7 | Customer satisfaction questionnaire (Audit Assignments) | Average score < 2 (1= Good, 2 = Satisfactory, 3 = Unsatisfactory, 4 = Poor) | Quarterly Report to A&G Committee | Questionnaire |
| 8 | Directors' satisfaction with internal audit work | Satisfactory or above | Periodically review of the effectiveness of IA - Monitoring Officer report to A&G Committee | Questionnaire, last completed in 2018/19, This has been requested by the Director of Finance to be completed during 2023. |

APPENDIX 2: Internal Audit Plan 2023/24

| Directorate / Service Area | Audit | Scope | Audit Needs Assessment | Link to Corporate Plan / Leadership Risk Register |
|----------------------------|---|---|------------------------|---|
| Cross cutting | Transformation - Programmes & major projects. | The governance arrangements in place for the management of programmes and major projects (excluding capital) are to be reviewed within the organisation. The scope of audit assurance will be determined, in terms of whether this will include input to the design of new project management governance arrangements and/or review of the effectiveness of any new arrangements and processes implemented. | H | |
| Cross cutting | Business Continuity | The audit will provide assurance over the processes for development, testing and maintenance of business continuity plans. | M | |
| Cross cutting | Strategic Contract Management | The audit will provide assurance over the strategic approach to contract management activities across a sample of services, which will include the prioritisation/risk rating of contracts and whether effective contract management arrangements are in place. | H | |
| Cross Cutting | Risk Management – directorate / service level | The audit will provide assurance over the directorate / service level processes for risk management, including the arrangements in place for the identification, management and escalation of risks. | M | |
| Cross cutting | Joint Internal Audit & Counter Fraud proactive review - Procurement Cards | Undertake a joint internal audit and counter fraud review of procurement card processes and activity. This will include pro-active testing on a sample of procurement card transactions across services. | M | |
| Cross cutting | Joint Internal Audit & Counter Fraud proactive review - Expenses | Undertake a joint internal audit and counter fraud review on key controls and processes relating to the payment of employee expenses, including pro-active testing on a sample of employee expense transactions across services. | M | |

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| Childrens | Placements – Contract Management / Quality Assurance | The audit will provide assurance over the robustness and effectiveness of the contract management and quality assurance processes across different types of placements. The audit was deferred from the 2022/23 Internal Audit Plan. | H | Strategic Plan Priority: Create Opportunities for Children and Young People to reach their full potential. Leadership Risk Register: SR5: Demand Management Children |
| Childrens | Transformation Programme – including Financial Management | The audit will provide assurance over the implementation of the children’s transformation programme, including the improvements being delivered in financial and performance management. | H | Strategic Plan Priority: Create Opportunities for Children and Young People to reach their full potential. Leadership Risk Register: SR5: Demand Management Children |
| Childrens | Independent Reviewing Officers | An Independent Reviewing Officer (IRO) is appointed for each child we care for. The IRO is responsible for chairing the child’s review and monitoring a child’s case on an ongoing basis. The audit will provide assurance over the governance and operational processes in place. | M | Strategic Plan Priority: Create Opportunities for Children and Young People to reach their full potential. Leadership Risk Register: SR5: Demand Management Children |
| Childrens | Supported Families | Following new funding invested by the Government in the Supporting Families Programme, the Department for Levelling Up, Housing, and Communities (DLUHC) have developed the programme further, expanding the outcomes framework and updating the funding formula. Oxfordshire County Council have become an early adopter of the new framework, and have built an automated system, Ohana, to identify claimable families. The conditions of the grant claim | Mandatory | Strategic Plan Priority: Create Opportunities for Children and Young People to reach their full potential. Leadership Risk Register: SR5: |

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| | | require Internal Audit to test a sample of families identified within each claim. The service may submit claims as regular as monthly during 2023/24. | | Demand Management Children |
| Adults – Payments to Providers | Payments to Providers | The audit will provide assurance over the accuracy and integrity of the payments processes in place for payments to residential and home support providers. | H | Strategic Plan Priority: Support carers and the social care system. Leadership Risk Register: SR4: Demand Management Adults |
| Adults | Health Funded Payments | The audit will provide assurance over the accuracy and integrity of the payments processes in place for health funded placements, this will include whether correct and timely funding is received from Health, in line with payments made. | M | Strategic Plan Priority: Support carers and the social care system. Leadership Risk Register: SR4: Demand Management Adults |
| Adults | Safeguarding | The audit will provide assurance over the Safeguarding Team processes, from initial enquiry through to resolution/closure. | H | Strategic Plan Priority: Support carers and the social care system. Leadership Risk Register: SR4: Demand Management Adults |
| Adults | Income and Debt Recovery | The audit will provide assurance over the management of adult social care income and the robustness of debt recovery processes. | H | Strategic Plan Priority: Support carers and the social care system. Leadership Risk Register: SR4: Demand Management Adults |
| Customers & Organisational Development – | Corporate & Statutory Complaints | The Council values complaints as an opportunity to improve the way we serve the people of Oxfordshire. The audit will review the processes for the receipt, investigation | M | |

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| Customer Services | | and follow up of corporate and statutory complaints. The audit was deferred from the 2022/23 Internal Audit Plan. | | |
| Customers & Organisational Development – Property & FM | Property Health & Safety | The audit will review the adequacy and effectiveness of compliance activities within Property, which provide assurance that buildings are safe and that there is statutory compliance. It will include the identification, management and escalation of health and safety risks. | H | |
| Customers & Organisational Development – Property & FM | Property Strategy Implementation | The Property Strategy sets out the Council's approach to property assets and the priorities for managing and developing the estate. The audit will include providing assurance that governance and management arrangements effectively support delivery of the strategy, the detailed scope will be determined. | H | |
| Customers & Organisational Development – IT | IT Incident Management | A new IT service management tool was implemented in 2020. The audit will review how business-as-usual IT incidents and service requests are logged, managed and monitored through to resolution. | M | |
| Customers & Organisational Development – IT | Cyber – Incident Preparedness and Response | Cyber security and the inherent risk of a breach remains high. The audit will review the plans and procedures in place for identifying, confirming and responding to a cyber breach. | H | Leadership Risk Register: SR2 Cyber Security |
| Customers & Organisational Development – IT / Property & FM | Physical Security Systems – Building Access Controls & CCTV System | The audit will provide assurance over the Council's physical security systems, including review of building access control and CCTV systems. | M | |
| Customers & Organisational Development | I-Hub Governance and Project Management | In 2018, Oxfordshire County Council formally launched a unit known as the innovation hub (I-Hub), which was developed from an entity within the council known as the Innovation and Research Team. Its remit is to support innovation projects. The audit will provide assurance over the governance, project management, operating and financial processes within the I-Hub service. | M | Strategic Plan Priority: Work with businesses and partners for environmental, economic and social benefit. |
| Finance | Pensions Administration | This is an annual audit to test the key controls providing assurance that members records are accurately | M | |

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| | | maintained and that payments through the pension's payroll are accurate, timely and legitimate. | | |
| Finance | Pensions Administration – IT Application Audit | The audit will review the management and IT security controls over the main Pension's IT application and other key IT systems used by the Pensions Administration Service. | M | |
| Finance | Feeder System Controls | The audit will provide assurance that there are effective controls in place to ensure the accuracy and integrity of data being transferred from a sample of feeder systems into the main accounting system, SAP. | M | |
| Legal | Case Management | The audit will provide assurance on the operational processes in relation to legal case management. The audit was deferred from the 2022/23 Internal Audit Plan. | M | |
| Public Health / Cross Cutting | Pandemic Preparedness | The audit will review the organisation's plans and procedures in place for responding to any potential future pandemic incident. | M | |
| Environment & Place | Supported Transport | The audit will provide assurance on key operational processes, focussing on contract procurement and contract management and follow up on the implementation of management actions agreed as a result of previous Internal Audit activity in this area. The audit was deferred from the 2022/23 Internal Audit Plan. | H | |
| Environment & Place | Parking Contract – Contract Management | The Council has three main contracts in place for parking enforcement and management. The audit will provide assurance over the robustness of the contract management arrangements. | M | |
| Environment & Place | Local Transport Connectivity Plan | The Local Transport and Connectivity Plan outlines a vision to deliver a net-zero Oxfordshire transport and travel system. The detailed scope of the audit is to be agreed however will include delivery of the plan, targets and measures, and development of key processes, for example, charging. | H | Strategic Plan Priority: Invest in an inclusive, integrated and sustainable transport network. Leadership Risk Register: SR7: Oxford Core Schemes. |

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| Environment & Place | S106 – New IT System | A new IT system has been implemented which records secured, held and allocated S106 contributions. The audit will review the effectiveness of the system in the management, oversight and reporting of contributions, and whether the planned benefits of improved processes have been delivered. The audit was deferred from the 2022/23 Internal Audit Plan. | M | |
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| Grant Certification | | <p>There are several requests made throughout the year for Chief Internal Auditor sign off, of grant certifications. For 23/24 these include:</p> <ul style="list-style-type: none"> • Disabled Facilities Grant • Rough Sleeping, Drug and Alcohol Treatment Grant • BDUK – BBFO • BDUK – BiRO Airband • BDUK – BiRO BT • BDUK – GigaHubs • BDUK – Top-Ups • BDUK – Gainshare/ Digital Infrastructure • Local Transport Capital Block Funding (Integrated Transport and Highway Maintenance Blocks) • Local Transport Capital Block Funding (Pothole Fund) • Local Authority Bus Subsidy (Revenue) Grant | Mandatory | <i>Chief Internal Auditor sign off – requirement of grant claim conditions.</i> |

| Other (Chargeable days – non- audit assignment) | | |
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| <p>There are days which are not attributed to specific planned audit activity and include:</p> | <ul style="list-style-type: none"> • Chief Internal Auditor’s management days • Preparation of the audit plan and operational planning • Reports for the Audit Working Group and Audit & Governance Committee • Attendance at Leadership Team meetings and regular meetings with Senior Management • Attendance at the Corporate Governance Assurance group including contribution to and overview of the Annual Governance Statement • External Audit liaison • Liaison with other assurance providers. | <ul style="list-style-type: none"> • Follow up on implementation of agreed management actions. • Annual self-assessment against internal audit standards – In accordance with the requirements of the Public Sector Internal Audit Standards • Advice and Liaison • Production of the Chief Internal Auditors’ Annual Report • Development of data matching / analytics • Contribution to change management programmes • Admin support for actual audit work |

APPENDIX 3:

INTERNAL AUDIT AND COUNTER FRAUD TEAM STRUCTURE 2023/24

