

# **AUDIT & GOVERNANCE COMMITTEE**

**11 MAY 2022**

## **INTERNAL AUDIT STRATEGY & PLAN 2022/23**

**Report by Lorna Baxter, Director of Finance**

### **RECOMMENDATION**

**1. The Committee is RECOMMENDED to:**

Comment and note the Internal Audit Strategy and Internal Audit Plan for 2022/23.

### **Executive Summary**

2. 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.
3. Appendix 2 sets out the annual Internal Audit plan for 2022/23.
4. The key focus of audit activity during the year includes
  - Financial Management
  - Contract Procurement
  - Contract Management
  - Directorate Strategic Risks
  - Capital Programme
  - 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 Senior 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 Senior 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 with reference to the risk registers 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 2022/23 to gain assurance through reports from Senior Management on key areas.

14. Our aim is to align our work with other assurance providers, 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.

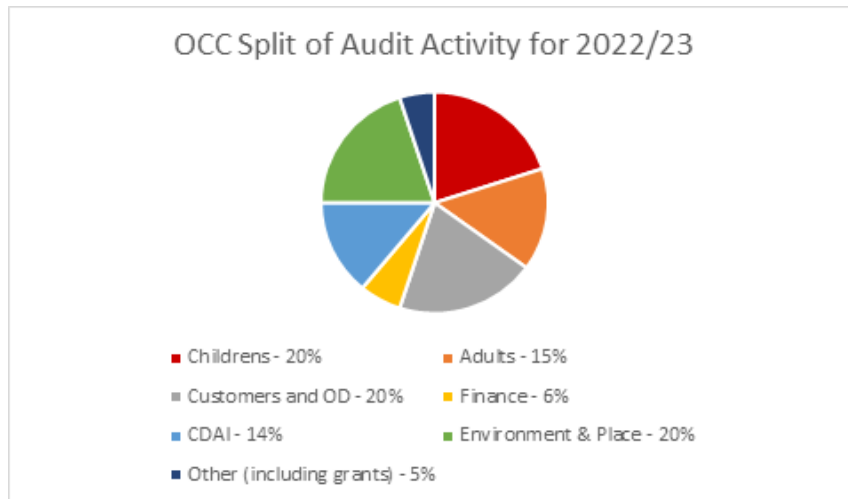
## **Counter-Fraud**

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

## **Internal Audit Resourcing**

19. 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 we also provided 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. Future delivery of both the internal audit and counter fraud services to CDC is subject to current review.
20. The 2022/23 internal audit structure is included in Appendix 3. The Audit & Governance Committee are regularly updated regarding the Internal Audit resourcing position.
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 we are aiming to recruit a new internal audit apprentice over the summer. Our current internal audit apprentice has been successfully appointed to an Auditor post, reflecting excellent progress and development.

22. The planned chargeable days available to OCC in 2022/23 = 1100 (after deducting overheads such as annual leave, and other absences). The planned days available for Internal Audit assignments are 900 days. This is in line with the previous allocations in 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 2022/23 we will be supporting a member of staff to complete the Certified Internal Audit Qualification. We also have two 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. The performance indicators for 2022/23 are attached as appendix 1 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.

## **Financial Implications**

26. There are no direct financial implications arising from this report.

Comments checked by: Lorna Baxter, Director of Finance  
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## **Legal Implications**

27. There are not direct legal implications arising from this report.

Comments checked by: Sukdave Ghuman, Head of Legal  
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## **Staff Implications**

28. There are no direct staff implications arising from this report.

## **Equality & Inclusion Implications**

29. There are no direct equality and inclusion implications arising from this report.

## **Sustainability Implications**

30. There are no direct sustainability implications arising from this report.

## **Risk Management**

31. There are no direct risk management implications arising from this report.

NAME: Lorna Baxter, Director of Finance.

Annex:                               Annex 1: 2022/23 Performance Indicators  
  Annex 2: 2022/23 Internal Audit Plan  
  Annex 3: 2022/23 Internal Audit Structure Chart

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May 2022.

**APPENDIX 1 PERFORMANCE INDICATORS 2022/23**

	<b>Performance Measure</b>	<b>Target</b>	<b>Frequency of reporting</b>	<b>Method</b>
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 2022.	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	Every two years - review of the effectiveness of IA - Monitoring Officer report to A&G Committee	Questionnaire, last completed in 2018/19, was due 2021, rescheduled for 2022.

## APPENDIX 2: Internal Audit Plan 2022/23

Directorate / Service Area	Audit	Scope	Audit Needs Assessment	Link to Corporate Plan / Leadership Risk Register
Childrens Services	SEND	The audit will follow up on the progress with implementation of the agreed actions from the audit completed during 2020/21. Detailed scope of areas that will be reviewed in more detail will be discussed and agreed with the service.	H	<i>Strategic Plan Priority: Create opportunities for children and young people to reach their full potential.</i> <i>Leadership Risk Register: LR 3 - High Needs Funding</i>
Childrens Services / IT	Childrens Education System – Implementation of New Council IT System	Internal Audit will look to provide assurance, pre-implementation, over the design of the new Education IT system, any changes to operational processes and the internal control environment. The audit will continue with the work undertaken during 2021/22, reviewing key IT system implementation controls, including testing and training (data migration and system security was completed during 2021/22)	H	<i>Strategic Plan Priority: Create opportunities for children and young people to reach their full potential.</i>
Childrens Services	Supported Families	The conditions of the grant claim require that Internal Audit test a sample of 10% and sign off on each claim submitted. The service normally submits 3 – 4 claims per financial year.	Mandatory	<i>Chief Internal Auditor sign off – requirement of grant claim conditions.</i>
Childrens Services	Children we care for / Care Leavers – support with	OCC has an important role in supporting children we care for and care leavers to develop the money skills they need as they grow and move on to live independently. These children and young people are also at	M	<i>Strategic Plan Priority: Create opportunities for children and young people to reach their full potential.</i>

	management of finances.	greater risk of financial exploitation. The audit will provide assurance on the adequacy of the support provided and the controls in place to help children and young people manage their money effectively and independently.		<i>Leadership Risk Register: LR 2 - Safeguarding of vulnerable children</i>
Childrens Services	Placements – quality assurance	The audit will provide assurance over the robustness and effectiveness of the quality assurance processes across different types of placements.	H	<i>Strategic Plan Priority: Create opportunities for children and young people to reach their full potential. Leadership Risk Register: LR 2 - Safeguarding vulnerable children, LR 5 - Insufficient placement availability for children we care for.</i>
Childrens Services	YPSA (Young People's Supported Accommodation)	The YPSA service was re-modeled, and the new service commenced October 2020 with the objective of providing vulnerable young people, or young people at risk of homelessness with high quality accommodation while being supported to develop their independent living skills, find employment, education or training. The audit will provide assurance on the governance and operational processes including contract management arrangements.	H	<i>Strategic Plan Priority: Create opportunities for children and young people to reach their full potential. Leadership Risk Register: LR 5 - Insufficient placement availability for children we care for</i>
Childrens Services / IT	IT application audit - EHCP System	The module, within the Liquidlogic Childrens IT System, for Education, Health and Care Plans went live in August 2021. The audit will review the adequacy of the IT security controls in operation.	M	<i>Strategic Plan Priority: Create opportunities for children and young people to reach their full potential.</i>



Adults	Direct Payments – Follow Up	The audit will follow up on the implementation of the agreed action plan from the audit completed during 2019/20, testing the adequacy and effectiveness of the implemented improvements.	H	<i>Strategic Plan Priority: Support carers and the social care system. Leadership Risk Register: LR6 – Safeguarding of vulnerable adults</i>
Adults	Providers – quality assurance	The audit will review the robustness and effectiveness of the quality assurance processes over providers commissioned to provide adult social care.	H	<i>Strategic Plan Priority: Support carers and the social care system. Leadership Risk Register: LR6 – Safeguarding of vulnerable adults</i>
Adults	Shared Lives	Shared Lives is a scheme for adults who receive care and support, which is provided by living or staying temporarily in a Shared Lives carer's home, or to be supported in their own home and community. This is an internally managed and provided service. The audit will provide assurance on governance and operational processes.	M	<i>Strategic Plan Priority: Support carers and the social care system. Leadership Risk Register: LR6 – Safeguarding of vulnerable adults</i>
Adults	Build back better – Introduction of cap on care costs.	From October 2023 the government will introduce a new £86,000 cap on care costs for personal care. There will also be changes to the thresholds for charging based on means tested contributions and a greater role for councils in organising care for self-funders. The audit will be undertaken in the last quarter of 22/23 and will look at preparations for responding to and implementing these changes. This will include consideration of identification and management of potential impacts.	M	<i>Strategic Plan Priority: Support carers and the social care system.</i>

Adults / IT	IT application audit – LAS	LAS (Liquidlogic Adults System) was implemented in 2015. The audit will provide assurance over the IT security controls in operation.	M	<i>Strategic Plan Priority: Support carers and the social care system.</i>
Customers, OD & Resources	Corporate and 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 and follow up of corporate and statutory complaints.	M	<i>Leadership Risk Register – LR12 – Corporate Governance</i>
Customers, OD & Resources	Music Service	The audit will follow up on the implementation of the agreed actions from the audit completed during 2020/21. (deferred from 2021/22 plan).	M	<i>Strategic Plan Priority: Create opportunities for children and young people to reach their full potential.</i>
Customers, OD & Resources – IT	Cyber Security – Ransomware	Ransomware remains a significant cyber threat to organisations. The audit will review and assess the effectiveness of user awareness campaigns and IT technical controls used to protect against ransomware threats.	H	<i>Leadership Risk Register – LR18 – Cyber Security</i>
Customers, OD & Resources – IT	Cloud Services	A number of key applications are now running in the cloud. The audit will provide assurance that data and applications held in the cloud are adequately secured and protected.	H	<i>Leadership Risk Register – LR19 – ICT Infrastructure</i>
Customers, OD & Resources – IT	Virtualised Infrastructure	The majority of critical business systems housed within the OCC data centre run on a virtualised platform. The audit will review and assess the security management and configuration of the virtualised infrastructure.	M	<i>Leadership Risk Register – LR19 – ICT Infrastructure</i>
Customers, OD & Resources – IT	IT Agile Working	The audit will review the adequacy of the corporate policies and technical IT controls over agile working arrangements.	M	<i>Leadership Risk Register – LR19 – ICT Infrastructure</i>

Customers, OD & Resources – HR	HR – contract management	The audit will review the contract management arrangements in place for key HR contracts.	M	<i>Leadership Risk Register – LR13 – Workforce Management</i>
Customers, OD & Resources – HR	HR – Employee Relations	The audit will provide assurance on the processes in place for managing high risk employee relations issues.	M	<i>Leadership Risk Register – LR13 – Workforce Management</i>
Customers, OD & Resources – HR / Finance	Payroll	The audit will provide assurance over the key controls and processes operated by OCC to ensure that payments are accurate, timely and only paid to legitimate employees.	M	<i>Leadership Risk Register – LR13 – Workforce Management</i>
Finance	Pensions Administration	The audit will test the key controls providing assurance that scheme members records are accurately maintained and that payment through the pension's payroll are accurate, timely and legitimate.	M	
CODR HR/ CDAI Procurement	Off contract spend	The audit will review off contract spend arrangements, including temporary/consultancy resources, to provide assurance over the governance and internal controls arrangements in place.	M	<i>Leadership Risk Register – LR13 – Workforce Management</i>
CDAI	Leases	The Council lease land and buildings to other parties. The audit will review the governance and internal control arrangements from the negotiation and agreement of the lease through to the ongoing management of the lease arrangements.	M	
CDAI	Property / FM – Contract Procurement	The audit will follow up on the work undertaken by Internal Audit/Counter Fraud team during 2021/22 and review the effectiveness of the	H	<i>Leadership Risk Register – LR11 - Supply Chain Management</i>

	and Contract Management arrangements	implementation of agreed actions in relation to contract procurement and contract management arrangements.		
CDAI	Legal Case Management	The audit will provide assurance on the operational processes in relation to legal case management.	M	
Environment and Place / Finance	Capital Programme - Major Infrastructure	<p>A new capital hub will be responsible for the governance, oversight, reporting and strategy for the capital programme led by a Capital Programme Manager.</p> <p>The audit will provide assurance over the new governance arrangements and processes in place for a sample of major infrastructure schemes.</p>	H	<p><i>Strategic Plan Priority: Invest in an inclusive, integrated, and sustainable transport network</i></p> <p><i>Leadership Risk Register – LR8 Capital Infrastructure Programme Delivery</i></p>
Environment and Place / Finance	Capital Programme - Highways Asset Management	<p>A new capital hub will be responsible for the governance, oversight, reporting and strategy for the capital programme led by a Capital Programme Manager.</p> <p>The audit will provide assurance over the new governance arrangements and processes in place for a sample of highways asset management schemes.</p>	H	<p><i>Strategic Plan Priority: Invest in an inclusive, integrated, and sustainable transport network</i></p> <p><i>Leadership Risk Register – LR8 Capital Infrastructure Programme Delivery</i></p>
Environment and Place	Supported Transport	The detailed scope of the audit is to be agreed however it will include providing assurance on key operational processes and follow up of work previously undertaken by Internal Audit in this area.	H	<p><i>Strategic Plan Priority: Create opportunities for children and young people to reach their full potential.</i></p> <p><i>Leadership Risk Register – LR2 – Safeguarding of vulnerable children, LR6 –</i></p>

				<i>Safeguarding of vulnerable adults</i>
Environment and 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.	M	<i>Leadership Risk Register – LR8 - Capital Infrastructure Programme Delivery LR19 – ICT Infrastructure</i>
Environment and Place	Climate	One of the council’s key strategic priorities is to “put action to address the climate emergency at the heart of our work”. The detailed scope of the audit is to be agreed but will provide assurance on the council response and actions in place to address climate change risks.	H	<i>Strategic Plan Priority: Put action to address the climate emergency at the heart of our work.</i>
Environment and Place	Street Lighting Contract	The audit will consider the adequacy of contract management arrangements in relation to the Street Lighting Contract, which is delivering the LED replacement scheme.	M	<i>Leadership Risk Register – LR11 - Supply Chain Management</i>
Environment and Place / IT	IT application audit – GIS	The audit will provide assurance over the IT security controls over the Geographic Information System (GIS).	M	<i>Leadership Risk Register – LR19 – ICT Infrastructure</i>
Corporate / Cross Cutting	Combined Audit & Counter Fraud Reviews (also see Counter Fraud Plans)	Combined audit & counter fraud proactive reviews of financial systems / processes (e.g. procurement cards). The areas will be based upon risk. These will be included within the Counter Fraud Plan on completion of a risk assessment.	M	

Various	Grant Certification	<p>There are several requests made throughout the year for Chief Internal Auditor sign off, of grant certifications. For 22/23 these include:</p> <ul style="list-style-type: none"> <li>• Disabled Facilities Grant</li> <li>• Highway Maintenance Block</li> <li>• Highway Maintenance Block Incentive</li> <li>• Integrated Transport Highways Management Block Grant</li> <li>• Pothole Challenge Fund</li> <li>• Adult Weight Management</li> <li>• Local Authority Test and Trace Contain Outbreak Management Fund Level Surge Funding</li> <li>• Universal Grant - Drug Treatment, Crime and Harm Reduction Grant - Universal Component</li> <li>• Building Digital UK (2 x broadband grants)</li> </ul>	Mandatory	<i>Chief Internal Auditor sign off – requirement of grant claim conditions.</i>
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Other (Chargeable days – non-audit assignment)				
<p>There are days which are not attributed to specific planned audit activity and include:</p>	<ul style="list-style-type: none"> <li>• Chief Internal Auditor’s management days</li> <li>• Preparation of the audit plan and operational planning</li> <li>• Reports for the Audit Working Group and Audit &amp; Governance Committee</li> <li>• Attendance at Leadership Team meetings and regular meetings with Senior Management</li> <li>• Attendance at the Corporate Governance Assurance group including contribution to and overview of the Annual Governance Statement</li> <li>• External Audit liaison</li> <li>• Liaison with other assurance providers, for example Hampshire Internal Audit and OCCG Auditors.</li> </ul>		<ul style="list-style-type: none"> <li>• Follow up on implementation of agreed management actions.</li> <li>• Annual self-assessment against internal audit standards – In accordance with the requirements of the Public Sector Internal Audit Standards</li> <li>• Advice and Liaison</li> <li>• Production of the Chief Internal Auditors’ Annual Report</li> <li>• Development of data matching / analytics</li> <li>• Contribution to change management programmes</li> <li>• Admin support for actual audit work</li> </ul>	

**APPENDIX 3:**

**INTERNAL AUDIT AND COUNTER FRAUD TEAM STRUCTURE 2022/23**

