

AUDIT and GOVERNANCE COMMITTEE – 27 MAY 2020

Internal Audit Strategy and Internal Audit Quarter 1 Plan for 2020/21

Report by the Director of Finance

RECOMMENDATION

1. **The committee is RECOMMENDED to comment and note the Internal Audit Strategy for 2020/21 and Internal Audit Plan for quarter 1.**

Executive Summary

2. This report presents the Internal Audit Strategy for 2020/21 and Internal Audit Plan for quarter 1. A separate plan for Counter-Fraud activity will be presented to the July 2020 Committee.
3. The audit planning process was completed for 2020/21 and a draft annual plan produced which was agreed with each Director. However, due to the Covid-19 pandemic, a refreshed internal audit approach is now required as our organisation goes through a period of significant disruption and change. This report therefore sets out our workplan for Quarter 1 (Appendix 2). It is proposed that a revised plan for the remainder of the year will then be presented to the July 2020 Committee.

Introduction

4. 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.
5. 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.”
6. 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.

7. 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. For 2020/21, the Covid-19 pandemic has meant that the draft annual plan needs to be revisited and reprioritised. The operational impacts, new control environment, any changes in governance arrangements, resulting from current events, need to be assessed and internal audit resources targeted across immediate priority areas for the organisation.

Audit Planning Methodology

8. Our routine annual audit planning methodology comprises of:
9. The Internal Audit Plan is developed to consider the corporate vision and priorities of Oxfordshire County Council, the Leadership Team's (CEDR) 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 CEDR (Chief Executive Direct Reports) and other Senior Managers. This provides crucial insight and intelligence into the strategic and operational priorities of the organisation. Quarterly meetings with each of the Directorate Leadership Teams 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 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 2020/21 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 Southern Internal Audit Partnership. The Southern Internal Audit Partnership provides annual assurance to Oxfordshire County Council on the adequacy and effectiveness of the framework of governance, risk management and control from the work carried out by the Hampshire Shared Services Partnership
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 future model for delivery of both the pro-active fraud plan and management of reactive work / investigations is subject to review, looking for opportunities for further build and strengthen our pro-active fraud activity. The Counter Fraud Strategy and Plan for 20/21 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). 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. We will look to fully integrate the current IA team into CDC. The audit management team strongly believe that working as an in-house internal audit function in any organisation drives an increased quality of output, as not only do the in-house team members have a good strategic and operational understanding of the organisation, but also have an ongoing commitment to organisational improvement and adding real value.

20. We will look to build on best practice from both organisations, for example the work that has been undertaken at OCC to provide an Internal Audit service fully compliant with Public Sector Internal Audit Standards and the development of effective audit committee arrangements.
21. As partnership/joint working develops across services between OCC and CDC this will provide opportunities for joint assurance activities.
22. There will be a “one-team” approach however there will be individual Internal Audit Plans for OCC and CDC to enable reporting to separate Audit Committees.
23. During the 2019/20 Finance Review, the following additional resources were agreed for Internal Audit, which will enable the delivery of a joint internal audit service across OCC / CDC from April 2020:
 - Increase of 1FTE Senior Auditor (permanent)
 - Increase of 25 days IT Audit resource (to be reviewed annually)
 - Team administrator (currently 80 chargeable days) removed from structure and replaced with 1FTE AAT trainee (vacant).
 - 2FTE Auditor posts re-designated as Senior Auditor posts

The new internal audit structure (Appendix 3) has recognised the complex service delivery environment and the demand for quality and experience, Auditor posts have been removed and through recruitment are being replaced with Senior Auditors.

24. The planned chargeable days available to OCC in 20/21 = 1200. (this is in line with 19/20, however is subject to recruiting to vacant posts).
25. The Audit & Governance Committee are regularly updated regarding the Internal Audit resourcing position and the on-going challenges of recruitment. There are still two vacancies within the Internal Audit structure – Senior Auditor and also the AAT trainee. Unfortunately, due to the pandemic this has impacted and delayed the recruitment of these vacancies and will mean a reduction of the planned chargeable days that can be provided during 2020/21. The pandemic will also impact on the overall days available – the internal audit team’s working arrangements have been disrupted in the weeks following lockdown, audit resource has been redirected to support Covid-19 payments response work, for example business grants/supplier payments and working remotely will also mean that some audit work/testing may take longer to complete.
26. The covid-19 impact on planned chargeable days and how the remaining chargeable days available for OCC will be split across planned audit activity will be presented in the report to the July 2020 committee.

Quality & Performance

27. 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 2020/21 we will be supporting 2 members of staff to complete the Chartered Internal Audit qualification. We are looking to support another member of staff to complete the Certified Internal Audit Qualification.
28. 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.
29. The proposed performance indicators for 2020/21 are attached as appendix 1 to this report.

Quarter 1 Internal Audit Plan

30. Appendix 2, sets out the revised quarter 1 work plan for Internal Audit. The completion of 2019/20 audit plan work is normally achieved by the end of April; however, this year has extended to the end of May, due to the pandemic.
31. Internal Audit continue during quarter 1 to undertake planned work in relation to grant sign offs, for example Troubled Families, to ensure funding is still received in these areas. There are also some of the planned audits that we have already reassessed as still priority areas to provide assurance over, that officers/teams are available for, which we plan to start during June. For example, IT Disaster Recovery Planning. The internal audit approach will be adapted to undertake the work remotely and to work mindfully around the other priorities of the officers/teams involved.
32. The priority for quarter 1 for OCC has been, being involved with advising on new control processes for covid-related payments, for example payments to providers.
33. There is an increased fraud risk whilst operating during the pandemic, and this will need to be a key focus within the internal audit work plan, for example the risk of irregular payments is high, and therefore focus needs to be on helping to prevent loss.
34. In refreshing and re-prioritising, the internal audit plan for the year, Internal Audit needs to understand and assess the immediate and future risks resulting from

the pandemic. The plan needs to remain fluid and responsive to changing priorities, new ways of organisational working and any changes to the governance arrangements and control environment. It is proposed that a revised plan for the remainder of the year will be presented to the July 2020 Committee. However, in common with other internal audit functions we are undertaking a more “agile” form of auditing during the Covid period so that we can rapidly move resources within the audit team to priority areas in, particularly towards Covid funding to ensure risks are adequately managed and controls effective to minimise the risk of fraud and error. This more ‘agile’ auditing approach is likely to be adopted for the remainder of this year.

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Director of Finance

Background papers: None.

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APPENDIX 1 PERFORMANCE INDICATORS 2020/21

	Performance Measure	Target	Frequency of reporting	Method
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 issue of draft report and the issue of the final report	15 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 2021.	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	Customer satisfaction questionnaire (Audit Assignments)	Average score < 2	Report to A&G Committee	Questionnaire
7	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, next due 2021.

APPENDIX 2:

INTERNAL AUDIT QUARTER 1 PLAN 2020/21

Audit / task	Detail	Status as at 12 May
Completion of 2019/20 Internal Audit Programme	This is normally completed by the end of April. This has been delayed due to covid-19 and has been extended until the end of May.	Ongoing
Covid-19 funding / payments.	<p>Internal Audit have been involved with supplier relief payments.</p> <p>At OCC Internal Audit were initially involved in the processes being established to support adult and children's provider payments from the Service Sustainability Fund.</p> <p>Internal Audit have reviewed and advised on the processes established for the early years covid funding, supporting both nursery settings and childminders.</p> <p>Internal Audit will also look to support further by providing assurance over the accuracy and integrity of Supplier Relief Payments across the directorates and also the 10% uplift payments made to social care providers.</p>	Ongoing
Public Health – Alcohol Capital Grant	Chief Internal Auditor verification and sign off is a requirement of the grant conditions. This needs to be completed by the end of May 2020.	As at 12/5/20 – work commenced.
Troubled Families	The condition of the grant claim is that Internal Audit test a sample of 10% and sign off on each claim submitted. The service plan to submit 4 claims during the financial year 2020/21 – the first one will be before the end of June 2020.	Planned for June
Action Tracking	Work required to reconfigure system to enable us to onboard CDC exiting actions and be able to report on them separately to the two different audit committees.	Ongoing

	No soft chasing of officers due to covid-19 during March-May. Review position in June and get updates where required and escalate where appropriate through DLTs.	Planned for June
	Review dashboard access for senior managers – OCC and CDC	Planned for June
PSIAS	Annual self-assessment against PSAIS and renewal of IA charter	To be completed by end of June
Revision of Internal Audit Plan	Draft plan to be reviewed with each Directorate, emerging risks and control environment changes to be identified, with new areas for assurance included.	To be completed by end of June
Quarter 1 audits	It is planned that 4 audits will commence mid-end of June. These are currently being selected. One of these where scoping has already been undertaken is IT Disaster Recovery Audit 20/21 (which had been deferred from 2019/20). An update will be made to the July A&G committee on the work started in June.	Planned start for June.

APPENDIX 3:

Internal Audit Structure 2020/21

