

AUDIT and GOVERNANCE COMMITTEE – 13 JULY 2016

Internal Audit Strategy and Internal Audit Plan for 2016/17

Report by the Chief Financial Officer

Introduction

1. At the 20 April 2016 Audit & Governance Committee an interim strategy and quarter 1 plan was presented pending an outcome of a permanent appointment to the role of Chief Internal Auditor. The Assistant Chief Finance Officer is liaising with HR to confirm the arrangements for creating a permanent role within the existing structure, and is drafting a new job description to be subject to job evaluation.
2. This update report presents the Final Internal Audit Strategy and Internal Audit Plan for 2016/17.
3. Since the 20 April meeting there have been further changes within the team. It has been agreed with Thames Valley Police (TVP) that the current collaboration for managing their Internal Audit Service will end. Difficulties in recruiting and demand at OCC has resulted in us outsourcing the actual work delivered for TVP, so the opportunities that the arrangement originally delivered of having a bigger team and shared resource were no longer being realised.
4. TVP acknowledged the position and were happy to pursue other arrangements. They quickly came to the decision they would bring the service back in-house and have chosen to appoint their own Chief Internal Auditor. Their recruitment process has now been completed and they have appointed Neil Shovell, OCC Audit Manager, who has left OCC to join TVP. His last day at OCC was Tuesday 17 May.
5. Following Neil's departure, the corporate risk management function and assurance activity still reside under Ian Dyson (Assistant Chief Finance Officer - Assurance) however the future arrangements for resourcing these activities are now being considered by Ian Dyson with Lorna Baxter (Chief Finance Officer). The compliance function has been transferred over to the Chief Internal Auditor, who now has responsibility for Audit, Compliance and Fraud.
6. This has presented an opportunity for the current Compliance activity to be merged with the Internal Audit activity, meaning that one plan is produced covering both areas of assurance activity. This will improve both the coordination of the work and reporting of the results to the organisation and

also assist with the resourcing of both these activities. A separate Counter Fraud Plan will still be produced.

Internal Audit Strategy 2016/17

7. 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 2015.
8. The Public Sector Internal Audit Standards define “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.”
9. 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.
10. The Internal Audit Annual Plan has been drafted. However it will evolve and need to be subject to amendments / responsive to organisational change and resulting emerging risks during the year.
11. For 2016/17 there will remain a significant emphasis for the internal audit activity to review key financial systems and compliance with the governance framework, which will include financial management across the directorates and also a sample of local financial systems.

Audit Planning Methodology

12. The Internal Audit Plan has been produced with reference to the Corporate Risk Register and in consultation with the Directors, Deputy Directors, Finance Business Partners and the Chief Finance Officer. Quarterly meetings with the Directors are scheduled to ensure the plan is kept under continuous review. The plan will also be reviewed quarterly with reference to the Directorate Risk Registers, and presented to the Audit and Governance Committee for consideration and comment.

13. During 2016/17 it is expected that the planned audits will be aligned to the outcomes from the assurance mapping of key services that is currently in progress.
14. The Internal Audit Plan now combines both the internal audit activity and compliance activity. This will enable Internal Audit to verify financial control and compliance with the County Council's financial regulations and procedures for the core financial systems and process throughout the year.
15. The Internal Audit Plan will continue to be influenced by external organisations and statutory bodies we work with and provide assurance to.
16. Counter-fraud remains a responsibility for Internal Audit to lead on, and in 2016/17 this will continue to be focussed on overseeing the investigation of NFI data matches, and responding to referrals of suspected fraud and financial irregularity. Internal Audit will continue to work in collaboration for proactive counter-fraud, and reactive investigation support with the Fraud Hub being led by Oxford City Council.
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.

Internal Audit Resourcing

18. The Internal Audit Team for 2016/17 comprises of the following resources:

Gross days	=	2146
Less Overheads & Non Chargeable Days	=	566
Chargeable days available	=	1580

	FTE	Chargeable days available	Chargeable days - audit assignment	Chargeable days - non assignment	Chargeable days - Counter Fraud
Audit Manager (Interim CIA)	0.7	140	40	60	40
Principal Auditor	0.8	160	155	5	0
Principal Auditor	0.8	160	155	5	0
Senior Auditor (Fraud)	1	200	45	5	150
Compliance Officer	0.8	160	160	0	0
Trainee Auditor	1	190	160	0	30
Trainee Auditor	1	190	160	0	30

Team Administrator	0.8	80	0	80	0
I.T Auditor	0.5	100	95	5	0
Oxford City Council Investigation Team	1	200	0	0	200
Total		1580	970	160	450

Overheads:

This time is for bank holidays, annual leave, special leave, training, contingency for sick absence, and recruitment.

Non Chargeable Days:

The non-chargeable days are for non-audit related activity, including administration time, staff appraisals, 1:1's and departmental work.

Chargeable days - non audit assignment:

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.

Professional Training:

The available chargeable days of the Audit trainees have been reduced by a further 10 days each during 16/17 for professional training.

2016/17 Internal Audit Plan

19. Appendix 1 sets out the annual Internal Audit plan for 2016/17.

2016/17 Counter Fraud Plan

20. Appendix 2 sets out the Counter-Fraud plan for 2016/17.

RECOMMENDATION

The committee is RECOMMENDED to:

- a) Approve the Internal Audit Strategy for 2016/17 and 2016/17 Internal Audit Plan; and,**
- b) Approve the 2016/17 Counter-Fraud Plan.**

Sarah Cox
Audit Manager (Interim Chief Internal Auditor)

Background papers: None.
Contact Officer: Sarah Cox 07393 001246

Appendix 1 - Internal Audit Plan 2016/17

Directorate	Audit Review	Planned Start
SCS	Mental Health	Q1
SCS	Money Management	Q2
SCS	Pooled Budgets - Contract Management	Q2
SCS	Adults Safeguarding	Q3
SCS	Personal Budgets inc Direct Payments	Q3
SCS	Client Charging (including ASC debt)	Q4
SCS	Residential & Home Support Payments	Q4
CEF	Unaccompanied Asylum Seeking Children	Q2
CEF	Thriving Families - Summer and Winter Grant Claims	Q2 & Q4
CEF	Children's Direct Payments	Q1
CEF	Early Years Payments - Follow up	Q2
CEF	Childrens Safeguarding	Q3
Schools	Mapping of S151 assurance	Q2
Schools	Thematic Reviews (Compliance)	Q3 & Q4
Corp / EE	Capital Programme	Q1
Corp / EE	LEP	Q3
EE	Highways Follow up	Q3
EE	Property	Q4
EE	S106 agreements	Q3
ICT	Cloud Computing - Office 365	Q1
ICT	Cloud Computing - Backup as a service	Q3
ICT	ICT Management and Operations	Q1
ICT	Mobile Computing	Q2
ICT	PCI DSS Compliance	Q4
ICT	SAP System	Q3
ICT	ICT application audit - Altair (Pensions Admin System)	Q2
Directorate	Audit Review - Compliance	
Corp	Budget Setting / Delivery of Savings	Q2
Corp	Accounts Payable	Q4
Corp	Accounts Receivable	Q4
Corp	Treasury Management	Q1
Corp	Payroll	Q4
Corp	Main Accounting	Q3
Corp	Pensions Fund	Q3
Corp	Pensions Admin	Q4
Corp	Scheme of Delegation Application	Q2
Corp	BDU - monthly compliance checks on files uploaded to BDU	Ongoing
Corp	BDU - compliance review, visiting officers and testing upload processes	Q1

Corp	Governance area - compliance review (area to be confirmed)	Q3
Corp	Governance area - compliance review (area to be confirmed)	Q3
Corp	Grant Certification (requests throughout year for CIA sign off)	Ongoing

Appendix 2 - Counter Fraud Plan 2016/17

Activity
Review of CIPFA Local Government Counter Fraud and Corruption Strategy 2016-19, identifying any gaps and required action for implementation.
Review and update of OCC fraud internet and intranet pages and procedures.
Review and update of fraud risk register. Identification of new fraud risk areas.
NFI 2015/16 work - completion of review of data matches
NFI 2016/17 - preparation for 2016 data collection including review of fair processing notices.
Reactive investigations - continued from 2015/16 plus new referrals.
Fraud awareness sessions.
Development of arrangements with the City Council, for Counter-Fraud (to include Single Person Discount work) and also support with reactive investigations.
Proactive Fraud review - travel and expenses.
Proactive Fraud review
Proactive Fraud review
Proactive Fraud review
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Proactive Fraud review