



OXFORD CITY COUNCIL

DRAFT INTERNAL AUDIT PLAN AND CHARTER 2019-20 AND 2019-21

March 2019

INTRODUCTION

Our role as internal auditors is to provide independent, objective assurance designed to add value and improve your performance. Our approach, as set out in the Firm's Internal Audit Manual, is to help you accomplish your objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Our approach complies with best professional practice, in particular, CIPFA Internal Audit Standards and Public Sector Internal Audit Standards.

Internal Audit at Oxford City Council

We have been appointed as internal auditors to Oxford City Council (the 'Council') to provide the s151 officer, and the Audit Committee with assurance on the adequacy of internal control arrangements, including risk management and governance.

Responsibility for these arrangements remains fully with management, who should recognise that internal audit can only provide 'reasonable assurance' and cannot provide any guarantee against material errors, loss or fraud. Our role at the Council will also be aimed at helping management to improve risk management, governance and internal control, so reducing the effects of any significant risks facing the organisation.

In producing the internal audit operational plan for 2019-20 and 2020-21 strategic plan we have sought to further clarify our initial understanding of the business of the Council together with its risk profile in the context of:

- The overall business strategy and objectives of the Council
- The key areas where management wish to monitor performance and the manner in which performance is measured
- The financial and non-financial measurements and indicators of such performance
- The information required to 'run the business'
- The key challenges facing the Council.

BACKGROUND

Our risk based approach to Internal Audit uses the Council's own risk management process and risk register as a starting point for audit planning as this represents the client's own assessment of the risks to it achieving its strategic objectives.

The extent to which we can rely on management's own perception of risk largely depends on the maturity and effectiveness of the Council's own risk management arrangements. In estimating the amount of audit resource required to address the most significant risks, we have also sought to confirm that senior management's own assessment of risk accurately reflects the Council's current risk profile.

INDIVIDUAL AUDITS

When we scope each review, we will reconsider our estimate for the number of days needed to achieve the objectives established for the work and to complete it to a satisfactory standard in light of the control environment identified within the Council. Where revisions are required we will obtain approval from the s151 Officer prior to commencing fieldwork and we will report this to the Audit Committee.

In determining the timing of our individual audits we will seek to agree a date which is convenient to the Council and which ensures availability of key management and staff.

VARIATIONS TO THE PLAN

Significant variations to the plan arising from our reviews, changes to the Council's risk profile or due to management requests will be discussed in the first instance with the s151 officer and approved by the Audit and Governance Committee before any variation is confirmed.

APPROACH TO CREATING THE PLAN

The indicative Internal Audit programme for 2019-20 is shown in this document. We have not stated which quarter they will be reviewed in because we have been appointed half way through the audit year and therefore once this Plan is approved they all are priority to be completed as soon as Council and BDO resources become available.

1	Agreed approach with s151 officer
2	Discussed risks and reviews with Heads of Service in February 2019
3	Considered client/sector risks and audit plans across our portfolio
4	Discussed risks with External Audit Manager
5	Finalised draft Plan with s151 officer
7	Presented the Draft Plan to the Audit and Governance Committee for consideration and approval in March 2019

STAFFING

The core team that will be delivering the programme to you is shown below:

Name	Role	Telephone	Email
Greg Rubins	Head of Internal Audit	07710 703 441	Greg.Rubins@bdo.co.uk
Gurpreet Dulay	Audit Manager	07870 555 214	Gurpreet.Dulay@bdo.co.uk

The core team will be supported by specialists from our national Risk and Advisory Services Team and wider firm as and when required.

Our indicative staff mix to deliver the programme for 2019-20 is shown below:

Role	Days	Role mix %
Head of Internal Audit	20	10%
Audit Manager	60	30%
Senior Auditor	60	30%
Other (Specialists / Junior Auditor)	60	30%
Total	200	

REPORTING TO THE AUDIT COMMITTEE

We will submit the indicative Internal Audit Plan for discussion and approval by the Audit Committee in March 2019. We will liaise with the Executive Directors and other senior officers as appropriate to ensure that internal audit reports summarising the results of our visits are presented to the appropriate Audit Committee meeting.

Following completion of the Internal Audit programme each year we will produce an Internal Audit Annual Report summarising our key findings and evaluating our performance in accordance with agreed service requirements. Please note that should it be felt the number of days in the plan is to be greater than 200 then Internal Audit can accommodate this.

INTERNAL AUDIT PLAN 2019-20 and 2020-21

Review	2019-20	2020-21	Description
Car Parking		13	To review the strategy and stakeholder engagement with a high level review of car parking activity
Channel Shift		15	We would: <ul style="list-style-type: none"> •take the understanding of the Council's customers from data and assess where customers can be directed on-line or to more efficient methods •compare the Council's approach to those successfully implemented at other Councils •create a prioritised action plan for channel shift savings based on bottom up transaction data which supported the objectives outlined in the customer access plan and include recommendations for how these could be implemented, along with outline costs and estimated savings
Accounts Payable and Procurement	18		Assess the arrangements to input, amend, record and report accounts payable data including whether the software/procurement methods in place are effective and whether opportunities for efficiencies have been identified. Assess the arrangements to meet legislation and internal procedures around procurement activity.
Payroll and Overtime		15	This review will be to assess all payroll information from new starters, leavers and variations and monthly reconciliations. We will also assess overtime arrangements.
Data Analytics		15	To conduct data analytics on main financial system information including the ledger and payroll. This will include conducting over 50 data analytics tests and then following up on red flags identified.
ICT General Control	12		Review the general ICT control environment including application interfaces, access rights, upgrades and password policies. This review would also cover the ICT plan and resilience of the function
Income Collection/Cashiers		12	Review arrangements for recording income onto Paris system and also cash handling arrangements.
GDPR		15	Review compliance with the May 2018 new GDPR legislation and whether this is being overseen sufficiently and concerns escalated and managed.
Recruitment		12	To review all recruitment arrangements from promotion through to following protocol and approvals throughout the process. This will include focussing on successful and unsuccessful campaigns and seeing how best practice is shared and embedded.
Collection Fund	12		Review of the controls and processes with regards to calculation of

			liabilities, billing processes, debt collection and recovery, exceptions and system integrity
Treasury Management	12		To assess whether corporate treasury management activities are monitored, controlled and reported effectively
Health and Safety and Fire Safety	13		Assess the controls and processes to meet all legal requirements around health and safety at the Council and fire safety; this will assess the governance, reporting and embedding of health and safety policies and procedures
Project Management (inc. Capital Projects)		15	Review the methodology and practice in the Council to manage projects and review particular projects in detail and assess whether the Council's approach was adhered to. Furthermore, a wider assessment of where projects have failed to meet objectives, to consider the root-cause of this with the aim of improving future project management arrangements
Contract Management	15		Assess the most important contracts (i.e. Laser) at the Council and how these are managed in terms of: whether the contract in place is robust and effective, variations to contracts are approved and embedded promptly, performance management is clear, understood and reported with appropriate action taken and if the culture between parties is effective
High Level Business Continuity, Disaster Recovery and Emergency Planning Review	12		Review of the Council's business continuity and disaster recovery arrangements including the robustness of any business impact analysis and testing of the disaster recovery plan
Planning		15	Review the strategy for the service to assess whether it is fit-for-purpose, the capacity/knowledge and resilience of the team, and whether operational controls to achieve the objectives for the area are robust
Corporate Performance	13		To review how corporate KPIs are created, reported on and monitored. Assessing whether this is adequate and sufficient.
Enforcement Restructure	12		Review the restructure as to whether it has achieved the aims set out to make the teams more resilient, more proactive and report more accurate, timely and relevant information with robust key performance indicators
Events Management	12		Assess the systems, procedures and resilience of the events management staff/software to achieve the objectives set out; this includes the governance, strategies and operational controls for events management
Community Cohesion		11	To assess the overall strategy the Council have to achieve this and how cohesion is monitored and reported to ensure it is effective.

Graffiti and Street Appearance	10		This review will assess the controls and processes to manage Graffiti and maintain street appearance.
Companies Review Oversight		15	The Council are in the process of/or have set up various companies to more effectively and efficiently manage the direct services or housing company. The review will focus on whether the objectives set out have been achieved with regards to financial and quality measures; this will also include whether payment mechanisms agreed have delivered positive outcomes. This will also include client and share holder monitoring.
Housing RentsSystem	12		This review will assess the controls and processes to manage housing rents including the effective use of the software. An assessment of the administration and management of policies will also be assessed i.e. administration of 'market rent' assessments.
Housing Rents - Strategy		12	There are significant housing policy changes in the local government sector and this review will assess the strategy and policies the Council have in place to manage national changes coming in. The review will consider the responsiveness to national changes and robustness of assumptions made
Empty and Void Property Management	15		Review the arrangements to manage empty and void properties to ensure they are promptly and effectively brought into use. This will include ensuring the reporting of data is accurate and sufficiently scrutinised
Homelessness		15	Review all arrangements from policies/procedures, applications, support and on-going monitoring of those assessed to be homeless. Review the controls and processes to manage rough sleeping to ensure the Council are actively identifying those at risk and provide support effectively. Also include corporate approaches to manage homelessness and how this area is reported.
Election Accounts	12		Review of election accounts information including payments to election staff, expenses and use of bank accounts to process transactions
Audit Management	12	12	This includes all planning, liaison and management of the Internal Audit contract including preparation of the Head of Internal Audit Opinion and attendance at all Audit and Governance Committees
Recommendation Follow-Up	8	8	To follow-up progress and verify audit recommendations due in the quarter under review
TOTAL	200	200	



OXFORD CITY COUNCIL
INTERNAL AUDIT CHARTER 2019-20

March 2019

PURPOSE OF THIS CHARTER

This charter is a requirement of Public Sector Internal Audit Standards (PSIAS).

The charter formally defines internal audit's mission, purpose, authority and responsibility. It establishes internal audit's position within Oxford City Council, and defines the scope of internal audit activities.

Final approval resides with the Board (through discussion with the Section 151 Officer), in practice the charter shall be reviewed and approved annually by management and by the Audit Committee on behalf of City Executive Board.

INTERNAL AUDIT'S MISSION

Internal audit's mission is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

STANDARDS OF INTERNAL AUDIT PRACTICE

To fulfil its mission, internal audit will perform its work in accordance with PSIAS, which encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF): Definition of Internal Auditing, Code of Ethics, and International Standards for the Professional Practice of Internal Auditing.

We will agree with you an audit plan for a total number of days activity. Once agreed, we will turn this into a cash budget which we will work to, in order to ensure that you have certainty around the fees you will pay us

INTERNAL AUDIT DEFINITION AND ROLE

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.

Internal audit acts primarily to provide the Audit Committee and Section 151 Officer with information necessary for it to fulfil its own responsibilities and duties. The Section 151 Officers role is to ensure Council is compliant with the statutory requirements for internal audit as set out in the 1972 Local Government Act. Implicit in internal audit's role is that it supports management to fulfil its own risk, control and compliance responsibilities. The range of work performed by internal audit is set out in PSIAS and not repeated here.

INTERNAL AUDIT'S SCOPE

The scope of internal audit activities includes all activities conducted by Oxford City Council. The Internal Audit Plan sets out those activities that have been identified as the subject of specific internal audit engagements.

The provision of assurance services is the primary role for internal audit in the UK public sector. This role requires the chief audit executive (Head of Internal Audit) to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.

Assurance engagements involve the objective assessment of evidence to provide an independent opinion or conclusions regarding an entity, operation, function, process, system or other subject matter. The nature and scope of the assurance engagement are determined by internal audit.

Consulting engagements are advisory in nature and are generally performed at the specific request of management, with the aim of improving governance, risk management and control and contributing to the overall opinion. The nature and scope of consulting engagement are subject to agreement with management. When performing consulting services, internal audit should maintain objectivity and not assume management responsibility.

EFFECTIVE INTERNAL AUDIT

Our internal audit function is effective when:

- It achieves the purpose and responsibility included in the internal audit charter
- It conforms with the Standards
- Its individual members conform with the Code of Ethics and the Standards
- It considers trends and emerging issues that could impact the organisation.

The internal audit activity adds value to Oxford City Council (and its stakeholders) when it considers strategies, objectives and risks, strives to offer ways to enhance governance, risk management and control processes and objectively provides relevant assurance.

INDEPENDENCE AND INTERNAL AUDIT'S POSITION WITHIN OXFORD CITY COUNCIL

To provide for internal audit's independence, its personnel and external partners report to the Head of Internal Audit, who reports functionally to the Audit Committee. The Head of Internal Audit has free and full access to the Chair of the Audit Committee. The Head of Internal Audit reports administratively to the Head of Financial Services (Section 151 Officer) who provides day-to-day oversight and is charged with ensuring the Council is compliant with statutory requirements for the internal audit function.

The appointment or removal of the Head of Internal Audit will be performed in accordance with established procedures and subject to the approval of the Chair of the Audit Committee.

The internal audit service will have an impartial, unbiased attitude and will avoid conflicts of interest. The internal audit service is not ordinarily authorised to perform any operational duties for Oxford City Council.

In the event that internal audit undertakes non-audit activities, safeguards will be agreed to ensure that independence or objectivity of the internal audit activity are not impaired. This might include a separate partner review of the work or a different team undertaking the work. Approval of the arrangements for such engagements will be sought from the Section 151 Officer and Audit Committee prior to commencement.

In the event that internal audit provides assurance services where it had previously performed consulting services, an assessment will be undertaken to confirm that the nature of the consulting activity did not impair objectivity and safeguards will be put in place to manage individual objectivity when assigning resources to the engagement. Such safeguards will be communicated to the Section 151 Officer and Audit Committee.

Internal audit must be free from interference in determining the scope of internal auditing, performing work and communicating results. Should any interference take place, internal audit will disclose this to the Audit Committee to discuss the implications.

INTERNAL AUDIT'S ROLE IN FRAUD, BRIBERY AND CORRUPTION

Management, not internal auditors are responsible for the prevention and detection of fraud, bribery and corruption. Auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption as well as seeking to identify indications that fraud and corruption may have been occurring. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud and corruption will be detected. In the event that

internal audit suspect a fraud, this will be referred to appropriate management in the first instance and then the audit committee.

ACCESS TO RECORDS AND CONFIDENTIALITY

There are no limitations to internal audit's right of access to Oxford City Council officers, records, information, premises, or meetings which it considers necessary to fulfil its responsibilities.

When the auditors receive confidential information about your affairs it shall at all times be kept confidential, except as required by law or as provided for in regulatory, ethical or other professional pronouncements applicable. All information will be maintained in line with appropriate regulations, for example the Data Protection Act 1998.

COORDINATION AND RELIANCE WITH OTHER ASSURANCE PROVIDERS

In co-ordinating activities internal audit may rely on the work of other assurance and consulting service providers.

A consistent approach is adopted for the basis of reliance and internal audit will consider the competency, objectivity, and due professional care of the assurance and consulting service providers. Due regard will be given to understanding of the scope, objectives and results of the work performed by other providers of assurance and consulting services.

Where reliance is placed upon the work of others, internal audit is still accountable and responsible for ensuring adequate support for conclusions and opinions reached by the internal audit activity.

INTERNAL AUDIT'S COMMITMENTS TO OXFORD CITY COUNCIL

Internal audit commits to the following:

- working with management to improve risk management, controls and governance within the organisation
- performing work in accordance with PSIAS
- complying with the ethical requirements of PSIAS
- dealing in a professional manner with Oxford City Council staff, recognising their other commitments and pressures
- raising issues as they are identified, so there are no surprises and providing practical recommendations
- liaising with external audit and other regulators to maximise the assurance provided to Oxford City Council reporting honestly on performance against targets to the Section 151 Officer and Audit Committee.

INTERNAL AUDIT PERFORMANCE MEASURES AND INDICATORS

The tables on the right contain some of the performance measures and indicators that are considered to have the most value in assessing the efficiency and effectiveness of internal audit.

The Audit Committee should approve the measures which will be reported to each meeting and / or annually as appropriate. In addition to those listed here we also report on additional measures as agreed with management and included in our Progress Report.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

As required by PSIAS an external assessment of the service will be performed at least every five years. BDO also has an internal quality assurance review process in place, which takes place annually. This is performed by a separate team independent to the internal audit team.

The results of internal and external assessments will be communicated to the Section 151 Officer and Audit Committee as part of the internal audit annual report, along with corrective action plans.

Table One: Performance measures for internal audit

Measure / Indicator
<p>Audit Coverage</p> <p>Annual Audit Plan delivered in line with timetable</p> <p>Actual days are in accordance with Annual Audit Plan</p>
<p>Relationships and customer satisfaction</p> <p>Customer satisfaction reports - overall score at least 70% for surveys issued at the end of each audit</p> <p>Annual survey to Audit Committee to achieve score of at least 70%</p>
<p>Staffing and Training</p> <p>At least 60% input from qualified staff</p>
<p>Audit Reporting</p> <p>Issuance of draft report within 3 weeks of fieldwork 'closing' meeting</p> <p>Finalise internal audit report 1 week after management responses to report are received.</p>
<p>Audit Quality</p> <p>Positive result from any external review</p>

MANAGEMENT AND STAFF COMMITMENTS TO INTERNAL AUDIT

The management and staff of Oxford City Council commit to the following:

- providing unrestricted access to all of Oxford City Council's records, property, and personnel relevant to the performance of engagements
- responding to internal audit requests and reports within the agreed timeframe and in a professional manner
- implementing agreed recommendations within the agreed timeframe
- being open to internal audit about risks and issues within the organisation
- not requesting any service from internal audit that impairs its independence / objectivity
- providing honest and constructive feedback on the performance of internal audit

Management and staff performance measures and indicators

The following three indicators are considered good practice performance measures but we go beyond this and report on a suite of measures as included in each Audit Committee progress report.

Table Two: Performance measures for management and staff

Measure / Indicator
Response to Reports Audit sponsor to respond to terms of reference within one week of receipt and to draft reports within two weeks of receipt
Implementation of recommendations Audit sponsor to implement all audit recommendations within the agreed timeframe
Co-operation with internal audit Internal audit to confirm to each meeting of the Audit Committee whether appropriate co-operation has been provided by management and staff

BDO contacts

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