

# Cotswold District Council

## Report of Internal Audit Activity

Internal Audit Annual Plan 2018/19

Internal Audit Charter 2018/19

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## Internal Audit Annual Plan and Internal Audit Charter 2018/19

The role of the Internal Auditor is to provide *independent, objective assurance* to management and members that key risks are being managed effectively.



### Purpose

The purpose of this report is for members to approve the Internal Audit Annual Plan and the Internal Audit Charter for 2018/19.



### Role of Internal Audit

The role of the internal auditor is to provide independent, objective, assurance to management that key risks are being managed effectively. To do this, the internal auditor will evaluate the quality of risk management processes, systems of internal control and corporate governance frameworks, across all parts of an organisation, and provide an opinion on the effectiveness of these arrangements.

By reporting to senior management that important risks have been evaluated, and highlighting where improvements are necessary, the internal auditor helps senior management to demonstrate that they are managing the organisation effectively on behalf of their stakeholders. Hence, internal auditors, along with senior management and the external auditors are a critical part of the governance arrangements of an organisation, with the work undertaken significantly contributing to the statutory Annual Governance Statement (AGS).

All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (Section 151) and the Accounts and Audit Regulations 2015. The latter states that authorities must 'undertake an effective internal audit to evaluate the effectiveness of risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards or guidance'.

SWAP Internal Audit Services (SWAP) has adopted and works to the Standards of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS), and also follows the CIPFA Code of Practice for Internal Audit. These standards

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# Internal Audit Annual Plan and Internal Audit Charter 2018/19

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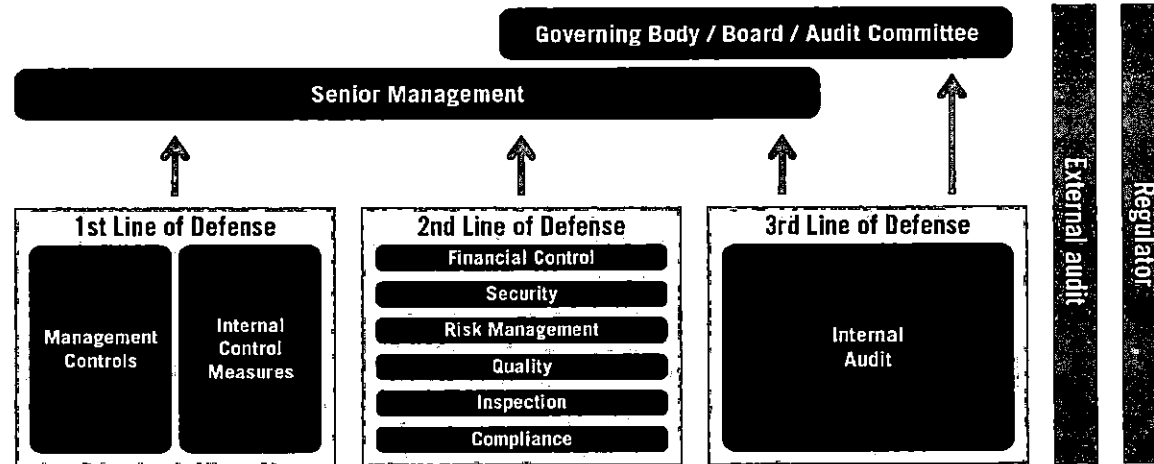


define the way in which the Internal Audit Service should be established and undertakes its functions.

## Role of Internal Audit (Continued)

The position of Internal Audit within an organisation's governance framework is best summarised in the three lines of defence model shown below.

### The Three Lines of Defense Model



Adapted from ECIIA/FERMA *Guidance on the 8th EU Company Law Directive, article 41*

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The role of the Internal Auditor is to provide *independent, objective assurance* to management and members that key risks are being managed effectively.



### Role of Internal Audit (Continued)

It is the role of management to establish effective systems of governance, risk management and internal controls to:

- Safeguard the Council's resources and prevent fraud;
- Ensure the completeness and reliability of records;
- Monitor adherence to laws, regulations, policies and procedures;
- Promote operational efficiency, demonstrate the achievement of value for money; and
- Manage risk

It is the responsibility of management to establish controls needed to confirm that their systems are working effectively, that all information is accurate, and the risk of fraud and error is minimised.

Internal Audit's role is to provide assurance that management are undertaking the appropriate checks over their systems to confirm that they are working effectively. It is not the role of Internal Audit to re-perform management's checks or to undertake such checking on management's behalf. In order to safeguard Internal Audit's independence, Internal Audit does not have any operational responsibilities and is not responsible for any of the decision making or policy setting within the Council.

## Internal Audit Annual Plan 2018/19

Our audit activity is split between:

- Governance Audits
- Key Financial Control Audits
- ICT Audits
- Operational Audits
- Follow-Up Audits
- Advice and Consultancy
- Other Reviews



### Internal Audit Annual Plan 2018/19

The Internal Audit Annual Plan is presented at **Appendix A** to this report and represents the Internal Audit activity for the 2018/19 financial year.

To ensure that to the best of our ability we have covered the necessary risks, the Internal Audit Annual Plan has been developed, following consultation with Members, Senior Management and with the co-operation and approval of the Section 151 Officer. We have also taken into account management's assessment of risk from the Corporate Risk Register as well as risks identified in the Operational Risk Registers.

We also use our own risk assessment against each activity assessing reputational impact, change factor, financial risk, legal / statute, strategic priorities and health and safety risk. This allows us to prioritise possible areas to be included in the plan on the basis of risk.

The Audit Plan has been developed to enable us to respond to changes during the year. Whilst every effort will be made to deliver the plan, we recognise that we need to be flexible and prepared to revise audit activity – responding to changing circumstances or emerging risks. The plan is therefore a statement of intent.

At the start of each audit an initial meeting is held to agree the terms of reference for the audit which includes the objective and scope for the review. The plan is produced with a view to providing assurance to both Officers and Members that current and imminent risks faced by the Authority are adequately controlled and managed. Any changes to the agreed plan will only be made through a formal process involving the Section 151 Officer.

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### Internal Audit Annual Plan 2018/19 (Continued)

The Audit Plan is notionally broken down across audit categories, the following summarises each:

**Governance Audits** – focus primarily on the key risks relating to cross cutting areas that are controlled and / or impact at a corporate rather than service specific level. It also provides an annual assurance review of areas of the Council that are inherently higher risk. This work will, in some cases, enable SWAP to provide management with added assurance that they are operating best practice as we will be conducting most of these reviews at all our Partner Sites.

**Key Financial Control Audits** – focus primarily on key risks relating to the Council’s major financial systems. These systems have been recognised as Accounts Payable (Creditors), Accounts Receivable (Debtors), Main Accounting, Payroll, Treasury Management and Bank Reconciliation and Revenues and Benefits (Council Tax, National Non-Domestic Rates, Council Tax Benefit).

The Audit Committee will be aware from the quarterly update reports that in recent years the key control audits have continued to receive high levels of assurance and several received substantial (high) assurance. As a result, using a risk-based methodology all of the key controls do not need an annual review. The exact scope of these audits will be agreed with the Section 151 Officer prior to commencement, taking into account emerging and current issues.

**ICT Audits** – ICT Reviews are completed to provide the Authority with assurance with regards to their compliance with industry best practice. SWAP has specialist Computer Auditors who will liaise with the ICT Manager to identify specific ICT related risks. The exact scope of the audits has therefore yet to be determined however, areas for consideration include cybersecurity, Members’ ICT and Physical Networks / Network Access

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### Internal Audit Annual Plan 2018/19 (Continued)

**Operational Audits** – are a detailed evaluation of a service or functions control environment. A risk evaluation matrix is devised, and controls are tested. Where weaknesses or areas for improvement are identified, actions are agreed with management and target dated.

**Follow-Up Audits** – where an audit receives a Partial or No Assurance level, SWAP will carry out a follow-up review to provide assurance that identified weaknesses have been addressed and risks mitigated. Known follow-ups from work undertaken in the 2017/18 audit plan have been included. A contingency has also been built in to the plan so that, should any early reviews be awarded this level of assurance, they can be followed-up in a timely manner, this contingency will also allow us to follow-up previous year's audits that had recommendations but were awarded a positive assurance level.

**Advice and Consultancy** – are undertaken at the request of management, where they are looking for advice or support on a subject matter / programme / project. Such reviews are not afforded an audit assurance

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An Internal Audit Charter is a formal document that defines Internal Audit's purpose, authority, responsibility and position within an organisation.



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The Internal Audit Charter describes how Internal Audit will provide value to the organisation, the nature of the services it will provide, and the specific focus or emphasis required of Internal Audit to help the organisation achieve its objectives. Having an Internal Audit Charter also establishes the Internal Audit activity's position within the organisation, including reporting lines, authorising access to records, personnel, and physical property relevant to the performance of engagements; also defining the scope of Internal Audit activities.

A copy of the Internal Audit Charter for 2018/19 is attached at **Appendix B**.

It is the role of the Audit Committee to review and approve the Internal Audit Charter on an Annual basis. The current Charter was last reviewed and approved by this Committee at its meeting on 29<sup>th</sup> August 2017.



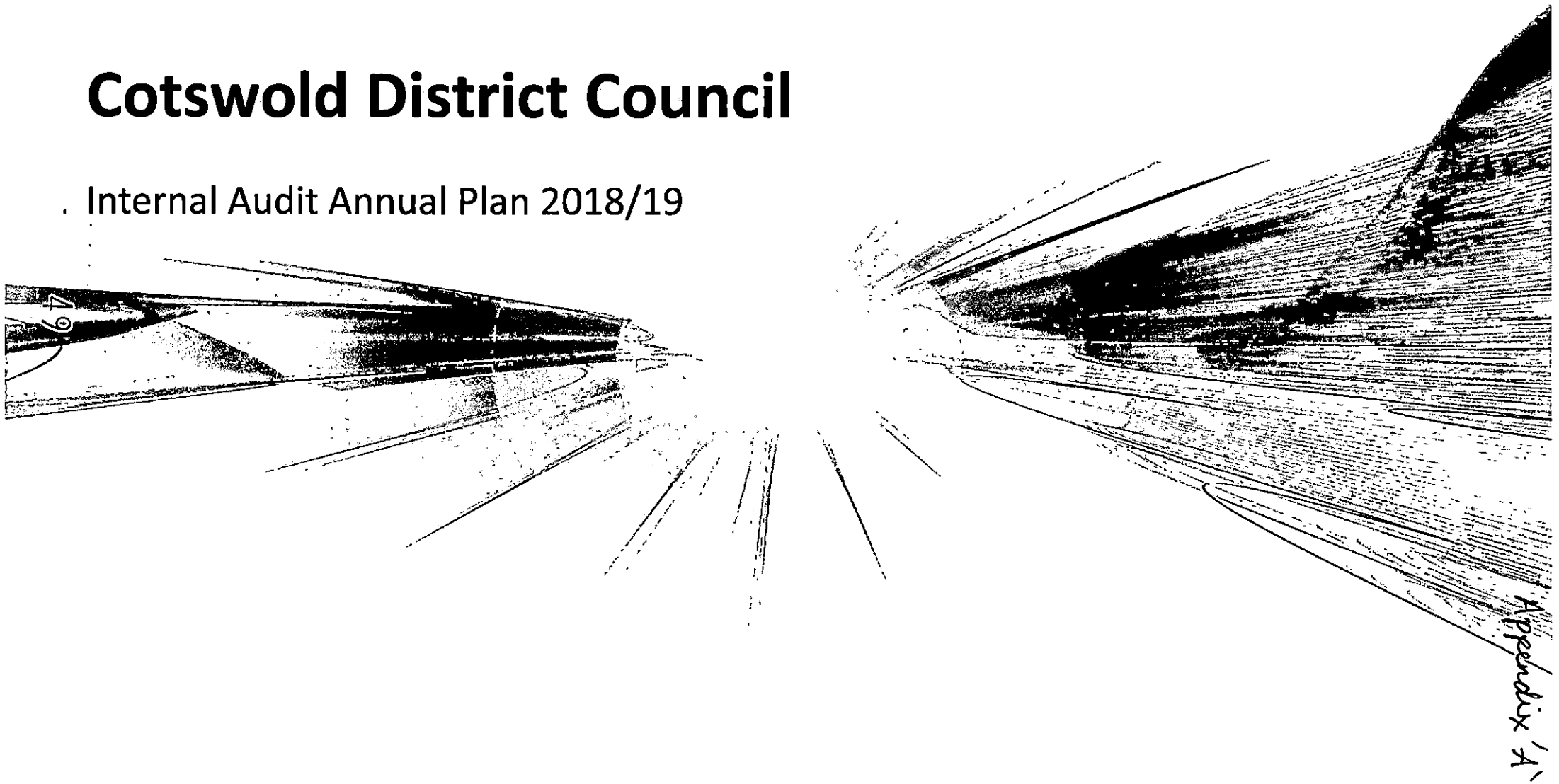
**SWAP**

INTERNAL AUDIT SERVICES

Assuring – Improving – Protecting

# Cotswold District Council

Internal Audit Annual Plan 2018/19



Appendix 'A'

## Internal Audit Annual Plan 2018/19

Audit Type	Audit Theme / Service Area	Specific Topic or Activity	Planned Quarter
Governance Audits	Annual Governance Statement	Review of the production of the Annual Governance Statement and sample testing elements of the supporting information	1
	Risk Management	To review a specific element of the Council's Risk Management process - Elements are audited on a cyclical arrangement	4
	Performance Management	Review of the controls and frameworks the Council has in place to manage / monitor the services received from Publica	2
Key Financial Control Audits	Revenues and Benefits	<p>A review of the controls operating in respect of:</p> <ul style="list-style-type: none"> <li>• Council Tax</li> <li>• Council Tax Benefit</li> <li>• National Non-Domestic Rates</li> </ul> <p>The programme of activity ensures full coverage of the services over a 3-year cycle</p>	3
	Core Financials	<p>A review of the controls operating within Publica in respect of the Core Financial systems:</p> <ul style="list-style-type: none"> <li>• Payroll</li> <li>• Accounts Payable (Creditors)</li> <li>• Accounts Receivable (Debtors)</li> <li>• Treasury Management and Bank Reconciliations</li> <li>• Main Accounting, Capital Accounting and Budgetary Control</li> </ul> <p>Transactional testing will be undertaken for the Council where appropriate to ensure compliance with Council Policies and Procedures</p> <p>Depending on previous years audit assurances a high-level review may be deemed appropriate.</p>	3
	Systems Administration	Review of the controls operating within Publica for the administration of the Business World System	3

<b>Audit Type</b>	<b>Audit Theme / Service Area</b>	<b>Specific Topic or Activity</b>	<b>Planned Quarter</b>
	Human Resources	Review to confirm Absence Management is reported in accordance with policy and procedure, ensuring accurate information is reported and pay is reflected in accordance with the absence	3
	Other Support Service Provided by Publica	A review of Procurement / Health and Safety / Insurance. 2018/19 review to cover Procurement	3
	Serious and Organised Crime Audit	Review to scrutinise business operations to establish where there may be vulnerabilities to serious and organised crime	4
ICT Audits	EU General Data Protection Regulations	Review to ensure the Council's compliance with the new EU General Data Protection Regulations (to include transparency)	1
	Public Services Network Submission (PSN)	Annual review of the PSN submission to ensure data is accurate and submitted in accordance with Cabinet Office directives to ensure continued compliance	2
	Audits TBC	Other ICT Audits to be agreed (suggested areas shown below)	1 - 4
		Cybersecurity	
		Physical Networks / Network Access	
		Software / Hardware Management	
		Members ICT	
Operational Audits	Members and Officers Gifts and Hospitality and Declarations of Interest	Review to ensure the appropriate declarations are made in respect of Gifts and Hospitality and Interests. Review to also include accountability for the correct operation of the processes.	2
	Discretionary Housing Payments (DHP)	To ensure that the funds available for Discretionary Housing Payments are fully utilised and awarded in accordance with Government guidance and Council policy	2

<b>Audit Type</b>	<b>Audit Theme / Service Area</b>	<b>Specific Topic or Activity</b>	<b>Planned Quarter</b>
	Subsidy Claims	Assurance required to ensure systems and processes are in place to minimise risk of error	2
	S106 Agreements and Funds	Audit to ensure S106 Agreements and Funds are monitored and reported regularly. Monies are received / paid in accordance with the S106 agreement and in accordance with financial rules	2
	Refugees	Review to ensure budgets are sufficient to meet expenditure, grants are claimed and received in a timely manner, payments and income are treated in accordance with financial rules	1
	Corporate Culture	Review to assess whether the existing culture and staff behaviour reflects the organisation's stated ethos and values, do they stand in the way of the organisation achieving the transformation it seeks and how effective measures to reshape the culture are.	4
	Regulatory Awareness and Compliance	Review to ensure compliance is being effectively managed. Have the organisations have plans in place to ensure compliance when new legislation is introduced. Are systems in place for reporting non-compliance	2
	Procurement and Contract Management Governance	Whistleblowing arrangements, due diligence processes are comprehensive and meet risk mitigation needs of the organisation	1
	Internal Enforcement Agency	Service being brought back in-house, ensure skills, knowledge and resources are sufficient	2/3
Follow-Up Audits	Follow-Up Audits	Follow-Up of Previous Year Audits (Substantial / Reasonable Assurances)	1 - 4
	Safeguarding	Follow-Up of Previous Years Partial Assurance Audit	1
	Food Safety	Follow-Up of Previous Years Partial Assurance Audit	3
	Licensing	Follow-Up of Previous Years Audit	4
	Security	Further Follow-Up (Recommendations outstanding in 2017/18 Follow-Up)	4

<b>Audit Type</b>	<b>Audit Theme / Service Area</b>	<b>Specific Topic or Activity</b>	<b>Planned Quarter</b>
	Pool Cars	Follow-Up of Previous Years Audit and review of arrangements following transfer into Publica	2
Advice and Consultancy (Non-Opinion)	Benefits Realisation	Non-Opinion piece of work to review the projected versus actual benefits realisation of the 2020 / Publica Programme	1 - 4
	Publica Governance	Review to give assurance to the Council that the governance arrangements / structure of Publica are appropriate to ensure decisions / actions are made in accordance with legal agreements	1 - 4
	Change Programmes (Publica Transformation Programme)	Days to allow for support for change programmes and to include providing assurance to the Council in respect of the Publica Transformation Programme	1 - 4
Other Audit Involvement	Management	Preparation of IA Monitoring Reports and preparation and attendance at Audit Committee. Annual Audit Planning. Attendance at Governance and Risk Groups. High level programme monitoring. Liaison meetings with CFOs and Management Teams, including CFU	1 - 4
	Grant Certifications	Disabled Facilities Grants	1
	Grant Certifications	Provision for other Grant Certifications	1 - 4
	Contingency	Provision for new work based on emerging risks and Investigations	

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