

Cotswold District Council

Proposed 2019/20 Internal Audit Plan and Internal Audit Charter

The Internal Audit Plan: Summary

The internal audit plan represents a summary of the proposed audit coverage that the internal audit team will deliver throughout the 2019/20 financial year.

Delivery of an internal audit programme of work that provides sufficient and appropriate coverage, will enable us to provide a well-informed and comprehensive year-end annual internal audit opinion.



Introduction and Objective of the Internal Audit Plan

Internal audit provides an independent and objective opinion on the Authority's risk management, governance, and control environment by evaluating its effectiveness.

Prior to the start of each financial year, SWAP, in conjunction with senior management, put together a proposed plan of audit work. The objective of our planning process and subsequent plan is to put us in a position to provide a well-informed and comprehensive annual audit opinion, based on sufficient and appropriate coverage of key business objectives, associated risks, and risk management processes.

The outcomes of each of the audits in our planned programme of work, will provide senior management and Members with assurance that the current risks faced by the Authority in these areas are adequately controlled and managed.

It should be noted that internal audit is only one source of assurance, and the outcomes of internal audit reviews should be considered alongside other sources, as part of the 'three lines of defence' assurance model. Key findings from our internal audit work should also be considered in conjunction with completion of the Authority's Annual Governance Statement (AGS).

It is the responsibility of the Authority's Corporate Management Team, and the Audit Committee, to determine that the audit coverage contained within the proposed audit plan is sufficient and appropriate in providing independent assurance against the key risks faced by the organisation.

When reviewing the proposed internal audit plan (as set out in Appendix 1), key questions to consider include:

- Are the areas selected for coverage this coming year appropriate?
- Does the internal audit plan cover the organisation's key risks as they are recognised by the Corporate Management Team and Audit Committee?
- Is sufficient assurance being received within our annual plan to monitor the organisation's risk profile effectively?

The Internal Audit Plan: Approach

To develop an appropriate risk-based audit plan, SWAP have consulted with senior management, and Members of the Audit Committee, as well as reviewing key documentation, in order to obtain an understanding of the organisation's strategies, key business objectives, associated risks, and risk management processes.



Approach to Internal Audit Planning 2019/20

The factors considered in putting together the 2019/20 internal audit plan have been set out below:



Due to the pace of change within Local Authorities, it is becoming increasingly difficult to accurately predict longer-term key organisational risks. Our approach to delivering your internal audit plan will remain flexible to meet that change and respond to new and emerging risks. We will adopt an 'agile' approach and each quarter I will review the next quarter's plan to ensure that we are auditing the right areas at the right time; any necessary changes will of course be agreed with Senior Management and the Audit Committee will be kept informed.

The Internal Audit Plan: Risk Assessment

A documented risk assessment prior to developing an internal audit plan, ensures that sufficient and appropriate areas are identified for consideration.



Internal Audit Annual Risk Assessment

Our 2019/20 internal audit programme of work is based on a documented risk assessment, which SWAP will revisit regularly, but at least annually. The input of senior management as well as review of the Authority's risk register has been considered in this process.

Below we have set out a summary of the outcomes of the risk assessment for Cotswold District Council



The Internal Audit Plan: Coverage

Following our SWAP Risk Assessment above, we have set out how the proposed 2019/20 plan presented in Appendix 1 provides coverage of our core areas of recommended coverage.

Going forwards, we will look to align our audit programme of work with the Authority's Corporate objectives, as well as our core areas of recommended coverage.

Internal audit is only one source of assurance; therefore, where we have highlighted gaps in our coverage, assurance should be sought from other sources where possible in order to ensure sufficient and appropriate assurances are received.



Internal Audit Coverage in 2019/20

Following our SWAP risk assessment, we have set out below the extent to which the proposed plan presented in Appendix 1 provides coverage of our core areas of recommended coverage. Where we have highlighted limited or no coverage, Senior Management and Audit Committee should seek and document assurance from alternative sources, or consider re-focussing internal audit resource to provide coverage of these areas:



Internal audit coverage can never be absolute and responsibility for risk management, governance and internal control arrangements will always remain fully with management. As such, internal audit cannot provide complete assurance over any area, and equally cannot provide any guarantee against material errors, loss or fraud.

The Internal Audit Plan: SWAP

SWAP Internal Audit Services is a public sector, not-for-profit partnership, owned by the public sector partners that it serves. The SWAP Partnership now includes 26 public sector partners, crossing eight Counties, but also providing services throughout the UK.

As a company, SWAP has adopted the following values, which we ask our clients to assess us against following every piece of work that we do:

- Candid
- Relevant
- Inclusive
- Innovative
- Dedicated



Your Internal Audit Service

Audit Resources

The 2019/20 internal audit programme of work is summarised at Appendix 1. The current internal audit resources available represent a sufficient and appropriate mix of seniority and skill to be effectively deployed to deliver the planned work. The key contacts in respect of your internal audit service for Cotswold District Council are:

Lucy Cater, Assistant Director – lucy.cater@swapaudit.co.uk, 07720 312470

Jaina Mistry, Principal Auditor – jaina.mistry@swapaudit.co.uk, 01285 623337

Rob Brown, Senior Auditor – rob.brown@swapaudit.co.uk, 01285 623342

Conformance with Public Sector Internal Audit Standards

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

Every three years, SWAP is subject to an External Quality Assessment of Internal Audit Activity. The last of these was carried out in March 2016 which confirmed conformance with the Public Sector Internal Audit Standards.

Conflicts of Interest

We are not aware of any conflicts of interest within Cotswold District Council that would present an impairment to our independence or objectivity. Furthermore, we are satisfied that we will conform with our IIA Code of Ethics in relation to Integrity, Objectivity, Confidentiality, and Competency.

Consultancy Engagements

As part of our internal audit service, we may accept proposed consultancy engagements, based on the engagement's potential to improve management of risk, add value and improve the organisation's operations. Consultancy work that is accepted, will contribute to our annual opinion and will be included in our plan of work.

Approach to Fraud

Internal audit may assess the adequacy of the arrangements to prevent and detect irregularities, fraud and corruption. We have dedicated counter fraud resource available to undertake specific investigations if required.

The Internal Audit Plan: SWAP

Over and above our internal audit service delivery, SWAP will look to add value throughout the year wherever possible. This will include:

- **Benchmarking and sharing of best-practice between our public-sector Partners**
- **Regular newsletters and bulletins containing emerging issues and risks**
- **Communication of fraud alerts received both regionally and nationally**
- **Annual Member training sessions**

However, the primary responsibility for preventing and detecting corruption, fraud and irregularities rests with management who should institute adequate systems of internal control, including clear objectives, segregation of duties and proper authorisation procedures.

Our Reporting

A summary of internal audit activity will be reported quarterly to senior management and the Audit Committee. This reporting will include any significant risk and control issues (including fraud risks), governance issues and other matters that require the attention of senior management and/or the Audit Committee. We will also report any response from management to a risk we have highlighted that, in our view, may be unacceptable to the organisation.

Internal Audit Performance:

As part of our regular reporting to senior management and the Audit Committee, we will report on internal audit performance. The following performance targets will be used to measure the performance of our audit activity:

Performance Measure	Performance Target
<u>Delivery of Annual Internal Audit Plan</u> Completed at year end	>90%
<u>Quality of Audit Work</u> Overall Client Satisfaction <i>(did our audit work meet or exceed expectations, when looking at our Communication, Auditor Professionalism and Competence, and Value to the Organisation)</i>	>95%
<u>Outcomes from Audit Work</u> Value to the Organisation <i>(client view of whether our audit work met or exceeded expectations, in terms of value to their area)</i>	>95%

It should be noted that the audit titles and high-level scopes included below are only indicative at this stage for planning our resources. At the start of each audit, an initial discussion will be held to agree the specific terms of reference for the piece of work, which includes the objective and scope for the review.

Link to Key Priorities / Corporate Risk Register or Healthy Organisation Theme	Areas of Coverage and Brief Rationale	Proposed Quarter
<p>Corporate Governance Corporate Governance refers to the strategic management practices and values and beliefs by which the Council operates.</p>	<p>Annual Governance Statement Review of the Production of the Annual Governance Statement (AGS) and sample testing elements of the supporting information.</p>	1
<p>Risk Management Organisations which can demonstrate and operate under a structured and active risk management approach, are far more likely to be able to focus upon their key priorities and outcomes and, in doing so, take informed and robust decisions.</p>	<p>Risk Management A review of an element of Risk Management, the program of activity ensures full coverage of the service over a 3-year cycle – scope to be agreed with Service Area.</p>	4
<p>Procurement and / or Contract Management Assessing Procurement & Commissioning activity of a Local Authority is a critical determinant in establishing its effectiveness in both being able to deliver benefit for its community, but also in showing whether it can maximise value for money for its taxpayers.</p>	<p>Management and Monitoring of Contracts Review to assess the arrangements in place for the management and monitoring of contracts. Audit to include service provision is in accordance with the contract, use of purchase orders, managers ensure contract sums paid agree with values included in contract, variances / extra charges are challenged, recorded and confirmed prior to payment.</p>	1
<p>Information Management Effective Information Management will facilitate and support effective working, better decision-making, improved customer service and business transformation.</p>	<p>ICT Audits Provision within the audit plan to allow for audits to be undertaken in respect of ICT Audits to be agreed between Service Area and SWAP ICT Auditor.</p>	1 – 4

Link to Key Priorities / Corporate Risk Register or Healthy Organisation Theme	Areas of Coverage and Brief Rationale	Proposed Quarter
<p>Performance Management <i>Performance management provides a transparent platform upon which the service is accountable to its citizens and service users for the effectiveness of its service provision and delivery of its objectives.</i></p>	<p>Performance Management <i>A review of an element of Performance Management, the program of activity ensures full coverage of the service over a 3-year cycle – scope to be agreed with Service Area.</i></p> <p>Affordable Housing <i>Review to assess that affordable housing opportunities are facilitated, and delivered, through the planning process by maintaining a development programme. Identification and delivering housing regeneration opportunities is in accordance with the Local Plan and ensures funding from Central Government (New Homes Bonus)</i></p> <p>Internal Enforcement Agency <i>Review to ensure the service is meeting the objectives / costs / income as defined in the business case.</i></p> <p>Civil Contingencies <i>Review to ensure there is an established, and effective, framework of emergency response planning which encompasses the requirements and responsibilities under the Civil Contingencies Act 2004.</i></p> <p>Grants <i>Grants are awarded in accordance with Council policy and process. Monitoring arrangements ensure that grants, paid by the Council, are utilised as per the agreement.</i></p>	<p>4</p> <p>2</p> <p>2</p> <p>2</p> <p>2</p>
<p>Programme and Project Management <i>Organisations which can demonstrate and operate under a structured and active approach are far more likely to be able to focus their efforts and successfully achieve the delivery of anticipated outcomes.</i></p>	<p>Publica Transformation Programme <i>Provision made in the Audit Plan to enable IA to give assurance(s) to the Council in respect of the Publica Transformation Programme.</i></p> <p>Publica Transformation Benefits Realisation <i>Provision made in the Audit Plan to enable IA to give assurance(s) to the Council in respect of Benefits Realisation for the Publica Transformation Programme.</i></p>	<p>1 – 4</p> <p>1 – 4</p>

Link to Key Priorities / Corporate Risk Register or Healthy Organisation Theme	Areas of Coverage and Brief Rationale	Proposed Quarter
<p>People and Asset Management Organisations which can demonstrate and operate under a structured and active approach to people and asset management are far more likely to be able to focus any available investment against key priorities and, as a direct result, deliver improved outcomes.</p>	<p>Asset Management Review to ensure that the Council's activities for its property and land assets are co-ordinated to realise value.</p>	1
	<p>Commercial Property / Investment Property Review to ensure that decisions on commercial or investment properties are made in line with Council Strategies and / or Policies.</p>	1
	<p>Recycling Assets Review to ensure the Council is obtaining the best value for money in respect of its recycling assets. Review to include procurement of receptacles and delivery / issue to customers.</p>	2
	<p>Use of Volunteers Review to ensure that Volunteers, appointed by the Council, are subject to the appropriate checks e.g. DBS, BPSS.</p>	1
	<p>Workforce Strategy (from 2018/19) Review to ensure recruitment and retention policies support organisational objectives and aspirations for the future. HR strategy aligned with the organisation's overall strategy. Assessment of current and future skills gaps. Has the organisation given consideration to the demographic make-up of its workforce e.g. attracting younger talent.</p>	1 – 4
	<p>Corporate Culture (from 2018/19) 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 re-shape the culture are.</p>	1 – 4

Link to Key Priorities / Corporate Risk Register or Healthy Organisation Theme	Areas of Coverage and Brief Rationale	Proposed Quarter
Other	<p>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.</p> <p>Follow-Up Audits Follow-Up of Previous Years audits with recommendations. Follow-Up of all High Priority Recommendations.</p> <p>Grant Certification Review (income and expenditure) and certification of Disabled Facilities Grants and Additional Funding, ensuring finding requirements have been met.</p> <p>Working with the Counter Fraud Unit Provision to work jointly with the Counter Fraud Unit, e.g. Bribery and Corruption Assessments</p> <p>Follow-Up of Control Weaknesses identified by the Counter Fraud Unit Provision to ensure control weaknesses, identified during Counter Fraud Unit activity, are being actioned</p> <p>Contingency Provision for new work based on emerging risks and Investigations.</p>	<p>1 – 4</p> <p>1 – 4</p> <p>2 and 3</p> <p>1 – 4</p> <p>3 – 4</p> <p>1 – 4</p>
<p>Reserve Audits These audits will be used to substitute any work that cannot be progressed during the year for any reason.</p>	<p>Health and Safety – Buildings Commitment to Carbon Reduction</p>	

The Internal Audit Charter

Purpose

The purpose of this Charter is to set out the nature, role, responsibility, status and authority of internal auditing within Cotswold District Council, and to outline the scope of internal audit work.

Approval

This Charter was last approved by the Audit Committee on 30th April 2018 and is reviewed each year to confirm it remains accurate and up to date.

Provision of Internal Audit Services

The internal audit service is provided by the South West Audit Partnership Limited (SWAP). SWAP is a Local Authority controlled company. This charter should be read in conjunction with the Service Agreement, which forms part of the legal agreement between the SWAP partners.

The budget for the provision of the internal audit service is determined by the Council, in conjunction with the Members Meeting. The general financial provisions are laid down in the legal agreement, including the level of financial contribution by the Council, and may only be amended by unanimous agreement of the Members Meeting. The budget is based on an audit needs assessment that was carried out when determining the Council's level of contribution to SWAP. This is reviewed each year by the Chief Financial Officer (S151 Officer) in consultation with the Chief Executive of SWAP.

Role of Internal Audit

The Accounts and Audit (England) Regulations 2015, state that: *"A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the public sector internal auditing standards or guidance."*

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Responsibilities of Management and of Internal Audit

Management¹

Management is responsible for determining the scope, except where specified by statute, of internal audit work and for deciding the action to be taken on the outcome of, or findings from, their work. Management is responsible for ensuring SWAP has:

¹ In this instance Management refers to the Senior Management Team

- the support of management and the Council; and
- direct access and freedom to report to senior management, including the Council's Head of Paid Service and the Audit Committee.

Management is responsible for maintaining internal controls, including proper accounting records and other management information suitable for running the Authority. Management is also responsible for the appropriate and effective management of risk.

Internal Audit

Internal audit is responsible for operating under the policies established by management in line with best practice.

Internal audit is responsible for conducting its work in accordance with the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS); SWAP has been independently assessed and found to be in Conformance with the Standards.

Internal audit is not responsible for any of the activities which it audits. SWAP staff will not assume responsibility for the design, installation, operation or control of any procedures. Members of SWAP who have transferred in to the department from other areas in Cotswold District Council and / or Publica Group (Support) Ltd will not be asked to review any aspects of their previous department's work until one year has passed since they left that area.

Relationship with the External Auditors/Other Regulatory Bodies

Internal Audit will co-ordinate its work with others wherever this is beneficial to the organisation.

Status of Internal Audit in the Organisation

The Chief Executive of SWAP is responsible to the SWAP Board of Directors and the Members Meeting. The Chief Executive of SWAP, Executive Director and the Assistant Director also report to the Chief Financial Officer (S151 Officer), and reports to the Audit Committee as set out below.

The Assistant Director will be the first and primary point of contact for Cotswold District Council for all matters relating to the Audit Committee, including the provision of periodic reports, as per company policy. The Assistant Director is also responsible for the design, development and delivery of audit plans, subject to the agreement of the partner or client.

Appointment or removal of the Chief Executive of SWAP is the sole responsibility of the Members Meeting.

Scope and authority of Internal Audit work

There are no restrictions placed upon the scope of internal audit's work. SWAP staff engaged on internal audit work are entitled to receive and have access to whatever information or explanations they consider necessary to fulfil their responsibilities to senior management. In this regard, internal audit may have access to any records, personnel or physical property of Cotswold District Council.

Internal audit work will normally include, but is not restricted to:

- reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- evaluating and appraising the risks associated with areas under review and make proposals for improving the management of risks;
- appraise the effectiveness and reliability of the enterprise risk management framework and recommend improvements where necessary;
- assist management and Members to identify risks and controls with regard to the objectives of the Council and its services;
- reviewing the systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and determining whether Cotswold District Council is in compliance;
- reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets;
- appraising the economy, efficiency and effectiveness with which resources are employed;
- reviewing operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned.
- reviewing the operations of the council in support of the Council's anti-fraud and corruption policy.
- at the specific request of management, internal audit may provide consultancy services provided:
 - the internal auditor's independence is not compromised
 - the internal audit service has the necessary skills to carry out the assignment, or can obtain such skills without undue cost or delay
 - the scope of the consultancy assignment is clearly defined, and management have made proper provision for resources within the annual audit plan
 - management understand that the work being undertaken is not internal audit work.

Planning and Reporting

SWAP will submit to the Audit Committee, for approval, an annual internal audit plan, setting out the recommended scope of their work in the period.

The annual plan will be developed with reference to the risks the organisation will be facing in the forthcoming year, whilst providing a balance of current and on-going risks, reviewed on a cyclical basis. The plan will be reviewed on a quarterly basis to ensure it remains adequately resourced, current and addresses new and emerging risks.

SWAP will carry out the work as agreed, report the outcome and findings, and will make recommendations on the action to be taken as a result to the appropriate manager and Corporate Director. SWAP will report a summary of their findings, including any persistent and outstanding issues, to the Audit Committee at least four times a year.

APPENDIX 2

Internal audit reports will normally be by means of a brief presentation to the relevant manager accompanied by a detailed report in writing. The detailed report will be copied to the relevant line management, who will already have been made fully aware of the detail and whose co-operation in preparing the summary report will have been sought. The detailed report will also be copied to the Chief Financial Officer (S151 Officer), other relevant line management, and when appropriate, Publica Exec.

The Assistant Director will submit an annual report to the Audit Committee providing an overall opinion of the status of risk and internal control within the Council, based on the internal audit work conducted during the previous year.

In addition to the reporting lines outlined above, the Chief Executive of SWAP, Executive Director and the Assistant Director have the unreserved right to report directly to the Leader of the Council, the Chairman of the Audit Committee, the Council's Head of Paid Service or the External Audit Manager.

Revised March 2019