

## **Audit & Governance Committee Report**

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**Date of Meeting:** 15 March 2018

**Report Title:** Draft Internal Audit Plan 2018/19

**Senior Officer:** Jan Willis, Interim Executive Director of Corporate Services

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### **1. Report Summary**

- 1.1. The purpose of this report is for the Committee to receive and approve the Summary Internal Audit Plan for 2018/19.
- 1.2. The Council's Internal Audit Charter, which has been developed to ensure compliance with the Public Sector Internal Audit Standards (PSIAS), requires the preparation of a risk based internal audit plan which takes into account the need to produce an annual internal opinion. The opinion is a key source of assurance for the Annual Governance Statement which is approved by the Audit and Governance Committee and signed by the Council's Chief Executive and Leader.
- 1.3. The preparation and delivery of the Annual Internal Audit Plan, the annual opinion on the organisation's arrangements for governance, risk and internal control, and the assurances these provide to the Annual Governance Statement are key indicators and contributors for the Council's corporate objective of being a responsible, effective and efficient organisation.

### **2. Recommendation**

- 2.1. That the Committee:
  - 2.1.1. Approve the summary annual internal audit plan 2018/19 (Appendix A)
  - 2.1.2. Note that the plan will be developed and refined throughout the forthcoming year as a number of factors progress and the impact on the current level of audit resource becomes known.

### **3. Reasons for Recommendation**

- 3.1. The Council's Internal Audit Charter, developed in accordance with the Public Sector Internal Audit Standards (PSIAS), requires the production of an annual internal audit plan.

- 3.2. The authority to approve the annual internal audit plan is within the Audit and Governance Committee's Terms of Reference.

#### **4. Other Options Considered**

- 4.1. Not applicable.

#### **5. Background**

- 5.1. All principal local authorities subject to the Accounts and Audit Regulations 2015 must make provision for internal audit in accordance with the Public Sector Internal Audit Standards. The Standards state that the provision of assurance services is the primary role for internal audit in the UK public sector. This role requires the Corporate Manager Governance and Audit (as "Chief Audit Executive") to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.
- 5.2. The Corporate Manager and Audit Manager positions are currently vacant and the team's Principal Auditors are formally acting up to cover these roles and responsibilities in relation to Internal Audit.
- 5.3. Internal audit can also, where resources and skills exist, provide additional services. Additional services would normally be advisory in nature and are generally performed at the specific request of the organisation, with the aim of improving governance, risk management and control and contributing to the overall opinion.
- 5.4. The planning process and risk assessment is detailed more fully in Appendix A. Through this additional and thorough consultation we look to ensure that internal audit resources continue to focus on areas where assurance provides the most value, particularly during periods of change.
- 5.5. Proposed audit activities identified through the development and consultation process are matched against the internal audit resources available and prioritised accordingly; the proposed risk-based summary internal audit plan for 2018-19 is included in Appendix A.
- 5.6. In accordance with PSIAS, the plan is fixed for a period of no longer than one year. It details the assignments to be carried out, their respective priorities, (by differentiating between core assurance work and other work), and the estimated resources required. The Corporate Leadership Team has been consulted on the plan prior to presentation to the Audit and Governance Committee.

- 5.7. The plan is designed to fulfil the requirement to produce an annual internal audit opinion that can be used to inform the Annual Governance Statement. However, as in previous years, it is proposed that the plan will be developed and refined throughout the forthcoming year, to ensure it continues to address organisational priorities and reflects the available level of audit resource.
- 5.8. There are a number of key themes emerging within the 2018/19 Internal Audit Plan, including:
- 5.8.1. Providing assurance that previously identified significant control weaknesses have been effectively and efficiently addressed and improved
  - 5.8.2. Providing assurance on the progress and nature of improvement activity across Procurement, Commissioning and Contract Management
  - 5.8.3. Reviewing key delivery areas associated with high financial values and high levels of customer interaction
  - 5.8.4. Providing assurance that identified issues in relation to land acquisitions and disposals have been effectively and efficiently addressed and improved
- 5.9. In accordance with the Council's Internal Audit Charter, the Audit and Governance Committee is asked to review and approve the summary internal audit plan 2017/18. In doing so, Members should consider whether the:
- 5.9.1. scale and breadth of activity is sufficient to allow Internal Audit to provide an independent and objective audit opinion that can be used to inform the AGS
  - 5.9.2. level of resources in any way limits the scope of Internal Audit, or prejudices the ability to deliver a service consistent with the Standards
  - 5.9.3. level of non-assurance work has an adverse impact on the core assurance work.
- 5.10. In recognition of the ongoing resourcing issues within Internal Audit, to reflect the changing demands of the organisation and the way in which assurance needs to be provided, preparations are underway to develop a new structure to deliver Internal Audit and Counter Fraud services.
- 5.11. The new structure is intended to protect the Internal Audit resource and expand the amount of pro-active Counter Fraud work undertaken, with both

contributing to securing ongoing improvements in the Council's control environment.

- 5.12. Consultation on a new structure is planned to begin in March 2018 and this will, in turn, require the Internal Audit plan for the year to be revised. The revised plan will be updated and brought back to the Committee at the earliest opportunity.

## **6. Implications of the Recommendations**

### **6.1. Legal Implications**

- 6.1.1. All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The latter states that authorities "must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance."
- 6.1.2. The guidance accompanying the Regulations recognises that with effect from 1st April 2013, the Public Sector Internal Audit Standards (PSIAS) represent "proper internal audit practices". The PSIAS apply to all internal audit service providers within the UK public sector.

### **6.2. Finance Implications**

- 6.2.1. In accordance with the PSIAS, the Audit and Governance Committee should ensure that the function has the necessary resources and access to information to enable it to fulfil its mandate, and is equipped to perform in accordance with appropriate professional standards for internal auditors. No general contingency allocation has been included at this stage.
- 6.2.2. The Draft Internal Audit Plan 2018-19 has been prepared, based on current resources, to cover the core areas of work required to deliver an annual audit opinion. This will be compared to resource availability as part of establishing the plan and in monitoring progress against the plan. If an imbalance between the two arises the Committee will be informed of proposed solutions.
- 6.2.3. Matters that jeopardise the delivery of the audit plan or require significant changes to it will be identified, addressed and reported to the Committee.

### **6.3. Equality Implications**

6.3.1. There are no direct implications for Equality and Diversity.

#### **6.4. Human Resources Implications**

6.4.1. To ensure that the Internal Audit team can continue to deliver the necessary levels of assurance to the organisation, the opportunity is being taken to reflect on the requirements of the organisation and ensure that that sufficient resource is available to deliver this. Consultation on a proposed structure will begin in early 2018/19. The appropriate consultation procedure will be undertaken in line with the Council's process.

#### **6.5. Risk Management Implications**

6.5.1. Delivery of an appropriately balanced and focused Internal Audit Plan supports the Council's ability to effectively and efficiently identify and manage its risks, in turn ensure improvements governance and the control environment.

#### **6.6. Rural Communities Implications**

6.6.1. There are no direct implications for rural communities.

#### **6.7. Implications for Children & Young People**

6.7.1. There are no direct implications for children and young people.

#### **6.8. Public Health Implications**

6.8.1. There are no direct implications for public health.

### **7. Ward Members Affected**

7.1. The Internal Audit plan supports the operation of the entire Council. All Wards are therefore affected.

### **8. Consultation & Engagement**

8.1. In preparing the Summary Plan, there has been consultation to identify the expectations of senior management, external audit and other key stakeholders. This is discussed in greater detail in Appendix A.

### **9. Access to Information**

9.1. The following are links to relevant standards and regulations

9.1.1. [Public Sector Internal Audit Standards \(PSAIS\)](#)

9.1.2. [The Accounts and Audit Regulations 2015](#)

**10. Contact Information**

10.1. Any questions relating to this report should be directed to the following officer:

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