

# CHESHIRE EAST COUNCIL

## AUDIT AND GOVERNANCE COMMITTEE

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**Date of Meeting:** 27th March 2014  
**Report of:** Head of Internal Audit  
**Title:** Internal Audit Plan 2014/15  
**Portfolio Holder:** Councillor Peter Raynes

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### 1.0 Report Summary

- 1.0 The purpose of the report is for the Committee to review and approve the Summary Internal Audit Plan for 2014/15.

### 2.0 Recommendations

- 2.1 That the Committee:

- i) endorse the approach to internal audit planning and approve the Summary Internal Audit Plan 2014/15 (Appendix A).
- ii) note that a more detailed Internal Audit Plan will be developed and produced in the first quarter of 2014/15, and discussed and agreed with the relevant Member/Officer group.

### 3.0 Reasons for Recommendations

- 3.1 In accordance with the Public Sector Internal Audit Standards (PSIAS), the Audit and Governance Committee, as the 'board' defined in the Public Sector Internal Audit Standards, should '*review and assess the annual internal audit plan*'. The development of the risk-based audit plan remains the responsibility of the Head of Internal Audit after consultation with senior management and the Audit and Governance Committee, but the Committee should approve it.
- 3.2 A more detailed audit plan will be developed and produced in the first quarter of 2014/15 as a number of factors progress. These include outcomes of the service planning process and further consultation with management on critical systems and processes to delivering the Council's key priorities. Other factors include confirmation on the Alternative Service Delivery Vehicles' specific requirements for internal audit, and a consideration of resource availability.

### 4.0 Wards Affected

- 4.1 All wards.

### 5.0 Local Wards Affected

- 5.1 Not applicable.

## **6.0 Policy Implications**

6.1 Not applicable.

## **7.0 Financial Implications**

- 7.1 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.
- 7.2 Internal Audit was removed at a late stage from the Management Review in mid-2013 in the light of the Council's transition to a strategic commissioning authority and the introduction of new delivery models. The arrangements will be reviewed during 2014/15.
- 7.3 The Summary Internal Audit Plan 2014/15 has been prepared, based on current resources, to cover the core areas of work required in order to deliver an annual audit opinion. No contingency allocation has been included at this stage.
- 7.4 Once the detailed work plan has been set, this will be compared to resource availability and where there is an imbalance between the two, the Committee will be informed of proposed solutions. Significant matters that jeopardise the delivery of the plan or require changes to the plan will be identified, addressed and reported to the Committee.

## **8.0 Legal Implications**

- 8.1 The requirement for an internal audit function is either explicit or implied in legislation with s151 of the Local Government Act 1972 requiring Councils to "make arrangements for the proper administration of their financial affairs" and the Accounts and Audit Regulations 2011 requiring a relevant body to "undertake an adequate and effective internal audit ..."

## **9.0 Risk Assessment**

- 9.1 The Authority is required to undertake an adequate and effective internal audit in accordance with Regulation 6 of the Accounts and Audit Regulations 2011. Failure to consider the effectiveness of its system of internal audit, and the opinion on Council's control environment, could result in non-compliance with the requirements of the Regulations.

## **10.0 Background and Options**

- 10.1 All principal local authorities subject to the Accounts and Audit Regulations 2011 must make provision for internal audit in accordance with the Public Sector Internal Audit Standards (PSIAS).

- 10.2 In accordance with the Cheshire East Audit Charter, at least annually, the Head of Internal Audit will submit to the Corporate Leadership Board and the Audit and Governance Committee an internal audit plan for review and approval. The internal audit plan will consist of a work schedule as well as budget and resource requirements for the next financial year. The Head of Internal Audit will communicate the impact of resource limitations and significant interim changes to the Corporate Leadership Board and the Audit and Governance Committee.
- 10.3 The internal audit plan is developed based on a prioritisation of the audit universe using a risk-based methodology, including input of the Corporate Leadership Board and the Audit and Governance Committee. The Head of Internal Audit will review and adjust the plan, as necessary, in response to changes in the Council's business, risks, operations, programmes, systems, and controls. Any significant deviation from the approved internal audit plan will be communicated to the Corporate Leadership Board and the Audit and Governance Committee through periodic activity reports.
- 10.4 The term 'Head of Internal Audit' is used within this report and the appendix and can be considered the same as the terms 'Chief Audit Executive' (used within the PSIAS) and 'Internal Audit Manager' (used within the Cheshire East Audit Charter). This role is currently carried out by the two Audit Managers within Cheshire East Council.

## **11.0 Access to Information**

The background papers relating to this report can be inspected by contacting the report writer:

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