

CHESHIRE EAST COUNCIL

REPORT TO: Audit and Governance Committee

Date of Meeting: 19th March 2015
Report of: Corporate Manager Governance and Audit
Title: Internal Audit Plan 2015/16
Portfolio Holder: Councillor Peter Raynes

1.0 Report Summary

1.0 The purpose of this report is for the Committee to receive and approve the Summary Internal Audit Plan for 2015/16.

2.0 Recommendations

2.1 That the Committee:

- i) approve the Summary Internal Audit Plan 2015/16 (Appendix A); and
- ii) note that a more detailed Internal Audit Plan will be developed and produced in the first quarter of 2015/16, that will be discussed and agreed with the relevant Member/Officer group.

3.0 Reasons for Recommendations

3.1 The Council's Internal Audit Charter, developed in accordance with the Public Sector Internal Audit Standards (PSIAS), requires the Corporate Manager Governance and Audit to submit an annual internal audit plan to the Audit and Governance Committee for review and approval.

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 (Authorised by the Chief Operating Officer)

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. No general contingency allocation has been included at this stage.

7.2 The Summary Internal Audit Plan 2015/16 has been prepared, based on current resources, to cover the core areas of work required to deliver an annual audit opinion. Once the detailed audit 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.

7.3 Matters that jeopardise the delivery of the detailed audit plan or require significant changes to it will be identified, addressed and reported to the Committee.

8.0 Legal Implications (Authorised by the Head of Legal Services)

8.1 All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit (England) Regulations 2011. The latter states that authorities must “maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”.

8.2 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.

9.0 Risk Assessment

9.1 The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit plays a vital part in advising the Council that these arrangements are in place and operating properly.

9.2 The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the Organisation’s objectives.

9.3 The Council needs to form its own view about the level of audit coverage and the optimum resources to be devoted to internal audit. No formula exists that can be applied to determine internal audit coverage needs. However, as a guide, the minimum level of coverage is that required to give an annual evidence-based opinion.

9.4 The Audit and Governance Committee should, therefore, seek assurance that the best use of the internal audit resource is made within the Council’s assurance framework. In particular, Members should seek confirmation that the audit plan takes into account the requirement to produce an annual internal audit opinion that can be used to inform the Annual Governance Statement.

10.0 Background

- 10.1 All principal local authorities subject to the Accounts and Audit (England) Regulations 2011 must make provision for internal audit in accordance with the Public Sector Internal Audit Standards (PSIAS). 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 chief audit executive (or equivalent) to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control. 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.
- 10.2 In order to ensure that internal audit resources continue to be focussed on areas where assurance is most needed, particularly during periods of change, it is essential that clients' needs are understood. Consequently, a wide ranging consultation process took place with key stakeholders including Senior Management, Strategic Risk Owners/Managers and other assurance providers in order to establish priorities for audit activity in 2015/16.
- 10.3 Following the consultation process the proposed audit activity was collated and matched against the internal audit resources available and prioritised accordingly and a risk-based summary internal audit plan for 2015/16 (Appendix A) prepared. In accordance with the PSIAS the plan is fixed for a period of no longer than one year. It outlines the assignments to be carried out, their respective priorities (by differentiating between assurance and other work) and the estimated resources needed. Corporate Leadership Board has considered the plan prior to presentation to the Audit and Governance Committee.
- 10.4 The plan takes into account the requirement to produce an annual internal audit opinion that can be used to inform the Annual Governance Statement. However, it is proposed that a more detailed audit plan will be developed and produced in 2015/16 as a number of factors progress and the impact on the current level of audit resource becomes known. These include:
- outcomes of the business/commissioning planning process for 2015/16
 - establishing whether the centralised risk management resource adequately reflects the risk maturity and requirements of the Council and what impact this will have on the audit resource following the transfer of the function to Internal Audit in 2014
 - establishing the impact on audit resource following a decision to transfer responsibility for the Corporate Business Continuity Management functions to the Corporate Manager Governance and Audit from 1 April 2015
 - Determining the impact on audit resources with regard to assurance engagements for functions over which the Corporate Manager Governance and Audit has responsibility

- understanding the impact of the successful Counter Fraud Fund bid (a joint Cheshire bid for funding to appoint a member of staff to carry out proactive fraud work)
- determining the requirement to use specialists, e.g. IT or contract and procurement auditors
- outcomes from collaborative working including the development of the Quality Assurance and Improvement Programme (QAIP) and in particular the external assessment against the PSIAS (i.e. the Definition of Internal Auditing, the Code of Ethics and the Standards themselves) for compliance
- confirmation on the Alternative Service Delivery Vehicles' specific requirements for internal audit and risk management

10.5 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 2015/16. In doing, so Members should consider whether the:

- 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
- level of resources in any way limits the scope of Internal Audit, or prejudices the ability to deliver a service consistent with the Standards
- level of non-assurance work has an adverse impact on the core assurance work.

11.0 Access to Information

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

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