

CHESHIRE EAST COUNCIL

REPORT TO: Audit and Governance Committee

Date of Meeting: 17th March 2016
Report of: Corporate Manager Governance and Audit
Title: Internal Audit Plan 2016/17
Portfolio Holder: Councillor Peter Groves

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 2016/17.

2.0 Recommendations

2.1 That the Committee:

- i) approve the Summary Internal Audit Plan 2016/17 (Appendix A); and
- ii) note that a more detailed Internal Audit Plan will be developed and produced in the first quarter of 2016/17 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 2016/17 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 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.”
- 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 Regulations 2015 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 2016/17.
- 10.3 The intelligence gathered by this consultation process has been supplemented by the outcome of further planning activity, including a risk assessment of local, regional and national issues and consideration of the Council's corporate plan 2016-2020.
- 10.4 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 2016/17 (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. Management Group Board has considered the plan prior to presentation to the Audit and Governance Committee.
- 10.5 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, as in previous years, it is proposed that a more detailed audit plan will be developed and produced throughout the forthcoming year 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
 - the ongoing impact on audit resource following the transfer of responsibility of the Corporate Business Continuity Function from April 2015.
 - whether the centralised risk management resource adequately supports the objective of improving risk management in the Council and the impact

this will have on the audit resource following the transfer of the function to Internal Audit in 2014.

- the impact on audit resources with regard to assurance engagements for functions over which the Corporate Manager Governance and Audit has responsibility.
- 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
- Declarations of interest made by the Internal Audit team to ensure there are no conflicts of interest

10.6 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 2016/17. 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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