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# Summary Internal Audit Plan 2014-15

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Internal Audit

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## Cheshire East Council - Summary Internal Audit Plan 2014/15

### 1 Introduction

- 1.1 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 organisation that these arrangements are in place and operating properly.
- 1.2 The provision of assurance is, therefore, the primary role for internal audit. This role requires the Head of Internal Audit (HIA) to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.
- 1.3 A risk based Internal Audit plan is produced each year to ensure that:
- the scale and breadth of activity is sufficient to allow the HIA to provide an independent and objective opinion to the Council on the control environment
  - audit activity focuses on areas where assurance is most needed
- 1.4 This document sets out Cheshire East Council's Summary Internal Audit Plan for 2014/15.

### 2 Responsibilities and Objectives of Internal Audit

- 2.1 Internal Audit is an independent, objective assurance and consulting service 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.
- 2.2 Internal Audit's primary function is the provision of assurance. This is delivered through the provision of the annual internal audit opinion, which informs the Annual Governance Statement and is based on an objective assessment of the framework of governance, risk management and control.
- 2.3 Subject to the availability of resources, and there being no impact on the core assurance work, non-assurance work, including fraud related and consultancy work may be undertaken at the request of the organisation.
- 2.4 The Council's response to audit activity should lead to the strengthening of the control environment.

### 3 Summary and Process

- 3.1 The Plan needs to be flexible to be able to reflect the changing risks and priorities of the organisation and

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recent experience has reinforced this. It is, therefore, presented at a summary level.

3.2 The risk-based plan must take into account the requirement to produce an annual internal audit opinion and the assurance framework. It must incorporate or be linked to a strategic or high-level statement of how the internal audit service will be delivered and developed in accordance with the internal audit charter and how it links to the organisational objectives and priorities.

3.3 The Plan has been prepared by taking the following into account:

- Adequacy and outcomes of the Authority's risk management, performance management and other assurance processes.
- Internal Audit's own risk assessment.
- Cheshire East Three Year Plan 2014/2017.
- Preliminary consultation with key stakeholders (e.g. Corporate Leadership Board (CLB), External Audit, Internal Audit staff, Cheshire West and Chester Internal Audit).

3.4 The Plan will be further defined in the first quarter of 2014/15, through the following:

- Outcomes from the Strategic Risk Management Process, including using risk appetite levels set by management for the different activities or parts of the organisation.
- Outcomes from the Service Delivery Planning process, including key organisational objectives and priorities and risks to achieving them.
- Outcomes from the Annual Governance Statement process.
- Further consultation with key stakeholders (e.g. Senior Managers).
- Confirmation of the Alternative Service Delivery Vehicles' internal audit requirements.

### 4 Key Themes and Outputs

4.1 There are a number of key themes emerging within the 2014/15 Internal Audit Plan, including:

- Alternative Service Delivery Vehicle (ASDV) arrangements
- Programme and Project Management
- The authority's Assurance Framework; reviewing the first and second 'lines of defence'.

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4.2 The outputs from the plan fall into two main areas:

- **Assurance Audits** - On completion of the audit an opinion report is issued to management on the risks and controls of the area under review. This builds up to the annual audit opinion on the control environment that is reported to the Audit and Governance Committee.
- **Consulting Services** - advisory in nature and are generally performed at the specific request of the organisation. The nature and scope of the consulting engagement should aim to improve governance, risk management and control and should contribute to the overall opinion.

4.3 The main areas of the plan that will deliver an opinion on the risks and controls of the area under review and will inform the HIA Annual Internal Audit Opinion include:

- Key Financial Systems
- Corporate Core and Cross Service Systems
- Service Specific Systems
- Anti Fraud and Corruption – Proactive reviews

4.4 The main areas of the plan that will not deliver an opinion report but will help inform the HIA's Annual Internal Audit Opinion include:

- **Corporate Governance and Risk**
  - Support and contribution to production of the Annual Governance Statement (AGS)
  - Produce Assurance Statements to support the AGS (from Senior Managers)
  - Development of the authority's Assurance Framework
- **Statutory Returns**
  - Internal Audit may be required, as a stipulation of funding or similar, to carry out an audit/give assurance on the programme/project or aspects, thereof, and report back to the statutory/funding body.
- **Anti Fraud & Corruption**
  - National Fraud Initiative – results are recorded on the Audit Commission secure website, update reports presented to the Corporate Risk Management Group.

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- **Follow Up**
    - Monitoring implementation of audit recommendations through the Consolidated Action Plan and targeted follow up of recommendations based on audit opinion/recommendation rating, where necessary.
  - **Advice and Guidance**
    - The exact nature and scope of any internal audit work, agreed in advance with the manager.
- 4.5 Other work that will not necessarily inform the annual HIA opinion includes:
- **Corporate Work**
    - Supporting the Audit and Governance Committee including production of reports
    - External Audit liaison
    - Support and contribution to Corporate Working Groups
    - Regional Collaboration
  - **Anti Fraud and Corruption**
    - At the request of management, Internal Audit may assist with the investigation of suspected fraud and corruption/reports made under the Council's Whistleblowing Policy
    - Awareness raising
    - Support and Production to Corporate Policies and Procedures
- 4.6 The Head of Internal Audit, in accordance with CIPFA guidance, should be made aware of major new systems and proposed initiatives to help ensure risks are properly identified and evaluated and appropriate controls built in. Some of the work described in 4.5 contributes to this awareness.
- 4.7 The assurance framework will be further reviewed and developed during 2014/15 to highlight existing sources of assurance provision, ensuring effective planning and efficient deployment of resources.
- 4.8 In addition, there are a number of developments and improvements to the service, such as development of the internal CEntranet site, that the Internal Audit team has identified and the associated tasks and activities will be built into the planning process.
- 4.9 Internal Audit also provide services to PATROL, as Cheshire East Council is the host Council. In 2014/15 Internal Audit will also provide services to CoSocius and

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some of the Council's new Alternative Service Delivery Vehicles.

### 5 Resources

5.1 The resources currently available are outlined below:

Audit Year	2014/15	2013/14
Maximum Days	2400	2400
Total Unavailable Working Days	586	411
Available Working Days	1814	1989
Non Chargeable Sub Total	364	424
Chargeable Days	1450	1565

5.2 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. A contingency figure is normally included to recognise that the plan needs to be flexible to be able to reflect the changing risks and priorities of the Council. No contingency allocation has been included at this stage.

5.3 As described in 3.4, further work will now take place in the first quarter of 2014/15 to produce a more detailed plan for the year.

5.4 Where there is an imbalance between the work plan and the resources available, the Audit and Governance

Committee will be informed of proposed solutions. The more detailed Audit Plan will be discussed and agreed by the Member/Officer group responsible for Audit.

5.5 In further defining the audit plan, areas of work may be highlighted which the Internal Audit function is not currently sufficiently staffed/skilled to provide assurance on, for example, specialist ICT audits. In these cases, the Council may wish to consider procuring external audit resource to provide the necessary assurance.

5.6 Significant matters which jeopardise the delivery of the plan or require changes to the plan will be identified, addressed and brought to the attention of the Corporate Leadership Board and Audit and Governance Committee.

5.7 Internal Audit's key priority will always be to deliver the assurance programme of work in order to provide the Council with an informed annual audit opinion.

### 6 Progress Reporting

6.1 During the year, Internal Audit will produce interim progress reports for the Audit and Governance Committee, detailing key issues arising from audits and progress made against the Audit Plan. Any significant matters affecting the delivery of the plan or requiring

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changes to the plan will also be reported to the Committee.

- 6.2 At the end of the year, an Annual Report is presented to the Audit and Governance Committee to provide assurance or otherwise on the effectiveness of the internal control framework of the Council. This will be based on the findings of the work carried out during the year.

### 7 Quality Assurance and Improvement Programme

- 7.1 Internal Audit will maintain a quality assurance and improvement programme that covers all aspects of its activity. The programme will include an evaluation of Internal Audit's compliance with the PSIAS and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of Internal Audit and identifies opportunities for improvement.
- 7.2 The Head of Internal Audit will communicate to the Corporate Leadership Board and the Audit and Governance Committee on Internal Audit's quality assurance and improvement programme, including results of ongoing internal assessments and external assessments conducted at least every five years.

### Performance Indicators

- 7.3 Internal Audit has a number of existing Performance Indicators that are reported to the Audit and Governance Committee through the year via interim reporting and the Annual Report. For 2014/15 these are:

Performance Indicator	2014/15 Target	2013/14 Actual (at 31/12/13)	2013/14 Target
Percentage of Audits completed to user's satisfaction	92%	91%	90%
Percentage of significant recommendations agreed	90%	92%	85%
Productive Time (Chargeable Days)	80%	82%	80%
Draft report produced promptly (per Client Satisfaction Form)	95%	91%	90%

- 7.4 As requested at the Audit & Governance Committee, a new Performance Indicator on the implementation of internal audit recommendations within timescale will be developed and reported on during 2014/15. This new indicator is closely linked to the existing Consolidated Action Plan, which reports to CLB and the Chief

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Operating Officer on outstanding audit (including External Audit and other external inspection regimes) recommendations.

### **Benchmarking**

- 7.5 Benchmarking is a vital tool to help drive improvements and deliver value for money. In 2014/15, along with other Cheshire East Council back office functions, Internal Audit will be joining the CIPFA Benchmarking Club.
- 7.6 Through the Benchmarking Club, staffing (central and local) cost data is collected for the internal audit function in order to derive the number of audit days available and the cost per audit day. The number of audit days per £million authority gross revenue turnover is compared and further analysed by: type of audit, system audited and type of risk. There is also comparison and analysis of the cost per Auditor and the number of chargeable days per auditor.
- 7.7 Results from the Benchmarking Club will be shared with the relevant Committee and relevant Member/Officer Group, as appropriate.



<b>Audit Theme/Area</b> <i>Identified Key Areas</i>	<b>Drivers/Risks</b>	<b>2014/15 Planned Audit Days</b>	<b>2014/15 Planned %</b>
<b>Chargeable Days</b>		<b>1450</b>	
<b>Less: Corporate Work</b>		<b>70</b>	
<i>Includes:</i> Corporate Management, Executive Monitoring Board, Performance Development Review Process etc.	Corporate requirements		
<b>Available Audit Days</b>		<b>1380</b>	<b>100%</b>
<b>Corporate Governance and Risk</b>		<b>380</b>	<b>27%</b>
<i>Includes:</i> Audit and Governance Committee: Member Liaison and Development, Reports to A&G (Internal Audit and taken on behalf of others), Committee Administration and Work Plan development. Corporate Groups - Corporate Risk Management Group, Constitution Working Group, reporting to Corporate Leadership Board, Technical Enabler Group Supporting Corporate Governance, - Support and production of AGS, Corporate Governance Group and associated working groups. External Audit - Grant Thornton Liaison Regional Collaboration - Working with regional internal audit partners Reviewing corporate and operational risk management Consolidated Action Plan - monitoring implementation of recommendations from Internal Audit, External Audit and other key inspectorate reports as necessary	Statutory requirement/supporting the overall provision of assurance and the annual internal audit opinion.		
<b>Anti Fraud and Corruption - Proactive Reviews</b>		<b>80</b>	<b>6%</b>
<i>Includes:</i> National Fraud Initiative, Developing an anti-fraud culture, Review of associated policies, Proactive assurance reviews	Statutory requirement – NFI/ Responding to fraud trends/ Awareness raising.		
<b>Anti Fraud and Corruption - Reactive Investigations</b>		<b>50</b>	<b>4%</b>
Will be undertaken as necessary after appropriate risk assessment.	In response to demand.		
<b>Chief Operating Officer - Key Financial Systems</b>		<b>195</b>	<b>14%</b>
<i>Includes:</i>	Provision of assurance to S151 Officer		

<b>Audit Theme/Area</b> <i>Identified Key Areas</i>	<b>Drivers/Risks</b>	<b>2014/15 Planned Audit Days</b>	<b>2014/15 Planned %</b>
Accounts Payable, Accounts Receivable, Payroll, Housing Benefits, Council Tax, NNDR, Cash Receipting, General Ledger, Treasury Management, Debt Management, Fixed Assets, Schools Financial Value Standard establishment visits.	on identified high risk areas/Review of new arrangements and follow up of previous recommendations/Potential risk of mis-statement in the Authority's financial statements.		
<b>Chief Operating Officer - Corporate Core and Cross Service</b>		<b>190</b>	<b>13%</b>
<i>Includes:</i> Project and Programme Management, Second Line of Defence Reviews - FOI, Procurement, Information Assurance etc.	Key Corporate and Cross service risks/Assurance relating to specific service areas reporting to COO.		
<b>Strategic Commissioning - Children's Social Care &amp; Education</b>		<b>75</b>	<b>6%</b>
<i>Includes:</i> Troubled Families Initiative, Foster Care Payments, Care Management Process, Establishment visits	Key departmental and service risk areas.		
<b>Strategic Commissioning - Adult's Social Care</b>		<b>55</b>	<b>4%</b>
<i>Includes:</i> Adults Financials System, Personal Budgets, Care Management Process, Establishment visits.	Key departmental and service risk areas.		
<b>Strategic Commissioning -Safeguarding</b>		<b>40</b>	<b>3%</b>
<i>Includes:</i> External Providers - Contracts/Accreditation, Client Finance - Management of Corporate Appointeeship arrangement.	Key departmental and service risk areas.		
<b>Strategic Commissioning -Public Health</b>	As above.	<b>40</b>	<b>3%</b>
<b>Strategic Commissioning -Communities</b>	As above.	<b>20</b>	<b>1%</b>
<b>Economic Growth and Prosperity</b>		<b>75</b>	<b>6%</b>
<i>Includes:</i> ASDV (Ansa/Engine of the North/ESAR/Orbitas) Client arrangements, Growing Places, Local Transport Body, Carbon Reduction Commitment.	Key departmental and service risk areas/Assurance on new ASDV arrangements.		

<b>Audit Theme/Area</b> <i>Identified Key Areas</i>	<b>Drivers/Risks</b>	<b>2014/15 Planned Audit Days</b>	<b>2014/15 Planned %</b>
<b>Providing Assurance to External Organisations</b>		<b>75</b>	<b>6%</b>
<i>Includes:</i> <i>CoSocius/PATROL/Others to be confirmed.</i>	Host Authority arrangement (PATROL)/Assurance provided to External Organisations.		
<b>Advice and Guidance</b>		<b>60</b>	<b>4%</b>
<i>Includes:</i> Provision of ad-hoc advice and guidance to services as requested during 14/15.	Add value and improve overall governance, risk management and control processes within the organisation.		
<b>Other Chargeable Work</b>		<b>45</b>	<b>3%</b>
<i>Includes:</i> Consultancy (specific nature and scope to be agreed In advance with client), General certification of grants. <b>Note: Contingency is currently zero.</b>	Specific requests from services.		
<b>Total Audit Days</b>		<b>1380</b>	<b>100%</b>