Summary Internal Audit Plan 2015-16

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Internal Audit

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Cheshire East Council - Summary Internal Audit Plan 2015/16

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 Council 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 Corporate Manager Governance and Audit to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control (i.e. the control environment).

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 Corporate Manager Governance and Audit 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 2015/16 and includes how the internal audit service will be delivered and developed in accordance with the Internal Audit Charter and how the plan links to the Council's objectives and priorities.

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 internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the Council's objectives.

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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. 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.

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 Council's Three Year Plan 2014/2017.
- Consultation with key stakeholders e.g. Corporate Leadership Board (CLB), Senior Management including Strategic Risk Owners/Managers, External Audit, Internal Audit staff, Cheshire West and Chester Internal Audit.

3.4   The Plan will be further defined in the first quarter of 2015/16, through the following:

- Outcomes from the Strategic Risk Management Process.

- Outcomes from the business/commissioning 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).

The Plan will need to take account of the following:

- whether the centralised risk management resource adequately reflects the risk maturity and requirements of 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 resource following a decision to transfer responsibility for the Corporate Business Continuity Management function to the Corporate Manager Governance and Audit from 1 April 2015
- the impact on audit resources with regard to assurance engagements for functions over which the Corporate Manager Governance and Audit has responsibility
- 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)

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- 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

4   Key Themes and Outputs

4.1   There are a number of key themes emerging within the 2015/16 Internal Audit Plan, including:

- Governance of partnership and commissioning arrangements
- Programme and Project Management – the delivery of change
- Maintaining and developing the Performance Management Framework

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 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 Corporate Manager Governance and Audit 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 Annual Internal Audit Opinion include:

- **Corporate Governance and Risk**

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- Support and contribution to production of the Annual Governance Statement (AGS)
- Production of Assurance Statements to support the AGS (from Senior Managers)
- Development of the Council'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 Assurance Group.

- **Follow Up**
  - Monitoring implementation of audit recommendations 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, is agreed in advance with the manager.

4.5 Other work that will not necessarily inform the annual opinion includes:

- **Corporate Work**
  - Responsibility for centralised risk management function
  - Responsibility for centralised business continuity management function
  - 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 and Whistleblowing Reports**
  - At the request of management, Internal Audit may assist with the investigation of suspected fraud and corruption/reports and referrals received under the Council's Whistleblowing Policy

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- Awareness raising
- Supporting the production of Corporate Policies and Procedures

4.6   In accordance with CIPFA guidance the Corporate Manager Governance and Audit 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 2015/16 to highlight existing sources of assurance provision, ensuring effective planning and efficient deployment of resources.

4.8   In addition time has been allocated in the plan for the service to be developed and improvements made.

4.9   Internal Audit also provides services to PATROL, as Cheshire East Council is the host Council. From 2014/15 there is provision for CoSocius to request services from Internal Audit.

5   Resources

5.1   The resources currently available are outlined below:

Audit Year	2014/15	2015/16
Maximum Days	2400	2114
Unavailable Working Days – Annual Leave, Bank Holidays, Estimated Sick Leave, Estimated Special Leave	586	370
Available Working Days	1814	1744
Non Chargeable Sub Total	364	378
Chargeable Days	1450	1366

5.2   The Summary Internal Audit Plan 2015/16 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. The plan does include a small amount of time for advice and guidance. It does not include an additional contingency.

5.3   As described in 3.4, further work will now take place in the first quarter of 2015/16 to produce a more detailed plan for the year.

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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 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 During 2015/16 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 will also assesse the efficiency and effectiveness of Internal Audit and identifies opportunities for improvement.

7.2 The Corporate Manager Governance and 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

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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 2015/16 these are:

Performance Indicator	2015/16 Target	2014/15 Target	2013/14 Actual
Percentage of Audits completed to user's satisfaction	tbc	92%	89%
Percentage of significant recommendations agreed	tbc	90%	93%
Productive Time (Chargeable Days)	tbc	80%	82%
Draft report produced promptly (per Client Satisfaction Form)	tbc	95%	78%

7.3 As requested by the Audit & Governance Committee, a new Performance Indicator on the implementation of internal audit recommendations within timescale was introduced during 2014/15 (Target 90%, 75% within

timescale). The timely implementation of audit recommendations is a good indicator of both the effectiveness of Internal Audit in securing action and the Council's commitment and capacity to improve

Benchmarking

7.4 Benchmarking is a vital tool to help drive improvements and deliver value for money. In 2015/16, Internal Audit will take part in the CIPFA Benchmarking Club.

7.5 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.

7.6 Results from the Benchmarking Club will be shared with the relevant Committee and relevant Member/Officer Group, as appropriate.

Audit Theme/Area *Identified Key Areas*	Drivers/Risks	2015/16 Planned Audit Days	2015/16 Planned %
Chargeable Days		1366	
Less: Corporate Work		183	
Includes: Corporate Management, Executive Monitoring Board, Performance Development Review Process, Responsibility for Centralised Risk Management and Business Continuity Management functions.	Corporate requirements		
Available Audit Days		1183	100%
Corporate Governance and Risk		223	19%
Includes: 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 - Technical Enabler Group Supporting Corporate Governance, - Support and production of AGS, Corporate Assurance Group and associated working groups. External Audit - Grant Thornton Liaison Regional Collaboration - Working with regional internal audit partners Reviewing corporate and operational risk management	Statutory requirement/supporting the overall provision of assurance and the annual internal audit opinion.		
Anti Fraud and Corruption - Proactive Reviews		75	6%
Includes: National Fraud Initiative, Developing an anti-fraud culture, Review of associated policies, Proactive assurance reviews including Council Tax & NNDR	Statutory requirement – NFI/ Responding to fraud trends/ Awareness raising.		
Anti Fraud and Corruption - Reactive Investigations		30	3%
Will be undertaken as necessary after appropriate risk assessment.	In response to demand.		
Chief Operating Officer - Key Financial Systems		227	19%
Includes: Accounts Payable, Accounts Receivable, Payroll, Housing Benefits, General Ledger, Capital Budget Monitoring, Schools Financial Value Standard establishment visits.	Provision of assurance to S151 Officer on identified high risk areas/Review of new arrangements and follow up of		

Audit Theme/Area _Identified Key Areas_	Drivers/Risks	2015/16 Planned Audit Days	2015/16 Planned %
	previous recommendations/Potential risk of mis-statement in the Authority's financial statements.		
Chief Operating Officer - Corporate Core and Cross Service		170	14%
Includes: Performance Management Framework, Project and Programme Management, Second Line of Defence Reviews, Procurement, Information Assurance, supporting lean reviews, ICT.	Key Corporate and Cross service risks/Assurance relating to specific service areas reporting to COO.		
Strategic Commissioning		30	3%
Includes: Council owned companies – commissioning arrangements	Assurance on commissioning arrangements.		
Strategic Commissioning - Children's Social Care & Education		73	6%
Includes: Family focus programme, Foster Care Payments, Care Leavers, Nursery Education Grant.	Key departmental and service risk areas.		
Strategic Commissioning - Adult's Social Care		75	6%
Includes: Adults Financials System, Provider Contract Management, Better Care Fund.	Key departmental and service risk areas.		
Strategic Commissioning –Safeguarding		15	1%
Includes: Personal Budgets	Key departmental and service risk areas.		
Strategic Commissioning -Public Health		30	3%
Includes: Performance Management and reporting, commissioning of services	Key departmental and service risk areas.		
Strategic Commissioning -Communities		10	1%
Includes: Parking Enforcement	Key departmental and service risk areas.		

Audit Theme/Area *Identified Key Areas*	Drivers/Risks	2015/16 Planned Audit Days	2015/16 Planned %
Economic Growth and Prosperity		25	2%
Includes: Local Enterprise Partnership.	Key departmental and service risk areas.		
Providing Assurance to External Organisations		75	6%
Includes: *CoSocius/PATROL/Others to be confirmed.*	Host Authority arrangement (PATROL)/Assurance provided to External Organisations.		
Advice and Guidance		30	3%
Includes: Provision of ad-hoc advice and guidance to services as requested during 15/16.	Add value and improve overall governance, risk management and control processes within the organisation.		
Other Chargeable Work		95	8%
Includes: Consultancy (specific nature and scope to be agreed In advance with client), General certification of grants & Audit follow up audits & reporting **Note: Contingency is currently zero.**	Specific requests from services/Follow up implementation of recommendations, including further testing or additional work where necessary.		
Total Audit Days		1183	100%