Summary Internal Audit Plan 2016/17

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Internal Audit

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Cheshire East Council - Summary Internal Audit Plan 2016/17

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1   Introduction

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1.1   The development of the 2016/17 Internal Audit Plan has been undertaken against the backdrop of ongoing fundamental strategic and operational change throughout Cheshire East Council. As a consequence, the audit planning process has been directed by the key issues and financial challenges currently facing the Council. This plan has been drawn up on the basis that the control environment and risk profile of the Council will inevitably change over the next financial year.

1.2   Therefore the 2016/17 audit plan has inbuilt flexibility to respond to the changing demands for assurance work. This flexible approach will allow quicker targeting of resources to high risk areas as they arise throughout the year.

1.3   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.

1.4   The provision of assurance is, therefore, the primary role for Internal Audit. This role requires the Corporate Manager Governance and Audit, as the Chief Audit Executive, 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).

1.5   An 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

1.6   This document sets out Cheshire East Council's Summary Internal Audit Plan for 2016/17 and includes how the 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.

1.7   The summary Internal Audit plan for 2016/17 is shown in Table 1 at the end of this document.

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2   Responsibilities and Objectives of Internal Audit

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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,

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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.

3   Summary and Process

3.1 The Internal Audit 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 starting point for preparing the Plan is to consider the adequacy and outcomes of the Authority's risk management, performance management and other assurance processes. As the Council has recognised its current level of risk maturity as between "risk aware and risk defined" and has established the target of becoming "risk managed"[1], additional work has been undertaken by the Internal Audit team to inform and develop the Internal Audit plan. This includes;

- Internal Audit's own risk assessment, which considers issues at an organisation, regional and national level.
- Consideration of Cheshire East Council's Corporate Plan, 2016-2020[2].
- Consultation with key stakeholders, internal to CEC: Management Group Board, Senior Management

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[1]

http://moderngov.cheshireeast.gov.uk/ecminutes/ieListDocuments.aspx?CId=241&MId=5685

[2]

http://moderngov.cheshireeast.gov.uk/ecminutes/documents/s45752/Medium%20Term%20Financial%20Strategy%20-%20Appendix%20B.pdf

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including Strategic Risk Owners/Managers, Internal Audit staff,

- External key stakeholders: External Audit, Cheshire West and Chester Internal Audit, and the North West Chief Audit Executive Group.

3.4 The Plan will be further defined in the first quarter of 2016/17, 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.
- Continuing consultation with key stakeholders
- Appointment to key posts

3.5 The 2016/17 Plan will need to take account of the following:

- 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.
- 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; these are considered to ensure there are no conflicts of interest.

4 Key Themes and Outputs

4.1 There are a number of key themes emerging within the 2016/17 Internal Audit Plan, including:

- Governance of partnership and commissioning arrangements

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- Reviewing commissioning lifecycles across services
- Reviewing secondary control functions; policy development, compliance, monitoring and escalation processes.

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

- **Assurance Audits** - On completion of an assurance 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 still 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
- Project/contract audit
- ICT/Computer audit
- Investigations
- Continuous auditing/monitoring
- Probity/compliance audit
- External clients

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**
  - 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,

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

4.6 In accordance with CIPFA guidance[3] 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

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[3] "The Role of the Head of Internal Audit in Public Sector Organisations", CIPFA, 2010

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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 2016/17 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[4], as Cheshire East Council is the host Council.

5	Resources		

5.1 The resources currently available are outlined below:

Audit Year	2016/17	2015/16
Maximum Days	2,244	2,114
Unavailable Working Days – Annual Leave, Bank Holidays, Estimated Sick Leave, Estimated Special Leave	389	370
Available Working Days	1,855	1,744
Non Chargeable Sub Total - Training, Planning, Team Management & Housekeeping, Service Development	397	378
Chargeable Days	1,458	1,366

5.2 The overall increase in chargeable days in 2016/17 reflects the inclusion of a Risk Management Officer. This appointment is expected to be in effect from Quarter 2 2016/17.

5.3 Following the unexpected and tragic loss of Jon Robinson, the team's Audit Manager, there will also be a need to consider how the team structure develops in due course.

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[4] The Joint Committee of England and Wales for the Civil Enforcement of Parking and Traffic Regulations outside London.

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5.4   The Summary Internal Audit Plan 2016/17 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 general contingency, although there a specific contingency for reactive fraud investigation, which may be undertaken or supported by Internal Audit after appropriate risk assessment.

5.5   As described in 3.4, further work will now take place in the first quarter of 2016/17 to produce a more detailed plan for the year.

5.6   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.

5.7   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.

5.8   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 Management Group Board and the Audit and Governance Committee.

5.9   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.

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7	**Quality Assurance and Improvement Programme**

7.1 During 2016/17 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 assess the efficiency and effectiveness of Internal Audit and identifies opportunities for improvement.

7.2 The Corporate Manager Governance and Audit will communicate to the Management Group 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. Our external assessment is currently scheduled for April 2017.

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 2016/17 these are:

Performance Indicator	2016/17 Target	2015/16 Target	2014/15 Target
Percentage of Audits completed to user's satisfaction	95%	92%	92%
Percentage of significant recommendations agreed	90%	90%	90%
Productive Time (Chargeable Days)	80%	80%	80%
Draft report produced promptly (per Client Satisfaction Form)	95%	95%	95%

7.4 Targets for the 2016/17 will be set following assessment of actual performance within 2015/16.

7.5 A further performance indicator, requested by the Audit and Governance Committee was introduced during 2014/15, monitoring the implementation of internal audit recommendations 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. The target for this indicator is 90% implementation, 75% within agreed timescales.

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Benchmarking

7.6   Benchmarking is a vital tool to help drive improvements and deliver value for money. Internal Audit participated in the 2015/16 CIPFA Benchmarking Club, and will continue to use the feedback from this exercise to inform and develop the Internal Audit function and it's plan as necessary.

7.7   The Head of Internal Audit is a member of the North West Chief Audit Executive group, which meets regularly and acts as a discussion group on various developments. The group also has a number of sub groups, including School, Fraud and Contract Management which are attended by members of the Internal Audit team. These are extremely useful for sharing best practice, and learning from colleagues' experiences.

Table 1: Summary Internal Audit Plan 2016/17

Audit Theme/Area *Identified Key Areas*	Drivers/Risks	2016/17 Planned Audit Days	2016/17 Planned %
Chargeable Days		1,458	
Less: Corporate Work		420	
Includes: • Corporate Requirements: Corporate Management, Performance Development Review Process, • Corporate Groups and Assurance: Executive Monitoring Board, Corporate Assurance Group, Annual Governance Statement, Assurance Framework development • Audit and Governance Committee: Reports taken on behalf of other areas of the Council, Committee Administration, Work Plan Development, Member Liaison and Development. Member/Officer Sub Groups • Direct responsibility for Risk Management and Business Continuity Management functions.	• Activities which the Internal Audit function are required to participate in corporately, or have direct responsibility for providing.		
Available Audit Days		1,038	100
Corporate Governance		87	8
Includes: • Audit and Governance Committee: Internal Audit reports to Committee. Administration and Work Plan development. • Corporate Groups - Technical Enabler Group, Information Governance Group • Collaboration: External Audit - Grant Thornton Liaison • Regional Collaboration - Working with regional internal audit partners • Reviewing corporate and operational risk management	• Statutory requirements • Work supporting the overall provision of assurance and the annual internal audit opinion.		
Anti-Fraud and Corruption - Proactive Reviews		75	7
Includes: National Fraud Initiative, Developing an anti-fraud culture, Review of associated	• Statutory requirement – NFI/ Responding to fraud trends/ Awareness		

Audit Theme/Area *Identified Key Areas*	Drivers/Risks	2016/17 Planned Audit Days	2016/17 Planned %
policies, Proactive assurance reviews.	raising.		
Anti-Fraud and Corruption - Reactive Investigations		30	3
In response to demand.	• Undertaken/supported as necessary after appropriate risk assessment.		
Chief Operating Officer - Key Financial Systems		250	24
Includes: Accounts Payable, Accounts Receivable, Payroll, Housing Benefits, General Ledger, Treasury Management, Business Rates, Council Tax, Revenue and 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 previous recommendations • Potential risk of mis-statement in the Authority's financial statements.		
Chief Operating Officer - Corporate Core and Cross Service		115	11
Includes: Second Line of Defence Reviews, Strategic Commissioning, ASDV Governance, Information Governance, CoSocius Transfer, Replacement Enterprise Resource Planning (ERP) System, Benefit Realisation	• Key Corporate and Cross service risks • Assurance relating to specific service areas reporting to COO, including commissioning arrangements for key service delivery areas and assurance on management and delivery of key projects		
Children's Services		95	9
Includes: Children's Services Transport Commissioning, Children's Placement and Commissioning, Children's Policy - Compliance and Monitoring, Children's Services - Review of Financial System/Information Governance	• Outcome from reviewing key departmental and service risk areas; commissioning arrangements for key service delivery areas, and arrangements for monitoring compliance with Children's Policy		
Adult's Social Care and Independent Living		95	9

Audit Theme/Area *Identified Key Areas*	Drivers/Risks	2016/17 Planned Audit Days	2016/17 Planned %
Includes: Commissioning Lifecycle, Health and Social Care Integration – delivery review, Performance Management and Reporting	• Outcome from reviewing key departmental and service risk areas; performance management and reporting arrangements, delivery of integrated health and social care services and commissioning arrangements for key service delivery areas		
Public Health		10	1
Includes: Commissioning and Performance Management arrangements – follows on from 2015/16 work	• Outcome from reviewing key departmental and service risk areas; commissioning arrangements for key service delivery areas.		
Communities		50	5
Includes: Civil Enforcement activities, Highways Contract – Client Management	• Outcome from reviewing key departmental and service risk areas; commissioning arrangements for key service delivery areas and reviewing performance management in front line service area.		
Economic Growth and Prosperity		75	7
Includes: Planning Service, Asset Management, Local Economic Partnership,	• Outcome from reviewing key departmental and service risk areas; review key delivery areas of high financial value and high levels of customer interaction.		
Providing Assurance to External Organisations		60	6
Includes:	• Host Authority arrangement (PATROL) –		

Audit Theme/Area *Identified Key Areas*	Drivers/Risks	2016/17 Planned Audit Days	2016/17 Planned %
PATROL, (Other organisations may request assitance in year, subject to available resource.)	provide assurance in agreed format, similar to former Small Bodies Annual Return • Assurance provided to External Organisations		
Advice and Guidance		26	3
Includes: Provision of ad-hoc advice and guidance to services as requested during 2016/17	• Add value and improve overall governance, risk management and control processes within the organisation.		
Other Chargeable Work		70	7
Includes: Certification of grants, Follow up and additional reporting on the implementation of agreed audit actions **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		1,038	100