Internal Audit Plan 2019/20

Audit and Governance Committee 14th March 2019

Working for a brighter future together

Cheshire East Council

1. Introduction

1.1. This document sets out Cheshire East Council's Internal Audit Plan for 2019/20. It also covers 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.

1.2. The provision of assurance is the primary role for Internal Audit. This role requires the Head of Audit and Risk 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).

1.3. The objectives in producing the Internal Audit plan each year are to ensure that the scale and breadth of activity is sufficient to allow the Chief Audit Executive to provide an independent and objective opinion to the Council on the control environment and that audit activity focuses on areas where assurance is most needed.

1.4. The team's Principal Auditors are formally acting up to cover the roles and responsibilities of the Chief Audit Executive in relation to Internal Audit. The restructure of Corporate Services is progressing.

1.5. This plan, detailed in Table 3, has been produced on the basis of the known, current, resource available. Revised plans reflecting the development of Internal Audit will be produced and brought back to the Audit and Governance Committee in due course.

1.6. In developing the plan we have looked to recognise the context of strategic and operational change affecting the Council, and to focus on providing assurance that previously identified significant control weaknesses have been effectively and efficiently addressed and improved.

1.7. This summary plan has been drawn up on the basis that the control environment and risk profile of the Council will continue to change during the course of the next financial year, and the plan will be monitored and re-aligned during the year to ensure it remains responsive, adaptable and resource is directed to those areas where assurance is most required.

2. Responsibilities and Objectives of Internal Audit

2.1. 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.

2.2. Internal Audit is described in the Public Sector Internal Audit Standards (PSIAS) 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".

2.3. 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.

2.4. 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.

2.5. It is not the responsibility of Internal Audit to detect fraud, but the potential for it to occur is considered in each assignment. It is the responsibility of the organisation to create an environment of no tolerance, and ensure adequate controls are in place to prevent and detect fraud.

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

3. Standards, Ethics and Independence

3.1. Our Internal Audit Charter is designed to conform to the PSIAS which came into effect from 2013 and were revised with affect from 1st April 2017. All internal audit work will be delivered in line with the requirements of the Standards.

3.2. All Internal Audit staff comply with the mandatory local Code of Ethics, which is based upon the Code included in the PSAIS. Internal Audit staff are also bound by the requirements of their respective professional bodies.

3.3. Declarations of Interest in line with the Council's Code of Conduct are made by the Internal Audit team; these are considered in the allocation of every engagement to ensure there are no conflicts of interest.

3.4. In order to provide effective assurance on the Council's arrangements for governance, risk and internal control across all aspects of service delivery, Internal Audit is independent of all the activities of the Council. Internal Audit's rights of access are outlined in the Internal Audit Charter.

4. Planning Methodology

4.1. The planning process undertaken recognises and complies with the requirements of the Public Sector Internal Audit Standards in relation to planning. In accordance with PSIAS, the plan is fixed for a period of no longer than one year.

4.2. In accordance with the Charter, the annual internal audit plan for 2019/20 has been developed using a risk based methodology to prioritise the audit universe, consistent with the organisation's goals. The risk-based plan takes into account the requirement to produce an annual internal audit opinion and the assurance framework.

4.3. 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.

4.4. 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"[i], additional work has been undertaken by the Internal Audit team to inform and develop the Internal Audit plan.

4.5. 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. The plan is monitored regularly throughout the year to ensure that it addresses key areas of risk and emerging issues.

4.6. Internal Audit's own risk assessment, considers issues at an organisation, regional and national level as well as the results of previous audit work. The assessment considers materiality, sensitive and significance of each. This prioritises areas for inclusion in the plan.

4.7. Factors considered in the risk assessment are listed below,

- Consideration of the objectives from the Cheshire East Council's Corporate Plan;

- Risks and opportunities recognised on the Corporate Risk Register;

- Briefings from CIPFA's Better Governance Forum;

- Items in the current year Plan which are in train at the year end, or need to be rolled forward into the new plan;

- Coverage from previous internal audit plans and the outcome of follow up work;

- Consultation with key internal stakeholders; Corporate Leadership Team, Senior Management including Strategic Risk Owners/Managers and Internal Audit staff;

- External stakeholders and other assurance providers; External Audit, Cheshire West and Chester Internal Audit, the North West Chief Audit Executive Group and other inspectorate agencies and providers of assurance.

4.8. The Plan will be continue to be reviewed and defined during the year, to ensure the following processes are considered:

- 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.

- The outcome of consultation on a new structure for Internal Audit

- The continuing assessment of an Assurance Framework, to ensure existing sources of assurance provision are captured and understood, ensuring effective planning and efficient deployment of resources.

4.9. In delivering the 2019/20 Plan, there will be a need to take account of the following:

- the requirement to use specialists, e.g. ICT or contract and procurement auditors

- outcomes from the restructure of Corporate Services, and the development of Internal Audit

- Self assessment against the Quality Assurance and Improvement Programme (QAIP) and self assessment against the PSIAS

- clarification on any requirements for internal audit support to the Council's Alternative Service Delivery vehicles, and any other organisations where the Council acts as host or accountable body.

4.10. Minor changes to the plan will be discussed with the Executive Director of Corporate Services, and any significant matters impacting upon the completion of the plan or the ability to provide the annual opinion will be reported to the Corporate Leadership Team and the Audit and Governance Committee.

5. Key Themes and Outputs

5.1. Key themes within the 2019/20 Internal Audit Plan include:

- Providing assurance that identified issues in relation to land acquisitions and disposals have been effectively and efficiently addressed.

- Reviewing assurance mechanisms to support delivery of statutory responsibilities

- Reviewing key delivery areas associated with high financial values and high levels of customer interaction

5.2. The outputs from the plan fall into two main areas:

Assurance Audits
On completion of an assurance audit an opinion report will normally be issued, in line with the Internal Audit Charter, on the risks and controls of the area under review. The overall opinions used are "Good", "Satisfactory", "Limited" and "No Assurance". Reports are shared with the Council's External Auditors.

The opinions given on individual assurance reports inform the annual audit opinion on the control environment that is reported to the Audit and Governance Committee.

Consulting Services
These are 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.

In some cases, it may not be appropriate or proportionate to provide a full report and opinion. In these instances advice may be documented by email or a formal memo or email reference and a short note will be made in the annual report.

5.3.   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 Head of Audit and Risk's 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

5.4.   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 to and co-ordination of the production of the Annual Governance Statement (AGS).
Attendance at officer working groups such as Information Governance Group.

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 Cabinet Office secure website.

Follow Up
Monitoring the effective implementation of agreed audit recommendations to provide assurance that improvements in the control environment are being realised.

Advice and Guidance
The exact nature and scope of any internal audit work, is agreed in advance with the manager.

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

Corporate Work

- Supporting the Audit and Governance Committee including production of reports
- External Audit liaison
- Support and contribution to corporate initiatives and 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 in response to reports and referrals received under the Council's Whistleblowing Policy
- Awareness raising
- Supporting the production and development of Corporate Policies and Procedures

5.6. In accordance with CIPFA guidance[ii] the Head of Audit and Risk, as Chief Audit Executive, 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.

5.7. In addition, time has been allocated in the plan for the service to be developed and improved.

5.8. Internal Audit also provides services to PATROL[iii], as Cheshire East Council is the host Council. Reports on this area provide assurance to the management body of PATROL and do not contribute to the Annual Internal Audit Opinion.

5.9. During the course of the year, Internal Audit may be able to undertake assurance work for other external clients, subject to being able to prioritise the delivery of the annual audit opinion for the Council.

6. Resource and Delivery

6.1. The Internal Audit Plan 2019/20 has been prepared, based on current resources, to cover the core areas of work required in order to deliver an annual audit opinion. The resources currently available are outlined in Table 1 below:

Table 1: 2019/20 Resource compared to previous years

Audit Year	2019/20	2018/19	2017/18
Maximum Days	2,036	1,941	1,875
Unavailable Working Days *Annual Leave, Bank Holidays, Estimated Sick Leave, Estimated Special Leave*	434	370	351
Available Working Days	1,602	1,571	1,523
Non Chargeable Sub Total *Training, Planning, Team Management and Service Development*	285	263	277
Chargeable Days	1,317	1,308	1,246

6.2. In calculating the resource available for the 19/20 plan, existing vacancies for 2.6 FTE have been included as unfilled, and other staff are included at substantive arrangements only; 2 Principal Auditors, (2FTE), 4

Senior Auditors (2.75FTE) and 3 Auditors (2.08FTE). Maternity cover has been included at 1FTE for a temporary one year position. This accounts for the slight increase in days from the 2018/19 resource.

6.3. As referenced earlier, preparations to restructure the team are expected to be implemented from the beginning of the 2019/20 financial year.

6.4. The allocation of days to particular areas of the plan as shown in Table 3 is indicative. During the scoping of individual assignments, auditors will work with relevant managers to refine the risks and controls upon which assurance is required, and the allocation will be amended if appropriate.

6.5. 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 and a small allocation for additional general contingency. This is in addition to a specific contingency for reactive fraud investigation, which may be undertaken or supported by Internal Audit after appropriate risk assessment.

6.6. Where there is an imbalance between the work plan required to deliver an annual opinion and the resources available, the Audit and Governance Committee will be informed of proposed solutions. 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 Team and the Audit and Governance Committee.

6.7. In further defining the audit plan for delivery, 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, there will be a need to consider procuring external resource to provide the necessary assurance.

6.8. 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.

7. Progress Reporting

7.1. 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.

7.2. At the end of the year, an Annual Report, containing the Internal Audit Opinion, 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.

8. Quality Assurance and Improvement

8.1. Internal Audit undertakes quality assurance and improvement activity to support all aspects of its service delivery. This includes evaluation of Internal Audit's compliance with the PSIAS, reviewing compliance with internal auditor's application of the Code of Ethics, and an assessment of the efficiency and effectiveness of Internal Audit, identifying opportunities for improvement.

8.2. The outcomes of this activity are reported to the Corporate Leadership Team and the Audit and Governance Committee, including results of ongoing internal assessments and external assessments conducted at least every five years.

8.3. The external assessment against PSIAS was carried out under the peer review arrangement with the North West Chief Audit Executive Group and reported to the Audit and Governance Committee in September 2018. Actions are being undertaken and will be reported against as part of the Internal Audit Annual Report in May 2019.

Performance Indicators

8.4. 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.

Table 2: Internal Audit Performance Indicators

Performance Indicator	Initial 2019/20 Target	2018/19 Actual to date	2018/19 Target	2017/18 Actual
Percentage of Audits completed to user's satisfaction	95%	97%	94%	95%
Percentage of significant recommendations agreed	95%	98%	95%	97%
Productive Time (Chargeable Days)	85%	82%	85%	86%
Draft report produced promptly (per Client Satisfaction Form)	95%	96%	95%	89%
Percentage of agreed audit recommendations implemented	90%	91%	90%	96%
Percentage of agreed audit recommendations implemented within agreed timescale	75%	81%	75%	65%

8.5. Targets for 2019/20 will be confirmed following assessment of actual performance in 2018/19.

Benchmarking

8.6. Benchmarking is a useful tool to help drive improvements and deliver value for money. Internal Audit participated in the 2015/16 CIPFA Benchmarking Club, and has continued to use the feedback from this exercise to inform and develop the Internal Audit function and the plan. Opportunities to undertake further benchmarking will be considered in 2019/20.

Collaboration

8.7. The Principal Auditors have continued to participate in the North West Chief Audit Executive Group, which meets regularly and acts as a discussion group on various local and national developments affecting Internal Audit, Corporate Governance, Risk Management and Counter Fraud.

8.8. The group also has a number of sub groups, including Schools, Fraud and Contract Management which are attended and supported by members of the Internal Audit team. These are extremely useful for sharing best practice, and learning from colleagues' experiences.

8.9. Where practical and beneficial, audit work may be undertaken with other partner authorities. The benefits of participation should be to increase the level of assurance available for all partners, to develop strong working relationships and to provide positive learning experiences. Careful consideration is given to the practicalities of undertaking fieldwork and the reporting of findings as part of developing the scope of each engagement.

Service Priorities

8.10. During 2019/20 the Internal Audit team will look to develop and embed the use of computer aided audit techniques; this will allow efficient testing of greater populations of data to be undertaken more regularly, thus improving the level of assurance we are able to provide.

8.11. Working practices will be reviewed following the implementation of the upgraded audit management software to ensure the user experience is improved, and to achieve consistent and effective use of the system. This will improve the quality of performance reporting to support monitoring of actions by senior management.

Table 3: Summary Internal Audit Plan 2019/20

Audit Theme/Area *Identified Key Areas*	Drivers *Corporate Risks and Corporate Outcomes*	Context	2019/20 Planned Audit Days	2019/20 Planned %
Chargeable Days			**1,317**	
Less: Corporate Work			**160**	
Includes: • Corporate Requirements: Corporate Management Duties, Performance Development Review Process. • Corporate Groups and Assurance: 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.	• CR6: Countering Fraud and Corruption • CO6: A responsible effective and efficient organisation	Activities which the Internal Audit function are required to participate in corporately, or have direct responsibility for providing.		
Available Audit Days			**1,157**	
Corporate Governance and Risk			**136**	
Includes: • Audit and Governance Committee: Internal Audit reports to Committee. • Corporate Groups – Corporate Assurance Group, Information Governance Group • Collaboration: External Audit - Grant Thornton/Mazaars Liaison • Regional Collaboration - Working	• CR6: Countering Fraud and Corruption • CO6: A responsible effective and efficient organisation	Statutory requirements Work supporting the overall provision of assurance and the annual internal audit opinion.		

Audit Theme/Area *Identified Key Areas*	Drivers *Corporate Risks and Corporate Outcomes*	Context	2019/20 Planned Audit Days	2019/20 Planned %
with regional internal audit partners • Reviewing corporate and operational risk management arrangements				
Anti-Fraud and Corruption - Proactive Reviews			45	
Includes: National Fraud Initiative, Developing an anti-fraud culture, Review associated anti-fraud arrangements and policies	• CR6: Countering Fraud and Corruption • CO6: A responsible effective and efficient organisation	Statutory requirement – NFI/Responding to fraud trends/Awareness raising.		
Anti-Fraud and Corruption - Reactive Investigations			60	
Specific contingency for reactive investigations in response to demand.	• CR6: Countering Fraud and Corruption	Undertaken/supported as necessary after appropriate risk assessment.		
Key Financial Systems			267	
Includes: Schools Financial Value Standard Programme Core Financial Systems ERP Replacement *(Joint with Cheshire West and Chester)*	• CR3: Financial Resilience • CO2: Cheshire East has a strong and resilient economy • CO6: A responsible, effective and efficient organisation	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; first year activity in Business World.		

Audit Theme/Area *Identified Key Areas*	Drivers *Corporate Risks and Corporate Outcomes*	Context	2019/20 Planned Audit Days	2019/20 Planned %
Corporate Core and Cross Service			176	
Includes: Debt Management and Recovery ICT Network Security ICT Disaster Recovery LEP (S151 Assurance) Starters, Movers, Leavers HR Policy Review Supply Chain Management	• CR1: Increased Demand for People Services • CR3: Financial Resilience • CR5: Information Security and Cyber Threat • CR9: Increased Major Incidents • CR10: Business Continuity • CR11: Employee Engagement and Retention • CO2: Cheshire East has a strong and resilient economy • CO5: People live well and for longer • CO6: A responsible, effective and efficient organisation	Key Corporate and Cross service risks. Provision of assurance relating to specific service areas, including commissioning arrangements for key service delivery areas and assurance on management and delivery of key projects. Grant certifications.		
People			175	
Includes: Placement Management (Children's) Fostering Management	• CR1: Increased Demand for People Services • CR2: NHS Funding and	Key Corporate and Cross service risks.		

Audit Theme/Area *Identified Key Areas*	Drivers *Corporate Risks and Corporate Outcomes*	Context	2019/20 Planned Audit Days	2019/20 Planned %
Role of Director of Children's Service Information Governance; Data Handling, Quality and Security (Adult's Social Care) Adult Safeguarding Role of Director of Adult Social Services Role of Director of Public Health Management of Commissioned Services	STP Impact • CR4: Contract and Relationship Management • CO3: People have the life skills and education they need in order to thrive • CO5: People live well and for longer • CO6: A responsible, effective and efficient organisation	Outcome from reviewing key departmental and service risk areas; arrangements for key service delivery areas, reviewing performance management and the achievement of outcomes. Provision of assurance relating to specific service areas, including arrangements for key service delivery areas and assurance on management and delivery of key projects.		
Place			98	
Includes*:* Land Acquisitions and Disposals- Review of current arrangements Enforcement Activity Community Infrastructure Levy Heritage asset responsibilities	• CRO4: Regeneration Funding • CR8: Community Cohesion • CO1: Our local communities are strong and supportive • CO2: Cheshire East has a strong and resilient economy • CO4: Cheshire East is a green and sustainable	Outcome from reviewing key departmental and service risk areas. Review of high profile partnership arrangements. Assurance on arrangements for key service delivery areas and reviewing performance management in front line service area.		

Audit Theme/Area *Identified Key Areas*	Drivers *Corporate Risks and Corporate Outcomes*	Context	2019/20 Planned Audit Days	2019/20 Planned %
	place • CO6: A responsible, effective and efficient organisation			
Providing Assurance to External Organisations			25	
Includes: PATROL *Other organisations may request assistance in year, subject to available resource*	• Host Authority arrangement	Provide assurance in agreed format, similar to former Small Bodies Annual Return		
Advice and Guidance			30	
Includes: Provision of ad-hoc advice and guidance to services	• CO6: A responsible effective and efficient organisation	Add value and improve overall governance, risk management and control processes within the organisation.		
Other Chargeable Work			145	
Includes: Certification of grants arising in year Follow up and additional reporting on the implementation of agreed audit actions **Note: Contingency is at 25 days**	• CO6: A responsible effective and efficient organisation	Specific requests from services Follow up implementation of recommendations, including further testing or additional work where necessary.		
Total Audit Days			1,157	

i http://moderngov.cheshireeast.gov.uk/ecminutes/ieListDocuments.aspx?CId=241&MId=5685
ii "The Role of the Head of Internal Audit in Public Sector Organisations", CIPFA, 2010
iii The Joint Committee of England and Wales for the Civil Enforcement of Parking and Traffic Regulations outside London.