

Cheltenham Borough Council
Audit Committee – 26 March 2014
Annual Internal Audit Plan 2014/15

Accountable member	n/a
Accountable officer	Robert Milford, Head of Audit Cotswolds
Ward(s) affected	All
Key Decision	No
Executive summary	<p>The Council must ensure that it has sound systems of internal control which facilitate effective management of all the Council's functions. The work planned by Audit Cotswolds, the Council's Internal Audit service, is one of the control assurance sources to the Audit Committee and Senior Leadership Team and which supports the work of the external auditor. The work is also a key component of the Council's governance framework and as assurance source supporting the Annual Governance Statement, which forms part of the statutory accounting standards.</p> <p>Following CIPFA's guidance on Audit Committee the Committee this evening should "formally approve (but not direct) the Internal Audit plan".</p>
Recommendations	The Audit Committee approves the Internal Audit Plan for 2014/15

Financial implications	<p>The audit plan is a risk based plan which directs audit report towards the higher risk areas. This ensures that valuable audit resource is focused and directed towards ensuring that financial exposure is minimised.</p> <p>Contact officer: Mark Sheldon, Director of Resources mark.sheldon@cheltenham.gov.uk, 01242 264123</p>
Legal implications	<p>No Legal implications</p> <p>Contact officer: Peter Lewis, Head of Legal Services, One Legal, peter.lewis@tewkesbury.gov.uk, 01684 272012</p>
HR implications (including learning and organisational development)	<p>No HR implications</p> <p>Contact officer: Amanda Attfield, Head of HR, GOSS amanda.attfield@cheltenham.gov.uk, 01242 264186</p>

Key risks	<p>The audit plan has been derived from consultation with the Senior Leadership Team and through reference to relevant policy, strategy and protocol documents including the risk register. The plan is designed to capture key and emerging risks that this Council faces over the year and therefore the plan will remain as flexible as possible to ensure internal audit resources remain focussed and valued.</p> <p>Internal Audit activity is needed each year to satisfy assurance requirements. For example, internal audit review key financial systems annually because the external auditors may rely on this in their own work on final accounts. In addition, the requirement for the Council to review its system of internal control and governance procedures means that assurance is required on systems and procedures relating to the compilation of the Annual Governance Statement. If this work is not completed by the Internal Audit additional fees from external audit may be incurred.</p> <p>Furthermore, Internal Audit is a statutory function under the Accounts and Audit (England) Regulations 2011.</p> <p>The risk of failure to deliver core elements of the plan will be mitigated through the Partnership Board monitoring process. The representative from Cheltenham BC is Mark Sheldon (Director of Resources).</p> <p>Furthermore, Audit Committee will continue to receive quarterly reports through 2014/15 from Internal Audit detailing the work undertaken in relation to the plan.</p>
Corporate and community plan Implications	None
Environmental and climate change implications	None

1. Background

- 1.1 The environment in which Cheltenham BC and other Local Authorities now operates has presented significant drivers for change. The continual effort to meet the organisational objectives within a constrained budget has resulted in core systems coming under review for change e.g. the development of the GO Shared Service partnership arrangement for the delivery of core financial systems, Shared Services impacting service delivery arrangements and on core governance arrangements, etc. Therefore, Internal Audit needs to be responding to the changing environment and the areas where the organisation now requires assurances. This reinforces the requirement for Internal Audit to follow a more flexible and risk based plan.

2. Reasons for recommendations

- 2.1 The primary role of Internal Audit is to provide assurance that the Council's systems constitute a proper administration of its affairs. To this end, Internal Audit carried out a programme of audits that is agreed annually with Heads of Service and the Management Team.
- 2.2 Due to the new Public Sector Internal Audit Standards (PSIAS) and changes of core

systems Audit Cotswolds, as the Internal Audit provider, needs to respond to the changing environment and the areas where the organisation now requires assurances. This reinforces the requirement for Internal Audit to follow a more flexible and risk based plan.

- 2.3** The core financial systems delivered to the Council by the GO Shared Service are covered within the GO Shared Services Audit Plan, this will cover GO and client side activities providing;
- Assurance to the GO Shared Service Management Team and the Client Officer Group over the controls operating for the clients
 - Assurance to the client over the controls operating within GO financials, within the services they provide, and an assurance level for each financial module
 - Assurance to the clients over the controls operating within client side activities for GO
 - Periodic assurance over the other aspects of GO provided services
 - The required support to the External Auditor
- 2.4** A summary of the Annual Internal Audit Plan for 2014/15 is included at Appendix 1. This lists the risk based assurance work.
- 2.5** The Internal Audit Plan outlines a preferred programme of work for 2014/15 as developed throughout February 2014. The Audit Plan presented is not “set in stone” and is intended to evolve in response to issues highlighted through risk and change management and monitoring.
- 2.6** Audit Cotswolds has two further partners, West Oxfordshire DC and Cotswold DC and three further clients, Ubico, and GO Shared Services and Cheltenham Borough Homes, so co-ordinating and allocating fixed resources across multiple organisations is critical to the success of the Audit Cotswolds Partnership and the delivery of all audit plans.

3. Consultation and Feedback

- 3.1** The Executive Board and other managers were consulted for this plan.

4. Performance management – monitoring and review

- 4.1** Performance is monitored by both the Audit Committee and the Audit Partnership Board as detailed in the Audit Charter 2013.

Report author	Contact officer: Robert Milford, Head of Audit Cotswolds Robert.milford@cheltenham.gov.uk, 01242 775058
Appendices	1. Internal Audit Annual Plan 2014/15 2. Risk Assessment
Background information	None

Cheltenham Borough Council	
Audit Assurance Plan 2014/15	
Subject	Detail
Core Audit Areas	
Annual Governance Statement	Support for and review of the production of the Annual Governance Statement and sample elements of the supporting information
Performance Management	Review of an element of the Performance Management systems - the focus being the performance arrangements at employee level
Risk Management	Review of the controls specified in the risk registers (service and corporate)
Governance Compliance	Review of Members allowances and controls in place
ICT	The review will cover an element of the service focusing on the arrangements to integrate services as a result of the shared service arrangement
Housing and Council Tax Benefits	A review of an element of the Housing Benefit process, the programme of activity ensures full coverage of the service over a 3 year cycle
Council Tax	A review of an element of the Council Tax process, the programme of activity ensures full coverage of the service over a 3 year cycle
NNDR	A review of an element of the NNDR process, the programme of activity ensures full coverage of the service over a 3 year cycle
GO Shared Services	<p>Client Assurance on Core Financials</p> <ul style="list-style-type: none"> • Accounts Payable • Accounts Receivable • Budgetary Control and Capital Accounting • Main Accounting (Including Bank Reconciliation) and Treasury Management • Payroll • Systems Admin

Subject	Detail
Areas for Audit Review (based on change and risk)	
Change Management	Consultancy - Public Protection Shared Service
Payment Channels and Income Streams	Review of payment channels coming out of the authority (other than creditors) and a review of the income streams into the authority
Environmental Audit	Review of the long term strategy and actions required in the short term
Data Protection and Control of Data	Review of data sharing protocols and legislation including privacy impact assessments for data associated with GO Shared Services
Third Party Schemes and Grants	Review of the management of third party funds and grants
Transparency Agenda	Follow up of the previous audit and a review of the arrangements for reporting of the new data requirements
Social Networking	Review of policies, procedures, ownership, control of accounts and the monitoring of social networking sites used by the authority
Change Management	Support for the Leisure and Culture Trust
Housing	Review of the policies and procedures in respect of Disabled Facilities Grants
Car Parking	Follow Up of Limited Assurance Audit
Other Audit Provision	
National Fraud Initiative	Ongoing support for the scheme
Fraud Reporting and Counter Fraud Advice	Proactive counter fraud work
Follow Up Audits	Follow Up of High and Satisfactory Audits
Contingency	New work and investigations

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	I	L	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
Aud1	Without the audit plan in place there is the risk of insufficient audit work being completed to provide a reasonable assurance to stakeholders that there is an effective control framework in place, adequately mitigating risks to the authority's risk appetite.	Director of Resources		3	3	9	Reduce	The Audit Committee approval of the annual plan	31/03/2014	Head of Audit Cotswolds	