

**Cheltenham Borough Council**  
**Audit Committee – 23 March 2016**  
**Annual Internal Audit Plan 2016/17**

<b>Accountable member</b>	<b>Cabinet Member Corporate Services, Councillor Jon Walklett</b>
<b>Accountable officer</b>	<b>Robert Milford, Head of Audit Cotswolds</b>
<b>Ward(s) affected</b>	<b>All</b>
<b>Key/Significant Decision</b>	<b>No</b>
<b>Executive summary</b>	<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>
<b>Recommendations</b>	<b>The Audit Committee approves the Internal Audit Plan for 2016/17</b>

<b>Financial implications</b>	<p>The audit plan is a risk based plan which directs audits 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><b>Contact officers: Sarah Didcote and Paul Jones</b></p>
<b>Legal implications</b>	<p>None specifically arising from the report recommendation.</p> <p><b>Contact officer: Peter Lewis, Head of Legal Services, One Legal, peter.lewis@tewkesbury.gov.uk, 01684 272012</b></p>
<b>HR implications (including learning and organisational development)</b>	<p>No HR implications</p> <p><b>Contact officer: Julie McCarthy</b></p>

<p><b>Key risks</b></p>	<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 2015. <i>“A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”</i></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 Borough Council is Paul Jones (GOSS Head of Finance (West) Section 151 Officer).</p> <p>Furthermore, Audit Committee will continue to receive quarterly reports through 2016/17 from Internal Audit detailing the work undertaken in relation to the plan.</p>
<p><b>Corporate and community plan Implications</b></p>	<p>None</p>
<p><b>Environmental and climate change implications</b></p>	<p></p>
<p><b>Property/Asset Implications</b></p>	<p>None</p>

## 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. The introduction of GO Shared Service (GOSS) - a partnership arrangement for the delivery of core financial, human resources and procurement systems; the development of other shared services and now the 2020 Vision partnering arrangement all impact on service delivery processes and on core governance arrangements. 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 carries out a programme of audits that is agreed annually with Heads of Service and the Executive Management Team and is approved by the Audit Committee.
- 2.2** The requirements of the 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 GOSS (now part of the 2020 Vision service delivery vehicle) are covered within the GOSS Audit Plan, this will cover GOSS and client side activities providing;
- Assurance to the GOSS Management Team and the Client Officer Group over the controls operating for the clients
  - Assurance to the client (Cheltenham Borough Council) over the controls operating within GOSS financials, within the services they provide, and an assurance level for each financial module
  - Assurance to the Council over the controls operating within service based activities associated with the financial processes administered by GOSS
  - Periodic assurance over the other aspects of GOSS provided services
  - The required support to the External Auditor
- 2.4** A summary of the Annual Internal Audit Plan for 2016/17 is included at Appendix 1. This lists the risk based assurance and consultancy work planned for the year. Counter fraud related audit work has not been included in this audit plan. Audit Cotswolds operate a specialised Counter Fraud Unit who will undertake proactive fraud reviews and also provide a reactive service to the Council should the need arise.
- 2.5** The Internal Audit Plan outlines a preferred programme of work for the year as developed throughout January and February 2016. 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. Any changes to the agreed plan will only be made through a formal process involving the GOSS Head of Finance (West) & Section 151 Officer.
- 2.6** Audit Cotswolds has two further partners, West Oxfordshire DC and Cotswold DC and four further clients; Ubico, the 2020 Vision Partnership, Cheltenham Borough Homes and the Cheltenham Trust, 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 plan has been developed following consultation with and feedback from the Senior Managers, the Internal Audit Team and the Audit Committee.

## **4. Performance management –monitoring and review**

- 4.1** The performance of Audit Cotswolds is monitored by both the Audit Committee and the Audit Partnership Board as detailed in the Audit Charter 2013.

<b>Report author</b>	<b>Contact officer: Lucy Cater Head of Internal Audit (Operational), lucy.cater@cotswold.gov.uk 01285 623340</b>
<b>Appendices</b>	<ol style="list-style-type: none"><li>1. Internal Audit Annual Plan 2016/17</li><li>2. Risk Assessment</li></ol>
<b>Background information</b>	None

**Cheltenham Borough Council (CBC) Internal Audit Annual Plan 2016/17**

<b>Audit Theme / Service Area</b>	<b>Specific Topic or Activity</b>	<b>Audit Days</b>
<b>Section 1 - Core Governance and Core Finance Audits</b>		<b>140</b>
Annual Governance Statement	Support for and review of the production of the Annual Governance Statement and sample elements of the supporting information	5
Audit Committee Effectiveness (Annual)	Annual review of the Audit Committee against appropriate guidance and standards	3
Internal Audit Self-Assessment (Annual)	Annual self-assessment of Internal Audit's performance against the Public Sector Internal Audit Standards (PSIAS)	2
Risk Management	Selection of risks from registers and mitigating controls and actions to test their effectiveness	5
ICT	Scope of 2016/17 to be confirmed	20
Council Tax Benefit	A review of an element of the Council Tax Benefit process, the programme of activity ensures full coverage of the service over a 3 year cycle	15
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	10
NNDR (Business Rates)	A review of an element of the NNDR process, the programme of activity ensures full coverage of the service over a 3 year cycle	10
<b>GO Shared Service (GOSS) Audits</b>	<b>Days allocated to the following Audits are CBC's element of the GOSS Audit Plan</b>	<b>70</b>
Main Accounting, Budgetary Control and Capital Accounting	A review of an element of the operating systems, the planned programme of activity ensures full coverage over a 3 year cycle. Assurances are sought for the GOSS controls operating in respect of its Clients and transactional testing is performed for each of the Clients	
Treasury Management and Bank Reconciliations		
Payroll		
Accounts Receivable (Debtors)		
Accounts Payable (Creditors)	Transactional Testing for each client, assurance over GOSS controls to be informed by SWAP auditors (the Forest of Dean DC's Internal Audit Team)	
Systems Administration of Agresso Business World (ABW)	A review of the operating system and the controls in place	
Human Resources	A review of a Human Resources area. Scope for 2016/17 audit to be determined with GOSS Officers	
Other GOSS Area	A review of Procurement / Health and Safety / Insurance. 2016/17 audit to be determined with GOSS Officers	
<b>Section 2 - Risk Based Audits</b>		<b>89</b>
Employee Turnover	Review of the controls in place to mitigate against loss of staff. How are management addressing the risk, identification of the reasons for staff turnover, are mitigating actions effective	10
Risk and Control Implications of Meeting the Funding Gap	Achievement of proposed financials in MTFS looking at the assessment of risks and achieving these projections (income / savings)	12
Garden Waste	Review of the processes and systems used for the charging of green waste. Looking at efficiencies, standardising processes etc.	8

<b>Audit Theme / Service Area</b>	<b>Specific Topic or Activity</b>	<b>Audit Days</b>
Business Rates Pooling	Audit of pooled assets (what / how / how are they reported), calculation of appeals. Suggestion from CBC Audit Committee	12
NNDR (Business Rate) Reliefs	Review of NNDR Reliefs ensuring that the correct relief has been added to accounts in accordance with legislation	12
Fleet Management	Review of the management of fleet by Ubico on behalf CBC (and CDC) to include the replacement of vehicles, purchase and recharging	10
Planning Application Process	Review of the planning application process to ensure compliance with statutory legislation in respect of the processing cycle	15
Food Safety	Review of the policies and procedures in place in respect of Food Safety to ensure compliance with the introduction of the new act which comes into effect from 1st April 2016	10
<b>Section 3 - Advice and Consultancy</b>		<b>114</b>
New Housing and Planning Act	Review of the introduction of the New Housing and Planning Act - ensuring the Council is ready / prepared for the new act	12
Community Infrastructure Levy (CIL)	Support for the CIL process ensuring that the Council is prepared for the introduction of CIL	10
Charging Mechanisms	Review of the charging mechanisms to include statutory and discretionary charges and the potential generating, or increasing income, from some service areas	15
Review of the outcomes of the Gloucestershire Joint Waste Committee	A review to ascertain if the Gloucestershire Joint Waste Committee is delivering the outcomes envisaged when it was established	12
2020 Vision Programme	Support for the 2020 Vision Programme and Projects	50
Change Programmes	Support for other change programmes / projects	15
<b>Section 4 - Other</b>		<b>57</b>
Management	Preparation of IA Monitoring Reports and preparation and attendance at Audit Committee. Annual Audit Planning. Attendance at Governance and Risk Groups. High level programme monitoring. Liaison meetings with CFOs and Management Teams.	15
Payment Channels and Income Streams Follow-Up	Follow-Up testing of a 'Limited Assurance' Audit	5
Follow Up Audits	Follow Up of Previous Year Audits	6
National Fraud Initiative	On-going Support for the Scheme	1
Contingency	New Work and Investigations	30
<b>Total Number of Audit Days</b>		<b>400</b>

**Risk Assessment**

**Appendix 2**

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likelihood 1-6	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.	GOSS Head of Finance (West) & Section 151 Officer		3	3	9	Reduce	The Audit Committee approval of the annual plan	31/03/2016	Head of Audit Cotswolds	
Aud 2	Without the delivery of the approved audit plan 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.	GOSS Head of Finance (West) & Section 151 Officer		3	3	9	Reduce	Appropriate support from service managers to aid the internal audit team in the delivery of its work.  Monitoring of the delivery of the internal audit plan by; the Audit Partnership Board, the GOSS Head of Finance (West) & Section 151 Officer and the Audit Committee.	31/03/2017	Head of Audit Cotswolds	