

**Cheltenham Borough Council**  
**Audit Committee – 18<sup>th</sup> April 2018**  
**Annual Internal Audit Plan 2018/19**  
**Internal Audit Charter 2018/19**

<b>Accountable member</b>	<b>Cabinet Member Corporate Services, Councillor Roger Whyborn</b>
<b>Accountable officer</b>	<b>Paul Jones, S151 Officer</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 SWAP Internal Audit Services, 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> <p>The Internal Audit Charter is a requirement of the arrangement between Cheltenham Borough Council and South West Internal Audit Services (SWAP). The charter ensures compliance with good practice as set out in the International Professional Practices Framework of the Institute of Internal Auditors and the Public Sector Internal Audit Standards (PSIAS).</p>
<b>Recommendations</b>	<p><b>The Audit Committee approves the Internal Audit Plan for 2018/19</b></p> <p><b>The Audit Committee approves the Internal Audit Charter 2018/19</b></p>
<b>Financial implications</b>	<p>The audit plan is a risk based plan which directs internal audit reviews towards the higher risk areas of the council. This ensures that audit resource is focused and directed towards ensuring that financial exposure to the council is minimised.</p> <p><b>Contact officer: Sarah Didcote, Deputy Section 151 Officer</b>  <a href="mailto:Sarah.didcote@cheltenham.gov.uk">Sarah.didcote@cheltenham.gov.uk</a>, 01242 264125</p>

<p><b>Legal implications</b></p>	<p>None specific 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>
<p><b>HR implications (including learning and organisational development)</b></p>	<p>As detailed in this report, the Internal Audit Plan outlines a preferred programme of work and the plan will remain flexible to ensure internal audit resources remain focused. The introduction of Publica Group Limited has impacted on the service delivery processes and core governance arrangements and thus resourcing within Internal Audit to deliver on these needs to be monitored.</p> <p><b>Contact officer: Carmel Togher, HR Business Partner</b></p> <p><b>Email: <a href="mailto:carmel.togher@cheltenham.gov.uk">carmel.togher@cheltenham.gov.uk</a></b></p> <p><b>Tel: 01242 775215</b></p>
<p><b>Key risks</b></p>	<p>The audit plan has been derived from consultation with the Senior Leadership Team, Audit Committee, the Internal Audit 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, Section 151 Officer.</p> <p>Furthermore, Audit Committee will continue to receive quarterly reports through 2018/19 from Internal Audit detailing the work undertaken in relation to the plan.</p> <p>Without an approved charter there is a risk that SWAP will not have:</p> <ul style="list-style-type: none"> <li>• The support of management and the Council</li> <li>• Direct access and freedom to support senior management including the Chief Executive and the Audit Committee</li> <li>• Access to any records, personnel or physical property of the Council for audit work</li> </ul>

<b>Corporate and community plan Implications</b>	None
<b>Environmental and climate change implications</b>	
<b>Property/Asset Implications</b>	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. The introduction of Publica Group, of which Cheltenham Borough Council is a shareholder, has impacted on service delivery processes and on core governance arrangements. 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 within the local authorities, SWAP Internal Audit Services, 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 Publica Group are covered within the Core Financials, this will cover Publica and client-side activities providing;

- Assurance to the client (Cheltenham Borough Council) over the controls operating within Publica Group financials, within the services they provide, and an assurance level for each financial module (system control testing)
- Assurance to the Council over the controls operating within service-based activities associated with the financial processes administered by Publica (transactional testing)
- Periodic assurance over the other aspects of Publica provided services
- The required support to the External Auditor

**2.4** A summary of the Annual Internal Audit Plan for 2018/19 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.

**2.5** The Internal Audit Plan outlines a preferred programme of work for the year as developed throughout January and February 2018. 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 Section 151 Officer.

## **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 SWAP Internal Audit Services is monitored by both the Audit Committee and

the Audit Partnership Board as detailed in the Internal Audit Charter 2018.

## 5. Internal Audit Charter 2018/19

- 5.1 The Charter demonstrates how the Internal Audit service will operate, and forms part of the requirements of the Public Sector Internal Audit Standards.
- 5.2 The Charter provides guidance on authority, accountability, customer care (quality control), independence, reporting, responsibility and audit standards.

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<b>Appendices</b>	<ol style="list-style-type: none"><li>1. Risk Assessment</li><li>2. Internal Audit Annual Plan and Internal Audit Charter 2018/19</li></ol>
<b>Background information</b>	None



## 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.	Section 151 Officer		3	3	9	Reduce	The Audit Committee approval of the annual plan	18/04/2017	Section 151 Officer	
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.	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 Section 151 Officer and the Audit Committee.	31/03/2019	Section 151 Officer	