

Cheltenham Borough Council
Audit, Compliance and Governance Committee – 21st April 2021
Proposed 2021/22 Internal Audit Plan
Internal Audit Charter

Accountable member	Cabinet Member Corporate Services, Councillor Alex Hegenbarth
Accountable officer	Paul Jones, Executive Director – Finance and Assets
Ward(s) affected	All
Key/Significant 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 SWAP Internal Audit Services, the Council's Internal Audit service, is one of the control assurance sources to the Audit, Compliance and Governance 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 SWAP 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>
Recommendations	<p>The Audit, Compliance and Governance Committee approves the Proposed 2021/22 Internal Audit Plan</p> <p>The Audit, Compliance and Governance Committee approves the Internal Audit Charter</p>
Financial implications	<p>There are no financial implications arising from the report</p> <p>Contact officer: Gemma Bell, Head of Finance (Deputy Section 151 Officer) Gemma.Bell@cheltenham.gov.uk, 07341 780601</p>
Legal implications	<p>None specific arising from the report recommendation</p> <p>Contact officer: One Legal legal.services@teWKesbury.gov.uk, 01684 272012</p>
HR implications (including learning and organisational development)	<p>The HR implications are as detailed in the Internal Audit Plan. HR will work closely with Internal Audit in respect of the areas of coverage as detailed in Financial Management and People and Asset Management in order to meet the actions required.</p> <p>Contact officer: Julie McCarthy, HR Manager – Operations</p>

	Julie.McCarthy@publicagroup.uk , 01242 264355
Key risks	<p>The audit plan has been derived from consultation with Corporate Management Team, Executive Leadership Team, Audit, Compliance and Governance 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 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, Executive Director – Assets and Finance (Section 151 Officer)</p> <p>Furthermore, Audit, Compliance and Governance Committee will continue to receive quarterly reports through 2021/22 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"> • The support of management and the Council • Direct access and freedom to support senior management including the Chief Executive and the Audit, Compliance and Governance Committee • Access to any records, personnel or physical property of the Council for audit work
Corporate and community plan Implications	<p><i>“Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.” (Chartered Institute of Internal Auditing UK and Ireland).</i></p> <p>Therefore, the internal audit activity impacts on corporate and community plans.</p>
Environmental and climate change implications	Relevant to particular audit assignments and will be identified within individual reports.
Property/Asset Implications	<p>There are no specific Property/Asset Implications arising from the content of the report</p> <p>Contact officers: Paul Jones, Executive Director – Finance and Assets Paul.Jones@cheltenham.gov.uk, 01242 264365</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. 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 Corporate Management Team and Executive Leadership Team and is approved by the Audit, Compliance and Governance 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, and system controls, operated by Publica Officers, for each financial module (system control testing)
 - Periodic assurance over the other services provided by Publica
 - The required support to the External Auditor

- 2.4** A summary of the Proposed Internal Audit Plan for 2021/22 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 2021. 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 Corporate Management Team, Executive Leadership Team, the Internal Audit Team and the Audit, Compliance and Governance Committee.

4. Performance management – monitoring and review

The performance of SWAP Internal Audit Services is monitored by both the Audit, Compliance and Governance Committee and the Audit Partnership Board as detailed in the Internal Audit Charter.

5. Internal Audit Charter

- 5.1** The Audit Charter (Appendix 2) demonstrates how the Internal Audit service will operate, and forms part of the requirements of the Public Sector Internal Audit Standards (PSIAS).
- 5.2** The Charter provides guidance on authority, accountability, customer care (quality control), independence, reporting, responsibility and audit standards

Report author	Lucy Cater, Assistant Director, SWAP Internal Audit Services lucy.cater@swapaudit.co.uk 01285 623340
Appendices	<ol style="list-style-type: none"> 1. SWAP Internal Audit Plan 2021/22 2. Internal Audit Charter