

Report of	Meeting	Date
Head of Shared Assurance Services	Governance Committee	21st March 2018

INTERNAL AUDIT PLAN 2018/19 & INTERNAL AUDIT CHARTER

PURPOSE OF REPORT

1. To remind members of the respective roles of managers and Internal Audit to maintain a sound system of governance and internal control within the Council.
2. To seek the Governance Committee's approval of the 2018/19 Internal Audit Plan.

RECOMMENDATION

3. That the Committee approves the 2018/19 Internal Audit Plan.

EXECUTIVE SUMMARY OF REPORT

4. The 2018/19 Internal Audit Plan has been compiled in consultation with Directors following a detailed risk assessment.

Confidential report Please bold as appropriate	Yes	No
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CORPORATE PRIORITIES

5. This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all		A strong local economy	
Clean, safe and healthy homes and communities		An ambitious council that does more to meet the needs of residents and the local area	X

BACKGROUND - THE ROLE OF MANAGEMENT AND INTERNAL AUDIT

6. The responsibility for implementing a strong system of governance and internal control within the Council lies primarily with management. Directors need to ensure that they maintain effective control procedures not least because services and business systems are subject to on-going change.
7. Internal Audit is an independent appraisal function whose prime objective is to evaluate and report on the adequacy of the Council's system of governance, risk and internal control. This is largely achieved through an annual programme of reviews.

AUDIT PLAN

8. The 2018/19 Internal Audit Plan contains the programme of reviews for the next financial year and is shown at **Appendix 1**. This has been constructed following an assessment of audit need by considering a range of factors, such as significant changes in staffing, systems and procedures, the length of time since an area was last audited and items in the Corporate Strategy and Corporate Risk Register. There has also been extensive consultation within each service which has taken an overview of audit requirements.
9. The following paragraphs summarise the areas that will be subject to audit coverage in 2018/19.
10. Corporate
 - Undertaking corporate and service level governance reviews in support of the Annual Governance Statement.
 - Raising Officers' and Members' awareness of fraud by publishing regular fraud bulletins and update of Anti-Fraud and Corruption Policies.
 - Co-ordinating the Council's input to the Cabinet Office National Fraud Initiative (NFI) 2018 exercise for in order to identify any potential irregularities.
11. Carrying our risk based reviews in the following areas:
 - Chorley Council**
 - Health and Safety – Early Intervention Service
 - Ethical Culture
 - Astley Hall
 - Enforcement Service
 - Maintenance and Inspection Regime
 - Choice Based Lettings
 - Environmental Permitting Regulations
 - Financial Governance Arrangements for Large Scale Projects
 - Commercial Properties.
 - ICT review (to be determined)
 - Shared Services**
 - Treasury Management
 - Payroll
 - Creditors
 - Main Accounting
 - Cash and Bank
12. Compliance testing will be undertaken on:
 - Council Tax
 - Non Domestic Rates
 - Housing Benefits
 - Sundry Debtors
13. We will be involved with the following key corporate projects:
 - General Data Protection Regulations
 - Waste Contract Procurement
 - Primrose Garden Retirement Living (Operations)
 - Market Walk Extension

14. We will assess compliance with the Data Quality Policy for an identified service area and will carry out a review of the quality of the risks contained within service risk registers held on GRACE.
15. General Areas – Chorley Council & Shared Services.
 - Completing any residual work outstanding from 2017/18.
 - System administrator responsibilities for both risk (GRACE) and Business Continuity (CONNIE).
 - Following up management actions agreed in earlier audit reports.
 - Responding to requests from Management for unplanned reviews / investigations.
 - Preparing reports for and attending the Governance Committee.

AUDIT DAYS

16. The Internal Audit Plan for 2018/19 is based on a resource of **340 audit days for Chorley Council and 140 days for the Shared Service**. This is the number of chargeable days available within the existing budget (after deducting annual leave and other non-chargeable time). It comprises of a mix of in-house and bought-in resources from Lancashire Audit Services (Lancashire County Council).

INTERNAL AUDIT CHARTER

17. From 1st April 2013, the CIPFA Code of Practice for Internal Audit in Local Government 2006 was replaced by new UK Public Sector Internal Audit Standards (PSIAS).
18. The Attribute Standard of the PSIAS “*Purpose, Authority and Responsibility*” specifically requires the production of an Internal Audit Charter and for it to be periodically reviewed. The Charter was last formally reviewed and approved by the Governance Committee in March 2014 and as the Internal Audit Service is due for its Peer Review in April 2018, it is appropriate to review the Charter before this time to ensure it is fit for purpose and compliant with the PSIAS.
19. The Internal Audit Charter has been reviewed against the requirements contained within the PSIAS and is included at **Appendix 2**.

IMPLICATIONS OF REPORT

20. This report has implications for all service areas within the Council.

Garry Barclay
Head of Shared Assurance Services

BACKGROUND PAPERS

Internal Audit Risk Assessment

Public Sector Internal Audit Standards & Local Government Application Note

Report Author	Ext	Date	Doc ID
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APPENDIX ONE - INTERNAL AUDIT PLAN 2018/19

CHORLEY COUNCIL	RISK RATING	AUDIT DAYS
CORPORATE AREAS		
Annual Governance Statement	N/A	20
Anti-Fraud & Corruption	N/A	10
National Fraud Initiative	N/A	15
POLICY & GOVERNANCE		
Legal Democratic & HR Services		
General Data Protection Regulations	N/A	5
Health & Safety – Early Intervention Service	CRITICAL	10
Ethical Culture	CRITICAL	10
Performance & Partnerships		
Performance Management Information	CRITICAL	15
Service Risk Registers	CRITICAL	10
Astley Hall	MAJOR	15
CUSTOMER & DIGITAL		
Transformation		
Council Tax	CRITICAL	5
Non Domestic Rates	CRITICAL	5
Housing Benefits	CRITICAL	5
Sundry Debtors	CRITICAL	5
ENFORCEMENT		
Enforcement Service	MAJOR	10
Waste & Streetscene		
Maintenance & Inspection Regime	MAJOR	10
Waste Contract Procurement	N/A	5
ICT		
To be determined	CRITICAL	15
EARLY INTERVENTION		
Housing Options & Support		
Choice Based Lettings	MAJOR	10
Primrose Garden Retirement Living (Operations)	N/A	10
Regulatory Services		
Environmental Permitting Regulations	MAJOR	15
BUSINESS DEVELOPMENT & GROWTH		
Market Walk & Town Centre		
Market Walk Extension	N/A	10
Financial Governance Arrangements / large scale projects	CRITICAL	15
Property Services		
Commercial Properties	MAJOR	15
GENERAL AREAS		
Residual Work from 2017/18	N/A	20
Risk & Control Self-Assessment	N/A	15
Business Continuity	N/A	15
Post Audit Reviews	N/A	10
Contingency / Irregularities	N/A	20
Governance Committee	N/A	15
TOTAL		340

SHARED SERVICES	RISK	DAYS
SHARED FINANCIAL SERVICES		
Treasury Management	CRITICAL	20
Payroll	CRITICAL	20
Creditors	CRITICAL	20
Main Accounting	CRITICAL	20
Cash and Bank	CRITICAL	20
GENERAL AREAS		
Residual Work from 2017/8	N/A	15
Risk & Control Self-Assessment	N/A	5
Post Audit Reviews	N/A	10
Contingency / Joint Committee Accounts	N/A	10
TOTAL		140

Chorley Council – Internal Audit Service Charter

Introduction / Purpose

Internal Auditing is an independent and objective assurance and consulting activity that is designed to add value and improve the operations of Chorley Council. It assists Council in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organisation's risk management, control, and governance processes.

Professionalism

The Internal Audit Service will govern itself by adherence to the mandatory Public Sector Internal Audit Standards (PSIAS). This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the Internal Audit Service's performance.

In addition, the Internal Audit Service will adhere to Chorley Council's relevant policies and procedures and the Internal Audit Service's standard operating procedures manual.

For the purposes of clarity, the terms "Board" and "Senior Management" as referred to in the PSIAS, relate to the Governance Committee and the Senior Management Team respectively.

Authority

The Internal Audit Service, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of the organisation's records, physical properties, and personnel pertinent to carrying out any engagement. All employees are requested to assist the Internal Audit Service in fulfilling its roles and responsibilities. The Internal Audit Service will also have free and unrestricted access to the Governance Committee.

Organisation

Internal Audit is organisationally independent in the planning, operation and reporting of its work and in exceptional circumstances and at his or her discretion, the Chief Audit Executive (CAE) has direct access to and freedom to report in his or her name to the Chief Executive and to the Chair of Governance Committee. In addition the CAE has direct access to all members of the Senior Management Team.

The CAE will report to the S151 Officer and if required, will also have direct access to the Chief Executive and beyond that to the Chair of the Governance Committee.

The CAE will communicate and interact directly with the Senior Management Team, including in formal meetings and between meetings as appropriate.

Independence and Objectivity

The Internal Audit Service will remain free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude. Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditor's judgment.

Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The CAE will confirm to the Governance Committee, at least annually, the organisational independence of the Internal Audit Service.

In any instances where there is any real or perceived impairment to Internal Audit's independence or objectivity, assurance will be sought from a third party external to the organisation.

Responsibility

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management, and internal control processes in relation to the organisation's defined goals and objectives. Internal control objectives considered by internal audit include:

- Consistency of operations or programs with established objectives and goals and effective performance
- Effectiveness and efficiency of operations and employment of resources
- Compliance with significant policies, plans, procedures, laws, and regulations
- Reliability and integrity of management and financial information processes, including the means to identify, measure, classify, and report such information.
- Safeguarding of assets

Internal Audit is responsible for evaluating all processes ('audit universe') of the Council including governance processes and risk management processes.

Internal Audit may perform consulting and advisory services related to governance, risk management and control as appropriate for the Council. It may also evaluate specific operations at the request of the Governance Committee or management, as appropriate.

Based on its activity, Internal Audit is responsible for reporting significant risk exposures and control issues identified to the Governance Committee and to Senior Management Team, including fraud risks and governance issues.

The Internal Audit Section will undertake special investigations in cases of suspected fraud or irregularity. Financial Procedure Rules and the Council's Anti-Fraud and Corruption Policy require the CAE to be notified immediately of all discovered or suspected cases of fraud, corruption or other financial irregularity.

The CAE provides an annual internal audit opinion to the Governance Committee based on the outcomes of internal work conducted throughout the year, that key risks are being managed effectively and that appropriate controls are in place. This opinion will be an important element of the council's review of the effectiveness of its control environment and will be used by the council to inform its Annual Governance Statement.

Internal Audit Plan

At least annually, the CAE will submit to the Governance Committee an Internal Audit Plan for review and approval, including risk assessment criteria. The Internal Audit Plan will include timing as well as resource requirements for the next financial year. The CAE is responsible for maintaining a suitably resourced, professional audit staff with sufficient knowledge, skills and experience to carry out the audit plan and will communicate the impact of resource limitations and significant interim changes to Senior Management Team and the Governance Committee.

The Internal Audit Plan will be developed based on a prioritization of the audit universe using a risk based methodology, including input of Senior Management Team and the Governance Committee. Prior to submission to the Governance Committee for approval, the Plan may be discussed with appropriate Senior Management. Any significant deviation from the approved Internal Audit Plan will be communicated through the periodic activity reporting process.

Reporting and Monitoring

A written report will be prepared and issued by the CAE following the conclusion of each Internal Audit engagement and will be distributed as appropriate. Internal Audit results will also be communicated to the Governance Committee. The Internal Audit report may include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response will include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.

The Internal Audit Service will be responsible for appropriate follow-up of findings and recommendations. All significant findings will remain in an open issues file until cleared.

Periodic Assessment

The CAE is responsible also for providing periodically a self-assessment on the Internal Audit Service as regards its consistency with the Audit Charter (purpose, authority and responsibility) and performance relative to its Plan.

In addition, the CAE will communicate to Senior Management Team and the Governance Committee on the Internal Audit Service's quality assurance and improvement programme, including results of ongoing internal assessments and external assessments conducted at least every five years.

Internal Audit Service Charter approved this 21ST March 2018

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Chief Audit Executive

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Chair of the Governance Committee

