

# Cheshire and Warrington Local Enterprise Partnership

Internal Audit Plan 2021-22

Working for a **brighter future**  together



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## 1 Introduction

- 1.1 This document sets out the proposed internal audit plan for the Cheshire and Warrington Local Enterprise Partnership (CWLEP) for 2021/22, developed by Cheshire East Council's Internal Audit Team. It also covers how the service will be delivered and developed in accordance with our Internal Audit Charter (Appendix B).
- 1.2 As Accountable Body for the CWLEP, Cheshire East Council is required to undertake assurance on the use of specific funding streams administered by CWLEP, and to provide assurance to the Council's Section 151 Officer, in support of their own reporting requirements in relation to CWLEP.
- 1.3 Assurance reports have been included in the Council's Internal Audit work plan in previous years. However, as assurance requirements from central government have been extended and enhanced, we formalise a regular programme of work to be undertaken by the Cheshire East Internal Audit team. This allows the CWLEP Board and the Council in its role as Accountable Body to agree the coverage to be included in the programme of work and the assurances this will provide.
- 1.4 The programme of work in Appendix A is proposed by CEC Internal Audit on the basis that it will provide a combination of the assurances required under

legislation, and a further set of assurances identified following an assessment of risk. Further comment and discussion on this draft with S151 Officer, Deputy and Chief Executive and Finance & Commercial Director is welcomed.

- 1.5 This plan has been drawn up on the basis that the control environment and the risk profile of CWLEP and the Council will continue to change over the course of the year; for example, any further guidance issued by the Ministry of Housing, Communities and Local Government (MHCLG). The plan will be monitored and re-aligned during the year to ensure it remains responsive, adaptable and resource is directed to those areas where assurance is most required.
- 1.6 This plan is resourced within the indicative allocation of work included in the Council's internal audit plan (approved by the Audit and Governance Committee on 11<sup>th</sup> March 2021). Further discussion between the Council and the CWLEP will agree the final tasks to be undertaken, exact resources required, and a review of the Council's internal audit plan should additional resources be required.
- 1.7 This draft plan will be presented at the CWLEP Finance and Audit Committee 16<sup>th</sup> March 2021. The detail may still be subject to comment as indicated in section 1.4.

above, and, after discussion at the Finance & Audit Committee, a final version of the plan will be provided.

## **2 Responsibilities and Objectives of Internal Audit**

- 2.1 CWLEP is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Cheshire East Council Internal Audit plays a vital part in providing assurance to CWLEP and the Council that these arrangements are in place and operating properly.
- 2.2 Internal Audit is described in the Public Sector Internal Audit Standards (PSIAS) as an “independent, objective assurance and consulting service designed to add value and improve the organisation’s operations. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.
- 2.3 CWLEP’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, positively contribute to the achievement of the CWLEP’s objectives.

## **3 Standards, Ethics and Independence**

- 3.1 Our Internal Audit Charter is designed to conform to the PSIAS which came into effect from 2013 and were revised with effect from 1<sup>st</sup> April 2017. All internal audit work will be delivered in line with the requirements of the Standards.
- 3.2 All Internal Audit staff comply with the mandatory local Code of Ethics, which is based upon the Code included in the PSIAS. Internal Audit staff are also bound by the code of ethics from their respective professional bodies. Declarations of Interest in line with the Council’s Code of Conduct are made by the Internal Audit team; these are considered in the allocation of every engagement to ensure there are no conflicts of interest.
- 3.3 In order to provide effective assurance on the Council’s arrangements for governance, risk and internal control across all aspects of service delivery, Internal Audit is independent of all the activities of the Council. Internal Audit’s rights of access are outlined in the Internal Audit Charter. **(Appendix B)**

## **4 Planning Methodology**

- 4.1 The planning process undertaken recognises the requirements of the PSIAS in relation to planning. In accordance with PSIAS, the plan is fixed for a period of no longer than one year.

4.2 Internal Audit's own risk assessment considers issues at an organisation, regional and national level as well as the results of previous audit work. Factors considered in the risk assessment include:

- Statutory assurance requirements; for example, the Local Assurance Framework
- Consideration of the objectives from the Cheshire and Warrington Local Economic Strategy
- Risks and opportunities recognised during consultation with key stakeholders.
- Other assurance providers and coverage from previous internal audit plans.

## 5 Access

5.1 The Internal Audit service will require access to all records, information, officers and assets which it considers necessary to fulfil its responsibilities in completing the agreed work programme. Personal and sensitive data will be minimised or anonymised as far as is practically possible ahead of testing.

5.2 Internal Audit will have right of access to CWLEP's Chief Executive, and to the Finance and Audit Committee and Board if necessary. In turn, Internal Audit will comply with any requests from CWLEP in

providing any information requested by CWLEP's external auditors to discharge their responsibilities.

## 6 Scoping, fieldwork and reporting

6.1 For each piece of work on the plan, a Terms of Reference will be prepared for discussion and agreement with the client. This will outline:

- the objective of the work;
- the risks identified;
- recognised interdependencies on other work or reliance to be placed on other assurance work undertaken;
- the resources available;
- the methodology and approach;
- the output; and
- the distribution of the final Terms of Reference, draft report and final report.

6.2 A draft report will be issued promptly after the conclusion of the fieldwork. This will present our key findings and actions, which are reported on an exception basis. It is issued in order that we may confirm the factual accuracy of the findings and agree recommended actions with management. Internal Audit will draw attention to any significant recommendations which have not been accepted by management, and to the risks arising.

- 6.3 A final report will be issued once the recommended actions, along with responsibilities and timescales have been agreed.
- 6.4 Internal Audit use a formal opinion system, details of which are given in **Appendix C**. Based upon the findings and actions raised, an overall opinion will be given on each piece of work.
- 6.5 In line with our Audit Charter, the agreed action plan will be subject to a follow up review to provide assurance that recommended actions have been implemented.
- 6.6 Any serious weaknesses, fraud or major accounting errors discovered during the course of the internal audit work will be reported to the CWLEP's Chief Executive. If the Chief Executive refuses to report these to Accountable Bodies' Section 151 Officer, and to the appropriate Committee/Board, the Internal Audit team will report them directly.

## **7 Progress Reporting**

- 7.1 During the year, and in a cycle to be agreed, Internal Audit will produce interim progress reports for the CWLEP Finance and Audit Committee. These will

detail key issues arising from the work undertaken as well as progress against the plan.

- 7.2 Any significant issues affecting the delivery of the plan or requiring changes to the plan will also be reported to the Board.
- 7.3 Progress against the CWLEP internal audit plan will also be included in progress reports to the Council's Audit and Governance Committee. The work undertaken in the CWLEP plan will also inform the Annual Internal Audit Opinion, as it provides assurance in relation to the Council's role as Accountable Body. This will be based on the findings of work carried out through the year.

## **8 Quality Assurance and Improvement**

- 8.1 Internal Audit undertakes quality assurance and improvement activity to support all aspects of its service delivery. This includes evaluation of Internal Audit's compliance with the PSIAS, reviewing compliance with internal auditor's application of the Code of Ethics, and an assessment of the efficiency and effectiveness of Internal Audit, identifying opportunities for improvement.
- 8.2 The outcomes of this activity are reported to the Council's Corporate Leadership Team and the Audit and Governance Committee, including results of

ongoing internal assessments and external assessments conducted at least every five years.

**Appendix A: Cheshire and Warrington Local Enterprise Partnership Summary Internal Audit Plan 2021-22**

<b>Audit Theme/Area</b>	<b>Nature of Assurance Provided</b>	<b>Assurance Provided to:</b>	<b>Context</b>	<b>Planned Audit Days</b>	<b>Scheduled Timing</b>
Growth Hub Funding 2020/21	Confirmation that funding was expended within agreed terms of grant with MHCLG/BEIS	Primarily to S151 Officer for MHCLG in line with funding agreement. Shared with CWLEP.	Requirement of funding. Assess operational level of controls in relation to specific grant within the Local Growth Fund umbrella.	7	Sign off required for end of May 2021.
Overarching relationship of the CWLEP and CEC as the Accountable Body	Review of the overarching arrangements for the relationship of the CWLEP and CEC as the accountable Body	Primarily provided to CEC's Section 151 Officer; revised document will be developed with CWLEP.	To review the operation of the overarching Collaboration Agreement following its formal adoption during 2021.	2	To inform Annual Review January 2022.
Annual Conversation	Support to the Section 151 Statement on Governance as required.	Primarily provided to CEC's Section 151 Officer for MHCLG in conjunction with CWLEP.	Statutory requirement. The specifics of the work programme to be determined through the Terms of Reference.	1	January 2022 To support the Section 151 Officer's Statement on Governance for the Annual Review.
Annual Local Assurance Framework review.	That the Local Assurance Framework in operation meets MHCLG requirements	Primarily to S151 Officer for MHCLG assurance, findings shared with CWLEP.	Statutory requirement. The specifics of the work programme to be determined through	13	28 <sup>th</sup> February 2022. To support the S151 Officer sign-off of the Local

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	and guidelines		the Terms of Reference. Will be informed by the testing programme formerly undertaken on the use of the Local Growth Fund grant.		Assurance Framework.
Ad- Hoc Advice and Guidance	Advice and guidance as requested on items arising during the year.	Primarily provided to CWLEP management as required.	Internal Audit will assess any new requirements and impact on LAF and in operational practice.	2	Ad hoc throughout 2021-22.
			<b>Total Days Required</b>	<b>25</b>	
<b>Optional additional review</b>					
Ad hoc additional reviews may be discussed, subject to resource availability at that time.				<b>Per review</b>	