



# Public Document Pack

## Cambridge City Council

### CIVIC AFFAIRS

**To: Committee Members:** Councillors Boyce (Chair), Rosenstiel (Vice-Chair), Marchant-Daisley, Herbert, Benstead and Pitt

**Alternates:** Councillors Ashton and Brierley

*Despatched: Tuesday, 12 March 2013*

**Date:** Wednesday, 20 March 2013

**Time:** 6.00 pm

**Venue:** Committee Room 1 & 2 - Guildhall

**Contact:** Martin Whelan

**Direct Dial:** 01223 457013

### AGENDA

**1 APOLOGIES FOR ABSENCE**

**2 MINUTES OF PREVIOUS MEETING** (*Pages 1 - 6*)

**3 DECLARATIONS OF INTEREST**

Members are asked to declare at this stage any interests that they may have in any of the following items on the agenda. If any member is unsure whether or not they should declare an interest on a particular matter, they are requested to seek advice from the Head of Legal Services before the meeting.

**4 PUBLIC QUESTIONS**

**5 INTERNAL AUDIT PLAN / STRATEGY 2013** (*Pages 7 - 72*)

**6 EXTERNAL AUDIT PLAN AND FEES 2012-13** (*Pages 73 - 92*)

**7 RISK MANAGEMENT STRATEGY** (*Pages 93 - 104*)

**8 CONSTITUTION AMENDMENT: REVIEW OF HOMELESSNESS DECISIONS** (*Pages 105 - 108*)

- 9 AMENDMENT TO STANDING ORDERS OF JOINT DEVELOPMENT CONTROL COMMITTEE (CAMBRIDGE FRINGE SITES) TO INCREASE NUMBER OF ALTERNATE MEMBERS** *(Pages 109 - 112)*
  
- 10 THE INTRODUCTION OF BYLAWS ON CHERRY HINTON CHALK PIT LOCAL NATURE RESERVE** *(Pages 113 - 130)*

# Information for the Public

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## **CIVIC AFFAIRS**

30 January 2013

6.00 - 6.45 pm

**Present:** Councillors Boyce (Chair), Rosenstiel (Vice-Chair), Marchant-Daisley, Herbert and Benstead

### **Officers Present:**

Chief Executive – Antoinette Jackson  
Head of Human Resources – Deborah Simpson  
Head of Legal Services – Simon Pugh  
Democratic Services Manager – Gary Clift  
Electoral Services Manager – Vicky Breeding  
Committee Manager – Martin Whelan

## **FOR THE INFORMATION OF THE COUNCIL**

### **13/1/CIV Apologies for absence**

Apologies were received from Councillor Pitt.

### **13/2/CIV Minutes of previous meeting**

The minutes of the meeting held on 21<sup>st</sup> November were approved as a true and accurate record.

### **13/3/CIV Declarations of Interest**

There were declarations of interest.

### **13/4/CIV Public Questions**

There were no public questions.

In response to a question from Cllr Herbert regarding errors in the Council's initial financial modelling, the Chief Executive said that she was in discussion with the Council's external auditors, Ernst and Young, regarding their review, which would be reported to Civic Affairs. Members would also be updated prior to the Council budget setting meeting on 21<sup>st</sup> February.

### **13/5/CIV Developer Contributions, Area Committees and Project Appraisals - Amendment of the Constitution**

The committee received a report from the Head of Legal Services proposing changes to the constitution to enable area committees to be consulted on, and to consider, project appraisals for capital schemes for which area committees were responsible.

The Head of Legal Services informed the committee that Councillor Dryden, as Chair of South Area Committee had suggested an amended form of wording to that recommended in paragraph 3.4 of the report. This, in two instances, meant deletion of the phrase "provided that relevant Ward Councillors have been consulted where appropriate" and its replacement by "provided that relevant Ward Councillors are always consulted". The Head of Legal Services said that he saw no objection to this.

Councillor Herbert expressed concern about the number of changes made to the Constitution within a short period of time relating to procedures for Area Committees, and to an excessive level of detail. Councillor Herbert also asked for consideration to be given to simplifying the Constitution. The Head of Legal Services expressed sympathy with the objective stated but said that the proposed changes were needed to make the scheme of delegation to officers work properly for area committee capital schemes.

### **Resolved**

- i. (5 votes to 0) to accept the wording suggested by Councillor Dryden
- ii. (2 votes to 0) to recommend the Council to amend the Constitution as follows:
  1. Amend the first paragraph of Section 9.3.1 of Part 3 by the insertion of the words shown in bold italics:



**Subject to Section 9.3.1A**, in the case of new capital schemes, the following approvals (together with approval to the necessary budget provision) must be obtained before any scheme may proceed.

2. Add new section 9.3.1A to Part 3:

In the case of new capital schemes, responsibility for which has been delegated to Area Committees by the Executive, the following approvals (together with approval to the necessary budget provision) must be obtained before any scheme may proceed.

- **For schemes where the estimated cost is £15,000 and below:** once included in the Area Committee's programme, may proceed without further committee consideration, provided that relevant Ward Councillors provided that relevant Ward Councillors are always consulted.
- **For schemes where the estimated total cost is over £15,000 and up to £75,000:** a capital project appraisal and procurement report proforma must be completed and referred to the relevant Area Committee Chair, Vice Chair and Opposition Spokes for approval. The schemes may then proceed without Area Committee consideration, provided relevant Ward Councillors provided that relevant Ward Councillors are always consulted.
- **For schemes where the estimated total cost is over £75,000:** a capital project appraisal and procurement report pro-forma must be completed for consideration and approval by the relevant Area Committee.

### **13/6/CIV Pay Policy Statement 2013/14**

The committee received a report from the Head of Human Resources setting out a draft Pay Policy Statement for 2013/14. The Localism Act requires the Council to approve and publish a pay policy statement by 31 March each year. The Committee was asked to recommend the pay policy statement to the full Council on 21 February.

The Head of Human Resources drew the Committee's attention to recommendations made by the Strategy and Resources Scrutiny Committee

regarding the adoption of a “living wage” policy for staff and agency workers. The full Council would consider these on 21 February.

Councillor Herbert expressed concern that there were examples at other authorities of significant redundancy payments being made to senior officers who then were promptly re-engaged elsewhere in the public sector. Councillor Herbert noted that redundancy payments were only repayable in these circumstances if an officer takes up a post with another body covered by the local government redundancy rules. Councillor Herbert asked whether there was scope to change these rules to require repayment by employees re-engaged in the public sector within a longer period. The Head of Human Resources said that she would investigate the scope for local discretion and write to Councillor Herbert.

Councillor Herbert also suggested that the section of the pay policy statement dealing with tax avoidance should be strengthened. He suggested that member approval should be needed before the Council contracted with a consultant through a company, where the company arrangement was designed to avoid tax. The Head of Human Resources agreed to report further to the committee on the scope for further measures to discourage tax avoidance.

**Resolved** (5 votes to 0) to recommend to the Council:

- i. To approve the Living Wage proposals as part of the Pay Policy Statement 2013/14.
- ii. To approve the draft Pay Policy Statement 2013/14 attached as Appendix 1 of the committee report, with the inclusion of proposals relating to the Living Wage as recommended by the Civic Affairs Committee (see updated Pay Policy Statement 2013/14 attached).
- iii. To note the request for a briefing note on the options for extending the period between redundancy and re-engagement within the public sector, which would require repayment of redundancy payments.
- iv. To note the request for a report on the scope for further measures to discourage tax avoidance arising from the employment of consultants through companies.

**13/7/CIV Request for additional item to Civic Affairs agenda 30/1/13 from Cllr Johnson - Jack Warren Green polling district**

The committee received an oral report in response to a request from Cllr Johnson regarding Jack Warren Green polling district. Councillor Johnson explained the rationale behind the request.

The Democratic Services Manager explained that he had been in correspondence with Councillor Johnson, and confirmed that it would not be possible to complete the required process prior to the County Council elections. The committee were advised there was merit in progressing this as part of a Polling District Review.

The Electoral Services Manager was asked to provide an update on forthcoming events regarding electoral matters. The committee were advised that it was a legal requirement to implement Individual Electoral Registration by 2014, and that the process would begin this summer. It was also explained that the City Council were required to undertake and complete a Polling District Review by the end of 2014, although it was currently planned to do this in 2013. The committee was advised that it was intended to delay the publication of the register will be in March 2014 following a delayed canvass.

The committee made the following comments on the report

- i. The proposals were welcomed, however it was suggested that the most appropriate polling district for Laughton Court should also be considered in the review.
- ii. Whilst the principle of equality of polling district sizes was suggested, specific examples such as Romsey where it was advantageous to have unequal polling districts.
- iii. It was suggested that the committee endorsed the principle of transferring Jack Warren Green and Laughton Court from AA to AB polling districts. The committee agreed to this suggestion.

The Democratic Services Manager explained that a report would be presented to a future Civic Affairs meeting to allow members to shape the review of the polling districts, prior to statutory consultation.

**Resolved** (5 votes to 0) to

- i. Endorse the principle of transferring Jack Warren Green and Laughton Court from AA to AB polling districts

The meeting ended at 6.45 pm

**CHAIR**

## CAMBRIDGE CITY COUNCIL

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REPORT OF: DIRECTOR OF RESOURCES

TO: CIVIC AFFAIRS COMMITTEE

20 March 2013

WARDS: All

### **DRAFT INTERNAL AUDIT PLAN 2013 / 2014**

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#### **1. INTRODUCTION**

- 1.1 This is the draft Annual Plan for Internal Audit for 2013 / 2014 for consideration by the Civic Affairs Committee. The plan has been subject to consultation with all Directorates and a copy of the draft plan has been sent to External Audit.
- 1.2 The current CIPFA best practice requires that a designated audit committee (Civic Affairs Committee) formally agree all audit plans. This best practice, in place since 2006, will be superseded by the new Public Sector Internal Audit Standards with effect from 1 April 2013.
- 1.3 Ongoing resource pressures within the team have been more challenging this year, although not detrimental to the delivery of the plan. Issues include:
  - The Head of Internal Audit post is provided in partnership with Peterborough City Council and has been operational since January 2011. Nevertheless, this arrangement only provides for approximately 50% of the previous resource. This has been factored into current and future plans;
  - One Senior Auditor post (0.6 FTE) has been vacant during the year, and retained to provide a corporate saving in year; and
  - Maternity leave of one Senior Auditor (0.8 FTE) since December 2012.

#### **2. RECOMMENDATIONS**

- 2.1 Civic Affairs Committee is requested to examine the draft Internal Audit Plan for 2013 / 2014 and:
  - Identify any areas for further consideration;
  - Approve the draft audit plan; and
  - Note the impact of the new Public Sector Internal Audit Standards

### **3. DRAFT INTERNAL AUDIT PLAN 2013 / 2014 (Appendix A)**

- 3.1 The draft Internal Audit Plan for 2013 / 2014 has been developed using a risk-based approach. The plan has been formulated from reviews of the following:
- i) Corporate / service level risks and an assessment of mitigating controls;
  - ii) Areas of significant change or concern within the council;
  - iii) Key projects / partnerships being undertaken;
  - iv) Draft Portfolio Plans; and
  - v) Discussions with Directors and Heads of Service during the year.
- 3.2 The Plan has been broken down into a number of elements:
- a) Core Systems Assurance work. This work covers the Council's key financial systems and provides External Audit with assurance on their control;
  - b) Annual Governance and Assurance work;
  - c) Corporate / Cross Cutting audits;
  - d) Key Contracts and Projects;
  - e) Departmental specific audits; and
  - f) Other resource allocations.
- 3.3 In addition, the plan has been cross referenced to the Vision / priorities of the Council in order to ensure that a degree of assurance can be provided to Members that appropriate actions are in place to deliver the agenda.
- 3.4 This draft plan includes the proposed number of audit days assigned to each area. We are proposing that those audits marked as "critical" on the final annual audit plan will be 100% completed within the year. As previously requested, we have indicated why these audits are considered critical.
- 3.5 The Audit Plan does not include details of the special investigation work and "consultancy type" activity that the Council also calls upon the team to deliver, but a separate provision has been made for the completion of such work in 2013 / 2014 and this has been based on resources utilised in previous years. This covers such areas as a provision for procurement advice, follow-ups and risk management work.
- 3.6 As in previous years, should any special investigation work or significant additional request work be required by Councillors or officers, which leads to the potential for resources required exceeding the amount set-aside, then the Shared Head of Internal Audit will establish the course of action to be taken in consultation with the Director of Resources and the Chair of Civic Affairs Committee. In the event of this occurring, a separate report will be produced to inform all Members of the Committee.
- 3.7 The result of the work set out in the Internal Audit plan will be the production of the annual opinion by the Head of Internal Audit for this Committee. This opinion will then inform the Annual Governance Statement which is signed off by the Leader of the Council and the Chief Executive and accompanies the Statement of Accounts, usually to the June committee cycle.

3.8 Specific timings for individual audits are still to be agreed with Directors / Heads of Service. The audit plan will then be published on the Council's intranet to enable Officers and Members to be aware of audit timings and advise Internal Audit, at an early stage, if the timetable needs adjusting.

#### 4 PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS)

4.1 The PSIAS come into effect from 1st April 2013 and a copy is attached **Appendix B**. The Standards have been developed as a result of extensive joint working by the Chartered Institute of Public Finance and Accountancy (CIPFA), the Institute of Internal Auditors (IIA) and a range of other public bodies to tailor the International Professional Practices Framework (IPPF) – the mandatory international standards – to meet the special requirements of public sector organisations in the UK.

4.2 The PSIAS aims to provide a consistent framework for Internal Audit services across the public sector. The IPPF has been in place for a considerable period and was already recognised as a statement of good practices in internal audit. Those good practices are also reflected in the CIPFA Code of Practice for Internal Audit in Local Government (2006) – which the Standards will replace.

#### 4.3 Impact on Internal Audit and Civic Affairs Committee

4.3.1 The standards follow a consistent format across all sectors to ensure appropriate commonality. With the current service working across a number of authorities – Peterborough City Council and Cambridge City Council (with South Cambridgeshire District Council from 1 July 2013) – a consistent approach will benefit partnership working.

4.3.2 The standards covers:

- Definition of internal auditing;
- Code of Ethics;
- Attribute standards; and
- Performance standards

4.3.3 In comparing the PSIAS with the CIPFA Code of Practice, there remains many similarities. While it is not anticipated that there will be any requirement for material changes in day-to-day operational arrangements, there are subtle changes which Members should be aware of. These are detailed as follows:

- **Terminology**

- A revised definition of Internal Auditing to “*an independent, objective assurance and consulting activity designed to add value to 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*”; and
- The use of the term “chief audit executive”, the description used internationally, rather than “*Head of Internal Audit*” or “*Chief Internal Auditor*”.

- **Audit Charter**
  - There is a requirement for an “Internal Audit Charter” to be in place. This must define the purpose, authority and responsibility for internal audit activity. While the service does not have a “charter”, the key requirements of this document are currently reflected in our Terms of Reference. This was last updated in March 2012. It will need to be reviewed to ensure that appropriate reference is made towards avoiding conflicts of interest if Internal Audit carries out any non-audit activities. Following review, it will be brought before Civic Affairs Committee for approval.
  
- **Audit Strategy**
  - There is no longer a requirement to produce an Internal Audit Strategy. In future, the annual risk based plan must incorporate or be linked to a strategic statement on how the service will be provided and how it links with the organisation’s objectives. We have endeavoured to include that in our Audit Plan.
  
- **Service Quality and Assessments**
  - Ongoing monitoring of the performance of the internal audit activity. This already exists and reflects the quality checks undertaken before reports are issued.
  - There will be rigorous checks under a separate Quality Assurance and Improvement Programme (QA & IP). This has been previously reported to Members as part of the review of Internal Audit effectiveness and has been undertaken as part of an assessment against the CIPFA checklist (last reported to Civic Affairs Committee June 2012). The QA & IP will continue to require ongoing internal assessments of all aspects of internal audit activity by other persons within the organisation with sufficient knowledge of audit practice. An option is to look for reciprocal arrangements with neighbouring authorities for peer reviews.
  - External assessments will need to be carried out by qualified and independent assessors or assessment teams from outside the Council every five years. The Standard specifies that any external review must evaluate both conformance with prescribed policies and processes and the effectiveness of “internal audit activity”.
  - Supplementary guidance indicates that this term would encompass both the service activities and those of Civic Affairs Committee.

## **5. CONSULTATION**

- 5.1 Ongoing work planning is agreed with External Audit, and reviewed throughout the year to ensure that the work of Internal Audit and External Audit is co-ordinated. A copy of the audit plan has been sent to External Audit for their information.
  
- 5.2 Directors were consulted during February / March 2013 on the possible content for the 2013 / 2014 audit plan and their views have been taken into consideration when putting the plan together.



## 6 IMPLICATIONS

(a) **Financial Implications**

There are no expenditure implications as a result of the report.

(b) **Staffing Implications**

The Internal Audit establishment is set at a level to enable delivery of the work identified in the plan.

(c) **Equal Opportunities Implications**

The Council's Equal Opportunities Policy is applied within the Department.

(d) **Environmental Implications**

There are no Environmental implications in this report.

(e) **Community Safety**

There are no Community Safety implications in this report.

### BACKGROUND PAPERS:

The following are the background papers that were used in the preparation of this report:

Risk-Based Internal Auditing – Working Standards and Procedures  
Accounts and Audit Regulations 2011  
Public Sector Internal Audit Standards

To inspect these documents contact Steve Crabtree on extension 8181.

The author and contact officer for queries on this report is Steve Crabtree  
Report file:

Date originated: 11 March 2013

Date of last revision: 11 March 2013

CAMBRIDGE CITY COUNCIL

DRAFT INTERNAL AUDIT PLAN 2013 / 2014

DEFINITION OF INTERNAL AUDIT

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.

1 INTRODUCTION

1.1 This document is intended to demonstrate how Internal Audit will support the overall aims and objectives of the Council and will be reviewed on an annual basis to ensure its continued relevance, both in terms of supporting the council's aims and in achieving a professional, modern audit service.

1.2 New Public Sector Internal Audit Standards which will come into effect from the 1st April 2013, replacing the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice. A copy is included at **Appendix B**. The new standards require a high level statement of how the internal audit service should be delivered and developed in accordance with the terms of reference and how it links to the organisational objectives and priorities. The purpose of this document is to communicate the contribution that Internal Audit makes to the organisation and includes the following:

- Internal Audit objectives and outcomes;
- How the Head of Internal Audit will form and evidence their opinion on the control environment to support the Annual Governance Statement;
- How Internal Audit's work will identify and address significant local and national issues and risks;
- How the service will be provided i.e. direct employees, out-sourcing or co-sourcing; and
- The resources and skills to deliver

1.3 Objectives and Outcomes

1.3.1 The Internal Audit section reviews the operations of all services the Council provides, and also shares the Head of Internal Audit role with Peterborough City Council. With effect from 1<sup>st</sup> July 2013, this will be extended to South Cambridgeshire District Council under an updated Memorandum of Understanding (MoU) – the current service level agreement and will be in accordance with statutory and professional requirements.

1.3.2 Implementation of the audit plan helps the Council maintain "a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk" (Accounts and Audit Regulations 2011).

1.3.3 The internal audit role is a central element of the Council's Corporate Governance framework, as internal audit work and the Head of Internal Audit opinion is a key input to the published Annual Governance Statement and focus for the work of the Civic Affairs Committee. A separate Audit Plan is created annually, and approved by the Civic Affairs Committee to ensure that objectives are met in a risk-based, structured manner.

1.3.4 Internal audit adds value and improves the Council's operations by promoting a robust control environment, best practice in governance and risk management as well as making recommendations for improvements in operating efficiencies. To achieve this, the Internal Audit section engages with the various change programmes, providing independent and objective input to emerging issues.

1.3.5 Key challenges include:

- Continuing to promote the improvement of systems and procedures to enhance the services against a background of reducing resources;
- Continuing the good relationship with our external auditor to gain the Council maximum benefits and eliminate any duplication of effort;
- Continue to develop relationships and any possible collaborative working with other authorities;
- Proactively work with management to introduce new initiatives and support innovation (including in-house projects and any joint provision of services across the Authority);
- To provide advice and guidance on changes to controls, on risk management issues and governance;
- To investigate any irregularity or fraud and corruption matter; and
- Maximising efficiencies within Internal Audit while still undertaking sufficient work to provide the annual opinion.

1.3.6 Expected Outcomes:

- Delivery of the Audit Plan for the Authority, taking into account necessary changes for unplanned work /revised priorities;
- Provision of an annual opinion and assurance on the risk, governance and control systems;
- Delivery of reports to the Civic Affairs Committee and other Members as agreed;
- Provision of clear, concise and meaningful reports to management covering areas reviewed and including agreed actions to mitigate risks;
- Increased awareness amongst Members and staff of the Council's Financial Procedure Rules and Contract Procedure Rules;
- Provision of advice and consultancy on control, risk and governance processes;
- Investigation of any cases of suspected financial irregularity, fraud or corruption (except Benefit Fraud investigations which are undertaken by the Fraud Prevention Team in Revenue & Benefits);
- Identification of areas of inefficient use of resources and proposals for lean solutions; and
- Latest technology used where appropriate (this is being developed in conjunction with Peterborough).

1.4 **Opinion on Internal Control**

1.4.1 The role of Internal Audit is to understand the key risks to the Council and to examine and evaluate the adequacy and effectiveness of its systems of risk management, governance and internal control and to provide an annual opinion to the Civic Affairs Committee on those.

1.4.2 To achieve the above the service operates within professional standards and uses a risk based approach for both planning and where possible auditing to ensure the audit resource is directed to the appropriate activities. The control environment for each activity reviewed by Internal Audit is then assessed for its

adequacy and is assigned an assurance rating which is reported to the Civic Affairs Committee as part of the Head of Internal Audit annual opinion. The section also assesses the Council's risk management and corporate governance framework.

**1.5 Local and National Issues / Risks**

1.5.1 The annual audit planning process ensures that new or emerging risks are identified and considered. The Head of Internal Audit asks Directors and Heads of Service to identify any potential areas of concern for audit review in the forthcoming year. The strategic risk register is also examined to ensure high scoring risks are taken into account. The audit 'universe' and resulting plan are further informed by the review of corporate topics and awareness of issues arising from past audits.

1.5.2 The Audit Plan is approved by the Civic Affairs Committee on an annual basis, however, it is a flexible document which can be revised should unforeseen issues arise during the year. Such adjustments are subsequently reported to the Civic Affairs Committee.

1.5.3 We recognise that the audit universe needs to reflect the organisation. As such our focus is not just on the Council but also to look at working in partnership with other organisations to achieve the district wide aims. There is the development of joint provision of services with our neighbouring authorities. Therefore our approach needs to follow this direction and become more focused on this wider picture, while retaining sufficient inward facing audit coverage to provide the assurance necessary for compliance with the regulations.

1.5.4 The individual audit projects within the annual plan may be either risk based or systems based work, depending on how well established risk management is within the service being audited, and the degree of assurance needed on key systems for the annual opinion. Awareness of national issues is maintained through membership and subscription to professional bodies such as the Institute of Internal Auditors, the CIPFA on-line query service, liaison with External Audit and through networking with other internal audit colleagues throughout Cambridgeshire and beyond.

**1.6 Provision of the Service, Resources and Skills**

1.6.1 The current service is provided in-house, overseen by a shared Head of Internal Audit with Peterborough City Council. The current structure is made up of 5.42 FTE (including the shared Head of Internal Audit). There is also an existing vacancy of 0.6 FTE as at 8 March 2013. Both our existing structure and potential requirements are regularly reviewed.

1.6.2 To ensure we continue to provide the most cost-effective service we will need to ensure the risk-based approach to auditing is developed alongside lean processes. Ultimately we are aiming to ensure that the whole audit process is risk based so that audits are focussed on areas of most importance and greatest risk to the authority.

1.6.3 Alongside the authority's Performance Review process, the service will establish training needs assessment for future service requirements. Joint arrangements already exist between Cambridge and Peterborough and this will continue to look for efficiencies in terms of time and cost.

## 2 DRAFT AUDIT PLAN

### 2.1 Internal Audit Planning Process

2.1.1 Annually, Internal Audit conducts a comprehensive risk-based audit planning process to ensure that all areas of the Council operations (and external partners, where appropriate) are provided with an appropriate and structured Internal Audit service to assist in the continuous improvement process. The following sources of information have been used in identifying the priorities put forward for audit coverage:

- Council Objectives;
- Medium Term Strategy;
- The Council's strategic and operational risk registers;
- Consultations with individual Directors and their Management Teams;
- Consultation with Ernst and Young, the Council's external auditor; and
- The Civic Affairs Committee (at this meeting).

2.1.2 The purpose is to align audit effort with those areas assessed as posing the greatest risk to the Council.

2.1.3 The principles of risk management are applied throughout the planning process. Whilst the annual audit plan is initially compiled using risk to assess the areas needing coverage and the Council objectives, the views of Directors and Heads of Service have been sought so that planned work is focused on where Internal Audit can provide added value to the organisation. Reference is made to available Department risk registers in developing the audit plan. Following the recent re-focusing of Risk Management, increased reliance will be placed on these risk registers in informing risk assessments for audit planning purposes.

2.1.4 External Audit have been consulted on the content of the 2013 / 2014 operational Internal Audit plan and a number of financial control areas of planned Internal Audit work are of particular interest to them in arriving at their own audit opinion on the published financial statements of the Council.

2.1.5 There is potential for priorities and associated risks to change during the year, such that the focus of audit effort in a particular area may change. The audit plan is therefore a statement of intent. Whilst every effort will be made to deliver the plan, Internal Audit recognises that it needs to be flexible and prepared to amend its activities in response to changing circumstances or emerging risks. To provide some cushion for this, a contingency provision is included within our resource plans. However, this flexibility may not be sufficient to cope with all changes required. It may also prove necessary to remove planned audits from our work plans in order to address emerging issues of greater risk. Should such action be required, the Civic Affairs Committee will be advised of:

- The proposed changes to the audit plan;
- The potential effect of such changes on the ability to give adequate assurance on the effectiveness of the Council's system of internal control based on the work of Internal Audit.

## 2.2 Audit Resources Available

2.2.1 Resource assumptions are based upon an audit section complement of 5.42 FTEs, made up of:

- Head of Internal Audit 0.50 FTE
  - Principal Auditor 0.76 FTE
  - Senior Auditor 2.36 FTE
  - Audit Assistants 1.80 FTE
  - (Vacant Senior Auditor post 0.60 FTE)
- NB. 0.80 currently on maternity leave

2.2.2 Should vacancies arise in areas which are difficult to recruit to, it is intended to use the allocated Internal Audit budget to purchase additional audit resources to deliver the audit plan. After taking account of non-available time (such as annual leave and training, and non-chargeable time such as team management and staff appraisals), 891 days are anticipated to be available for audit work in the period 1 April 2013 to 31 March 2014.

2.2.3 In compiling the audit plan, Internal Audit has always sought to present an objective view of the audit needs of the City Council and assess the extent to which this can be delivered within the resources it has available. However, much effort continues across the whole of the City Council to deliver the best possible services while reducing the resources needed. Internal Audit is also seeking to do this and is looking to use a combination of specialist technology, more streamlined working practices and more focus in its activities so as to strive to deliver the whole of the assessed audit need. A major development in this is the move to implement audit management software – currently in place only at Peterborough. It is envisaged that this will allow significant enhancements and efficiencies in the management and conduct of Internal Audit work.

2.2.4 Finally, Internal Audit intends to explore the potential for obtaining new business from external clients with a view to sustaining a comprehensive audit service and investing in its continuing development. This is not, however, a relevant factor in determining the audit needs of the City Council.

## 2.3 Emerging Themes

2.3.1 A number of themes have emerged in the preparation of the 2013-14 Internal Audit Plan. These are:

- **Change in External Audit.** The Council's new external auditors, Ernst and Young, have indicated that they will seek to place significant reliance in 2013 / 2014 on Internal Audit's work on key financial systems and a number are planned for review, such as Payables and Receivables.
- **Contracts and Projects.** This is an essential component of the audit process, especially given the increasing dependence on external suppliers and partners in the provision of Council services. It will cover the robustness of the arrangements in place with a view to ensuring that the Council's interests are protected at every stage in the contract procurement and monitoring processes.
- A continuation of Internal Audit work in **high-level corporate management functions** including corporate governance, risk management and project assurance.
- **Information governance and data security.** A number of audits, especially in the IT field, cover the security of the Council's extensive and often highly sensitive data holdings.
- **Counter-fraud activity** is well established and will continue.

## 2.4 Allocation of Resources

2.4.1 The overall allocation of time from the estimated 891 days available is as follows:

Table 1: Internal Audit Work Activities			Days	%
Core Systems Assurance Work			68	8
Annual Governance and Assurance Framework			20	2
Corporate / Cross Cutting Audits			116	13
Contracts and Projects			107	12
Department Specific Reviews	12			
Chief Executive and Corporate Strategy	52			
Customer and Community	112			
Environment	69			
Resources			245	27
Other Resource Provisions			335	38
<b>TOTAL RESOURCES ALLOCATED</b>			<b>891</b>	<b>100</b>

2.4.2 Current and future audit plans are regularly reviewed in year with changes made as a result of emerging risks and requests for assurance work or audit support from senior management or Members. A contingency allocation of 70 days has been made within this year's plan to undertake other requests for high priority work. Any changes to audit plans will be reported to the Civic Affairs Committee via the update report following discussion with, and agreement with the Chair and the Director of Resources.

2.4.3 The Internal Audit plan has been analysed into six main themes. The purpose of this is to demonstrate the balance of audit coverage. Details of links back to relevant Council Objectives are also identified in this section.

### 2.4.4 Core Systems Assurance Work

Audits of the main financial systems of the Council are undertaken on a cyclical basis, in consultation with our External Auditors. The Audit Plan detailed below highlights all the core systems that will be reviewed over approximately a 3-year cycle - provided for information purposes only. We will adopt a key-control approach for these audits. The audit plan details for 2013 / 2014 that the team will carry out reviews of Housing Benefits (against an annual diagnostic tool), Council Tax, Accounts Payable, Accounts Receivable, VAT together with any issues arising from the Ernst and Young review of budget modeling. We will co-ordinate our work with our External Auditors to ensure that reliance can be placed on the work provided by Internal Audit in accordance with their rolling programme.

**2.4.5 Annual Governance and Assurance Framework**

Within this theme there will be a strong focus on corporate governance, particularly with regard to Business Ethics and Integrity. This will look at issues surrounding the culture of the organisation and how it promotes the highest standards of business ethics and culture in line with the Nolan principles of good governance.

**2.4.6 Corporate / Cross Cutting Audits**

Audit work in this area focuses on activities that are corporate in their nature or cut across a number of service areas and includes audits of Achievement of Income & Savings Targets, Use of Consultants, Health & Safety and Security of On-Line Transactions.

**2.4.7 Contracts and Projects**

These areas have been identified as a continuing risk in light of their increasing number, their importance in relation to the Council's overall aims and objectives and, at times, their complex linkages and funding arrangements. Internal Audit will review specific projects as identified, but a small contingency is also included to provide support and advice to other projects that arise during the year.

**2.4.8 Department Specific Reviews**

Audit work in this area focuses on key systems and activities in operational and service delivery areas of the Council.

**2.4.9 Other Resource Provisions**

Throughout the year audit activities will include reviews that have not been specified within the plan and may include management requests as a result of changing risks and special investigations. Contingency time is included for such events along with the provision for consultancy work that may be undertaken by the Head of Internal Audit or other members of the audit team.

**2.5 Detailed Plan**

2.5.1 The Plan for 2013 / 2014 aims to give the Council the best audit coverage within the resources currently available. Though it is compiled and presented as a plan of work, it must be recognised that the plan can only be a statement of intent. Whilst every effort will be made to deliver the plan, Internal Audit recognises that it needs to be flexible. Actual audit work therefore may be modified during the year according to the circumstances prevailing at the time.

2.5.2 The Head of Internal Audit, along with the whole Internal Audit Team, are fully committed to delivering a high quality and responsive Internal Audit service to the City Council. With this in mind, they will be seeking throughout the year to continue to develop the service in accordance with recognised best practice.



**CAMBRIDGE CITY COUNCIL: INTERNAL AUDIT PLAN 2013 / 2014**

VISION / OBJECTIVE
<b>CAMBRIDGE – WHERE PEOPLE MATTER</b>
1 A City which celebrates its diversity, unites in its priority for the disadvantaged and strives for shared community well being
2 A City whose citizens feel they can influence public decision making and are equally keen to pursue individual and community initiatives
3 A City where people behave with consideration for others and where harm and nuisance are confronted wherever possible without constraining the lives of all
<b>CAMBRIDGE – A GOOD PLACE TO LIVE, LEARN AND WORK</b>
4 A City which recognises and meets needs for housing of all kinds – close to jobs and neighbourhood facilities
5 A City which draws inspiration from its iconic historic centre and achieves a sense of place in all of its parts with generous urban open spaces and well designed buildings
6 A City with a thriving local economy that benefits the whole community and builds on its global pre-eminence in learning and discovery
7 A City where getting around is primarily by public transport, bike and on foot
<b>CAMBRIDGE – CARING FOR THE PLANET</b>
8 A City in the forefront of low carbon living and minimising its impact on the environment from waste and pollution
<b>OBJECTIVES 1 – 8 UNDERPINNED BY:</b>
9 A City seeking to achieve value for the public money the Council spends

## Draft Internal Audit Plan 2013 / 2014

SERVICE / SYSTEM	LINK TO COUNCIL OBJECTIVE	AUDIT SCOPE	Critical Service Review	
			Yes	Reason
<b>CORE SYSTEM ASSURANCE WORK</b>				
Core systems are those that are fundamental to providing control assurance for internal financial control and allow the s.151 officer to make his statement included in the authority's Annual Statement of Accounts. The External Auditor also places reliance on the work undertaken by Internal Audit on core systems.				
<b>Housing Benefit</b>	9	System parameter testing undertaken on behalf of External Audit.	Yes	External Audit reliance work
<b>Council Tax</b>	9	The audit will focus on controls in place to ensure the completeness, promptness, accuracy and validity of Council Tax transactions. Includes coverage of External Audit requirements.	Yes	External Audit reliance work
<b>NDR</b>	9	To review the property register; liable persons / discounts and exemptions evidenced and recorded; amounts due calculated accurately / promptly demanded; income received and accounted for; non-payment identified and pursued; systems and data secure. Review IT system controls.	-	
<b>Main Accounting</b>	9	System based approach considering key risk exposures. Include mapping of key control areas and coverage of External Audit requirements. Testing adequacy of input controls and including feeder system interfaces into the general ledger and reconciliation of control and suspense accounts.	-	
<b>Budget Setting Process</b>	9	Follow up of recommendations made by Ernst & Young in their report on the Budget Setting Process.	Yes	Key financial risk area
<b>Treasury Management</b>	9	To review the processes and procedures in dealing with and recording of short term and long term investments as well as evaluating the controls in place to mitigate against risks faced by Cambridge City Council as a result of the economic climate.	-	
<b>Accounts Payable</b>	9	Systems based approach considering key risk exposures. Include mapping of key control areas and coverage of External Audit requirements.	Yes	External Audit reliance work
<b>Payroll</b>	9	Systems based approach considering key risk exposures. Include mapping of key control areas and coverage of External Audit requirements.	-	

SERVICE / SYSTEM	LINK TO COUNCIL OBJECTIVE	AUDIT SCOPE	Critical Service Review		
			Yes	Reason	
Accounts Receivable – Debt Recovery Process	9	Systems based approach considering key risk exposures. Include mapping of key control areas and coverage of External Audit requirements.	Yes	External Audit reliance work	
Fixed Asset Register / Capital Accounting	9	To evaluate the controls in operation for the identification of assets, disposal and transfers to the fixed asset register system, together with the accounting processes that have been adopted. Assess how future costs of repairs and maintenance are being identified and budgeted for.	-		
Rent Accounting	9	The audit will review system access controls, rent collection and arrears management	-		
BACS Payments	9	The BACS system processes £millions each year through Payroll, Creditors etc. We will seek assurance that the controls including transfer of data from feeder systems are adequate. We will also ensure that payments made through BACS are accurately recorded on Oracle and that appropriate segregation of duties is maintained.	-		
VAT	9	To provide assurance that VAT is correctly accounted for by the authority and on a timely basis.	-		
				<b>TOTAL AUDIT DAYS</b>	<b>68</b>

N.B. The above is a full list of the Council's key financial systems. The greyed out areas will not be completed in this year, but will be reviewed in future years.

SERVICE / SYSTEM	LINK TO COUNCIL OBJECTIVE	AUDIT SCOPE	Critical Service Review	
			Yes	Reason
<b>ANNUAL GOVERNANCE AND ASSURANCE FRAMEWORK</b>				
Each year the Council is obliged to issue a statement on the effectiveness of its governance arrangements. This section details audit work that specifically relates to the production of the Annual Governance Statement				
<b>Annual Governance Statement</b>	ALL	Review the draft AGS and action plan.	Yes	Corporate responsibility
<b>Annual Audit Opinion</b>	ALL	Head of Internal Audit opinion on the state of governance and the internal control framework in place within Cambridge City Council.	Yes	Corporate responsibility
<b>Internal Audit Effectiveness</b>	9	Review of the Internal Audit service against the new Public Sector Internal Audit Standards.	Yes	Corporate responsibility
<b>Prevention of Fraud and Corruption Policy</b>	9	Review of Policy and reporting of cases to Committee that have arisen during previous year.	Yes	Corporate responsibility
<b>TOTAL AUDIT DAYS</b>				<b>20</b>

SERVICE / SYSTEM	LINK TO COUNCIL OBJECTIVE	AUDIT SCOPE	Critical Service Review	
			Yes	Reason
<b>CORPORATE/CROSS-CUTTING AUDITS</b>				
Internal Audit provides support to Council and Directorate objectives by testing the effectiveness of controls designed to mitigate identified risks.				
<b>Health &amp; Safety</b>	All	Annual review of Health & Safety (H&S) considerations. Specific areas for review to be confirmed with the H&S Team at the time of audit.	Yes	Annual Review
<b>Achievement of Income and Savings Targets</b>	9	Review of income budgets v targets in the following areas: Recycling, Trade Waste, Car Parks, Housing, Corn Exchange/Guildhall Halls, Commemorations Service, CHYPPS Team, Tourism, ShopMobility, CCTV. Examine the impact on budgets where targets are not being achieved.  Examine the implementation of income generation initiatives arising from the recent income identification exercise.  Review a sample of savings identified as part of the budget process and look at how these are being monitored and whether they will be achieved. Examine the impact on the budget where savings targets are not likely to be met.	Yes	Key financial risk
<b>Safeguarding</b>	All	Compliance testing of arrangements in place for vetting of employees and volunteers. Ensure that sound contract management arrangements are in place for checking that staff employed by our contractors are suitably vetted (where appropriate).	Yes	Area of key risk
<b>Data Security &amp; Data Sharing Protocols</b>	All	To review the reporting policy and arrangements for data security breaches and also data sharing arrangements with other public sector bodies. Ensure these are in line with the Cambridgeshire Information Sharing Framework.		
<b>IT Infrastructure</b>	9	Review resilience of IT infrastructure at key outlying buildings, such as Meadows Community Centre and City Homes.		
<b>Security of On-Line Transactions</b>	All	Review the security of on-line transactions, in particular payments for Council services and security of personal data. Ensure data held and captured is in compliance with Payments Card Industry (PCI) standards.		
<b>Corporate Governance</b>	All	Review the assurance processes across the authority with particular reference to the Code of Corporate Governance and the Annual Governance Statement.		
<b>Compliance with the requirements of the Equalities Act</b>	All	Review the extent to which Council decisions are compliant with the requirements of the Equalities Act, and in particular whether services are providing EqIAs to decision-makers.		

SERVICE / SYSTEM	LINK TO COUNCIL OBJECTIVE	AUDIT SCOPE	Critical Service Review	
			Yes	Reason
<b>Tackling fuel poverty</b>	8	Review the effectiveness of arrangements for improving insulation and energy efficiency in Council housing.		
<b>Preparations for Growth Sites</b>	1, 4, 6	Review progress in relation to service provision for the Southern Fringe growth sites and preparations for the North West Cambridge growth sites.		
<b>Use of Consultants</b>	9	Examine use of, and expenditure on, consultants across the authority – examine the reasons for their engagement and ensure they have been procured / engaged appropriately. Is value for money being achieved.  The audit will also consider the issue of tax avoidance.		
<b>TOTAL AUDIT DAYS</b>				<b>116</b>

SERVICE / SYSTEM	LINK TO COUNCIL OBJECTIVE	AUDIT SCOPE	Critical Service Review	
			Yes	Reason
<b>CONTRACTS AND PROJECTS</b>				
Dependent on risk, we review a sample of projects and contracts each year to test whether the council's governance arrangements are being followed and that contracts provide value for money				
<b>Planned Maintenance</b>	4, 9	Review of contract management arrangements for all contractors covered by this key contract. Compare spend against HRA capital profile and examine impact if there is any slippage.	Yes	Key CCC project. High reputational risk.
<b>ICT FM Contract Re-let</b>	9	Provide audit input to the project team responsible for procuring this key contract.	Yes	Key CCC project. High reputational risk.
<b>Leisure Management Contract Re-let</b>	9	Provide audit input to the project team responsible for procuring this key contract.	Yes	Key CCC project. High reputational risk.
<b>Park Street Car Park</b>	8, 9	Provide audit input to the project team responsible for managing this key project.	Yes	Key CCC project. High reputational risk.
<b>Tour de France</b>	5, 6	Provide audit input and advice to the project team responsible for delivering this project.	Yes	Key CCC project. High reputational risk.
<b>District Heating Project</b>	8, 9	Provide audit input to the preparation of the business case which will be put together jointly with the University.	Yes	Key CCC project. High reputational risk.
<b>Clay Farm – Community Centre</b>	ALL	Ongoing review of progress in relation to expected deliverables from the project.	Yes	Key CCC project. High reputational risk.
<b>Clay Farm – Land Disposal</b>	ALL	Ongoing review of progress in relation to expected deliverables from the project.	Yes	Key CCC project. High reputational risk.
<b>Clay Farm – Review of Developer agreements</b>	ALL	Examine the developer agreements for the Southern Fringe. Are developers delivering according to expectations.		
<b>Green Deal</b>	8, 9	Provide audit input to this County-wide project to undertake energy saving works in private housing.		
<b>Box Office Ticketing Software</b>	9	Provide audit input to the project team responsible for procuring this contract.		
<b>Building Cleaning Contract</b>	9	Review progress with the project to provide corporate building cleaning services.		

SERVICE / SYSTEM	LINK TO COUNCIL OBJECTIVE	AUDIT SCOPE	Critical Service Review	
			Yes	Reason
Grafton West Car Park Refurbishment	8, 9	Provide audit input to the project team responsible for managing this key contract, including an examination of energy efficiency savings expected to be delivered by this project.		
Orchard Upgrade	9	Post-implementation review. (Brought forward from 2012-13)		
<b>TOTAL AUDIT DAYS</b>				<b>107</b>

There is also a small contingency to provide audit input/advice on other projects that arise during the year that are not included in the above list.



DEPARTMENT SPECIFIC REVIEWS				
SERVICE / SYSTEM	LINK TO COUNCIL OBJECTIVE	AUDIT SCOPE	Critical Service Review	
			Yes	Reason
<b>CHIEF EXECUTIVE</b>				
Elections/Electoral Register	2, 9	Review preparations for the implementation of individual electoral registration. Ensure that all possible risks have been considered.		
<b>TOTAL AUDIT DAYS</b>				<b>12</b>

CUSTOMER AND COMMUNITY SERVICES				
SERVICE / SYSTEM	LINK TO COUNCIL OBJECTIVE	AUDIT SCOPE	Critical Service Review	
			Yes	Reason
Folk Festival	6, 9	Review of management arrangements for the delivery of the Folk Festival, including contracts	Yes	High profile area
Implementation of Local Taxation Scheme	1, 2	Review the implementation of the new Local Taxation Scheme and ensure it is being appropriately monitored and reviewed.	Yes	Key risk to the Council
Homelessness	4, 9	Examine arrangements for managing the impact of welfare reforms and the slow down in the housing market on Homelessness.		
PREVENT Funding	1, 9	Evaluate the use and effectiveness of the £130k grant given to the Council to encourage social cohesion. Ensure that outcomes are being delivered by organisations in receipt of grant aid and ensure that this is being monitored.		
Corn Exchange Box Office	6, 9	Review procedures and controls put in place to manage Box Office transactions following the introduction of new ticketing software.		
<b>TOTAL AUDIT DAYS</b>				<b>52</b>

DEPARTMENT SPECIFIC REVIEWS				
SERVICE / SYSTEM	LINK TO COUNCIL OBJECTIVE	AUDIT SCOPE	Critical Service Review	
			Yes	Reason
<b>ENVIRONMENT</b>				
<b>Delivery of Developer Contribution Projects</b>	2, 5	Review of progress with a sample of Developer Contribution funded projects.	Yes	High profile area
<b>Planning Pls</b>	5	Review of performance against key Planning Pls. Examine reasons for non-achievement of targets - identify bottlenecks, pinch-points etc.	Yes	High profile Pls
<b>Leaseholder Charges</b>	4, 9	Examine the viability of charges made to leasehold properties for grounds maintenance costs.	Yes	Audit deferred from previous year
<b>Building Control</b>	5	Review the systems and controls in place within the Building Control service. Ensure the service is complying with recognised accounting and risk management practices.		
<b>Managing Events on Open Spaces</b>	5, 9	Review the procedures and controls in place for managing events and activities held on the Council's open spaces. To cover the level of co-ordination between services involved in managing events, sharing of information and the clarity of procedures.		
<b>Carbon Reduction Management</b>	8, 9	Review of achievement of carbon reduction targets, including examination of the quality of carbon emission monitoring data.		
<b>Enforcement</b>	3, 9	Review the procedures and controls in place for managing enforcement activities, including the degree of co-ordination between the service areas involved in the process.		
<b>Community Infrastructure Levy (CIL)</b>	5	Review arrangements for implementing the new CIL.		
<b>Licences</b>	6	Review the arrangements for managing information held on the M3 system for Personal Alcohol and Taxi Licences.		
<b>Land Charges</b>	5, 9	Review the systems and controls in place for responding quickly and efficiently to requests for searches. Review income levels for the service and establish whether it is breaking even. Consider controls over security of data held on the system.		
			<b>TOTAL AUDIT DAYS</b>	<b>112</b>

DEPARTMENT SPECIFIC REVIEWS				
SERVICE / SYSTEM	LINK TO COUNCIL OBJECTIVE	AUDIT SCOPE	Critical Service Review	
			Yes	Reason
<b>RESOURCES</b>				
<b>National Fraud Initiative</b>	ALL	Review and investigation of match reports.	Yes	Corporate responsibility
<b>Admin Building Management</b>	ALL	Review the management of Health & Safety issues for admin buildings, including completion of fire risk assessments.		
<b>Compliance with HR Policies</b>	ALL	Review the procedures in place for managing cases of long-term sickness absence, grievances and disciplinarys, particularly where there are overlaps in these three processes. Examine how we ensure consistency in how these policies/procedures are managed and identify areas where procedures could be more streamlined.		
<b>ICT Licensing Arrangements</b>	ALL	Review the effectiveness of arrangements in place to manage IT software licences.		
			<b>TOTAL AUDIT DAYS</b>	<b>69</b>

SERVICE / SYSTEM	COUNCIL OBJECTIVE	AUDIT SCOPE	Critical Reason		TOTAL
			Yes	Reason	
<b>OTHER RESOURCE PROVISIONS</b>					
Throughout the year audit activities will include reviews that have not been specified within the plan, including management requests as a result of changing risks; following up agreed audit actions and completion of audit work from the 2012-13 audit plan.					
Carry Forward Activities	ALL	Completion of audits from 2012-13 IA plan.			75
Follow Up Provision	ALL	Follow up of actions agreed in 2012-13 audits.			20
Project Management/ Procurement/ Contract Management advice	ALL	Assist Procurement Team in the provision of ongoing advice and support to service areas involved in key projects and procurement exercises.			40
Fraud / Irregularity Contingency	ALL	Pro-active counter fraud-work, together with re-active work where suspected irregularities have been detected or reported via the whistleblowing route.			80
Requested Work Contingency	ALL	Allowance exists to provide flexibility within the audit plan for time spent on providing risk and control advice to officers, management /members and ad hoc requests and consultancy work.			70
Risk Management	ALL	Reviewing and monitoring of Council's risks and implementation of actions agreed to mitigate risks.			50
<b>TOTAL</b>					<b>335</b>

SUMMARY AUDIT PLAN		Days
CORE SYSTEMS ASSURANCE WORK		68
ANNUAL GOVERNANCE AND ASSURANCE FRAMEWORK		20
CORPORATE / CROSS CUTTING AUDITS		116
CONTRACTS AND PROJECTS		107
DEPARTMENT SPECIFIC REVIEWS:		
Chief Executive	12	
Customer and Community	52	
Environment	112	
Resources	69	245
OTHER RESOURCE PROVISIONS		335
<b>TOTAL RESOURCES ALLOCATED (Days)</b>		<b>891</b>

# Public Sector Internal Audit Standards

Applying the IIA International Standards to  
the UK Public Sector

**Issued by the Relevant Internal Audit Standard Setters:**



Welsh Government



HM TREASURY



The Scottish Government  
Riaghaltas na h-Alba

**In collaboration with:**



# Public Sector Internal Audit Standards

Applying the IIA International Standards to  
the UK Public Sector



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## SECTION 1

# Introduction

---

A professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector.

This document is therefore addressed to Accounting Officers, Accountable Officers, board and audit committee members, heads of internal audit, internal auditors, external auditors and other stakeholders such as chief financial officers and chief executives.

## Framework overview

The Relevant Internal Audit Standard Setters (RIASS)<sup>1</sup> have adopted this common set of Public Sector Internal Audit Standards (PSIAS) from 1 April 2013. The PSIAS encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) as follows:

- Definition of Internal Auditing
- Code of Ethics, and
- International Standards for the Professional Practice of Internal Auditing (including interpretations and glossary).

Additional requirements and interpretations for the UK public sector have been inserted in such a way as to preserve the integrity of the text of the mandatory elements of the IPPF.

The overarching principle borne in mind when all potential public sector interpretations and/or specific requirements were considered was that only the minimum number of additions should be made to the existing IIA Standards. The criteria against which potential public sector requirements were judged for inclusion were:

- where interpretation is required in order to achieve consistent application in the UK public sector
- where the issue is not addressed or not addressed adequately by the current IIA Standards, or
- where the IIA standard would be inappropriate or impractical in the context of public sector governance (taking into account, for example, any funding mechanisms, specific legislation etc).

At the same time, the following concepts were also considered of each requirement or interpretation being proposed:

- materiality
- relevance
- necessity, and
- integrity (the additional commentary does not cause inconsistency elsewhere).

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<sup>1</sup> The Relevant Internal Audit Standard Setters are: HM Treasury in respect of central government; the Scottish Government, the Department of Finance and Personnel Northern Ireland and the Welsh Government in respect of central government and the health sector in their administrations; the Department of Health in respect of the health sector in England (excluding Foundation Trusts); and the Chartered Institute of Public Finance and Accountancy in respect of local government across the UK.

Wherever reference is made to the International Standards for the Professional Practice of Internal Auditing, this is replaced by the PSIAS. Chief audit executives are expected to report conformance on the PSIAS in their annual report.

## Purpose of the PSIAS

The objectives of the PSIAS are to:

- define the nature of internal auditing within the UK public sector
- set basic principles for carrying out internal audit in the UK public sector
- establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations, and
- establish the basis for the evaluation of internal audit performance and to drive improvement planning.

Additional guidance is a matter for the RIASS.

## Scope

The PSIAS apply to all internal audit service providers, whether in-house, shared services or outsourced.

All internal audit assurance and consulting services fall within the scope of the Definition of Internal Auditing (see section 3). The provision of assurance services is the primary role for internal audit in the UK public sector. This role requires the chief audit executive to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control. Consulting services are advisory in nature and are generally performed at the specific request of the organisation, with the aim of improving governance, risk management and control and contributing to the overall opinion.

The Code of Ethics promotes an ethical, professional culture (see section 4). It does not supersede or replace internal auditors' own professional bodies' Codes of Ethics or those of employing organisations. Internal auditors must also have regard to the Committee on Standards of Public Life's *Seven Principles of Public Life*.

In common with the IIA IPPF on which they are based, the PSIAS comprise Attribute and Performance Standards. The Attribute Standards address the characteristics of organisations and parties performing internal audit activities. The Performance Standards describe the nature of internal audit activities and provide quality criteria against which the performance of these services can be evaluated. While the Attribute and Performance Standards apply to all aspects of the internal audit service, the Implementation Standards apply to specific types of engagements and are classified accordingly:

- Assurance (A) and
- Consulting (C) activities.

The Standards employ terms that have been given specific meanings that are included in the Glossary.

## Key governance elements

Within the PSIAS, the terms 'board' and 'senior management' need to be interpreted in the context of the governance arrangements within each UK public sector organisation, as these arrangements vary in structure and terminology between sectors and from one organisation and the next within in the same sector.

It is also necessary for the chief audit executive to understand the role of the Accounting or Accountable Officer, Chief Financial Officer, chief executive, the audit committee and other key officers or relevant decision-making groups as well as how they relate to each other. Key relationships with these individuals and groups are defined for each internal audit service within its charter.

# Applicability

The Relevant Internal Audit Standard Setters for the various parts of the UK public sector are shown below, along with the types of organisations in which the PSIAS should be applied.

SECTOR / RELEVANT INTERNAL AUDIT STANDARD SETTER	Central Government	NHS	Local Government
<b>CIPFA</b>			<p><b>UK</b> Local authorities.</p> <p><b>England &amp; Wales only</b> The Office of the Police &amp; Crime Commissioner, constabularies, fire authorities, National Park authorities, joint committees and joint boards in the UK.</p> <p><b>Scotland only</b> Strathclyde Partnership for Transport.</p>
<b>HM Treasury</b>	<p><b>UK*</b> Government departments and their executive agencies and non-departmental public bodies.</p>		
<b>Department of Health</b>		<p><b>England</b> Clinical Commissioning Groups. NHS Trusts.</p>	

SECTOR / RELEVANT INTERNAL AUDIT STANDARD SETTER	Central Government	NHS	Local Government
<b>Scottish Government</b>	<p><b>Scotland</b></p> <p>The Scottish Government, the Crown Office and Procurator Fiscal Service, Executive Agencies and non-ministerial departments, non-departmental public bodies, the Scottish Parliament Corporate Body and bodies sponsored / supported by the Scottish Parliament Corporate Body.</p>	<p><b>Scotland</b></p> <p>NHS Boards, Special NHS Boards, NHS Board partnership bodies in the public sector (eg joint ventures, Community Health Partnerships etc), NHS Board subsidiaries.</p>	
<b>Welsh Government</b>	<p><b>Wales</b></p> <p>The Welsh Government, National Assembly for Wales and Welsh Government sponsored bodies including commissioners.</p>	<p><b>Wales</b></p> <p>Health Boards and Trusts.</p>	
<b>Northern Ireland Assembly: Department of Finance and Personnel (NI)</b>	<p>Government departments, executive agencies, non-ministerial departments, non-departmental public bodies, NI health and social care bodies and other relevant sponsored bodies.</p>		

\* Unless the body falls under the jurisdiction of the devolved governments.

# Definition of Internal Auditing

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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.



## SECTION 4

# Code of Ethics

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### Public sector requirement

Internal auditors in UK public sector organisations (as set out in the Applicability section) must conform to the Code of Ethics as set out below. If individual internal auditors have membership of another professional body then he or she must also comply with the relevant requirements of that organisation.

The purpose of The Institute's Code of Ethics is to promote an ethical culture in the profession of internal auditing. A code of ethics is necessary and appropriate for the profession of internal auditing, founded as it is on the trust placed in its objective assurance about risk management, control and governance.

The Institute's Code of Ethics extends beyond the definition of internal auditing to include two essential components:

### Components

- 1 Principles that are relevant to the profession and practice of internal auditing;
- 2 Rules of Conduct that describe behaviour norms expected of internal auditors. These rules are an aid to interpreting the Principles into practical applications and are intended to guide the ethical conduct of internal auditors.

The Code of Ethics provides guidance to internal auditors serving others. 'Internal auditors' refers to Institute members and those who provide internal auditing services within the definition of internal auditing.

## Applicability and Enforcement

This Code of Ethics applies to both individuals and entities that provide internal auditing services. For Institute members, breaches of the Code of Ethics will be evaluated and administered according to The Institute's Disciplinary Procedures. The fact that a particular conduct is not mentioned in the Rules of Conduct does not prevent it from being unacceptable or discreditable and therefore, the member liable to disciplinary action.

### Public sector interpretation

The 'Institute' here refers to the IIA. Disciplinary procedures of other professional bodies and employing organisations may apply to breaches of this Code of Ethics.

## 1 Integrity

### Principle

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.

### Rules of Conduct

Internal auditors:

- 1.1 Shall perform their work with honesty, diligence and responsibility.
- 1.2 Shall observe the law and make disclosures expected by the law and the profession.
- 1.3 Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organisation.
- 1.4 Shall respect and contribute to the legitimate and ethical objectives of the organisation.

## 2 Objectivity

### Principle

Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined.

Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.

### Rules of Conduct

Internal auditors:

- 2.1 Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation.
- 2.2 Shall not accept anything that may impair or be presumed to impair their professional judgement.
- 2.3 Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

## 3 Confidentiality

### Principle

Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

### Rules of Conduct

Internal auditors:

- 3.1 Shall be prudent in the use and protection of information acquired in the course of their duties.
- 3.2 Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation.

## 4 Competency

### Principle

Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

### Rules of Conduct

Internal auditors:

- 4.1 Shall engage only in those services for which they have the necessary knowledge, skills and experience.
- 4.2 Shall perform internal auditing services in accordance with the International Standards for the Professional Practice of Internal Auditing.
- 4.3 Shall continually improve their proficiency and effectiveness and quality of their services.

#### **Public sector requirement**

Internal auditors who work in the public sector must also have regard to the Committee on Standards of Public Life's *Seven Principles of Public Life*, information on which can be found at [www.public-standards.gov.uk](http://www.public-standards.gov.uk)

# Standards

## Attribute Standards

### 1000 Purpose, Authority and Responsibility

The purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*. The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.

#### *Interpretation:*

The internal audit charter is a formal document that defines the internal audit activity's purpose, authority and responsibility. The internal audit charter establishes the internal audit activity's position within the organisation, including the nature of the chief audit executive's functional reporting relationship with the board; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. Final approval of the internal audit charter resides with the board.

#### Public sector requirement

The internal audit charter must also:

- define the terms 'board' and 'senior management' for the purposes of internal audit activity;
- cover the arrangements for appropriate resourcing;
- define the role of internal audit in any fraud-related work; and
- include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities.

#### 1000.A1

The nature of assurance services provided to the organisation must be defined in the internal audit charter. If assurances are to be provided to parties outside the organisation, the nature of these assurances must also be defined in the internal audit charter.

#### 1000.C1

The nature of consulting services must be defined in the internal audit charter.

### 1010 Recognition of the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards* in the Internal Audit Charter

The mandatory nature of the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards* must be recognised in the internal audit charter. The chief audit executive should discuss the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards* with senior management and the board.

## 1100 Independence and Objectivity

The internal audit activity must be independent and internal auditors must be objective in performing their work.

### *Interpretation:*

Independence is the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner. To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the chief audit executive has direct and unrestricted access to senior management and the board. This can be achieved through a dual-reporting relationship. Threats to independence must be managed at the individual auditor, engagement, functional and organisational levels.

Objectivity is an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others. Threats to objectivity must be managed at the individual auditor, engagement, functional and organisational levels.

## 1110 Organisational Independence

The chief audit executive must report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities. The chief audit executive must confirm to the board, at least annually, the organisational independence of the internal audit activity.

### *Interpretation:*

Organisational independence is effectively achieved when the chief audit executive reports functionally to the board. Examples of functional reporting to the board involve the board:

- approving the internal audit charter;
- approving the risk based internal audit plan;
- approving the internal audit budget and resource plan;
- receiving communications from the chief audit executive on the internal audit activity's performance relative to its plan and other matters;
- approving decisions regarding the appointment and removal of the chief audit executive;
- approving the remuneration of the chief audit executive; and
- making appropriate enquiries of management and the chief audit executive to determine whether there are inappropriate scope or resource limitations.

### **Public sector requirement**

The chief audit executive must report functionally to the board. The chief audit executive must also establish effective communication with, and have free and unfettered access to, the chief executive (or equivalent) and the chair of the audit committee.

### **Public sector interpretation**

Governance requirements in the UK public sector would not generally involve the board approving the CAE's remuneration specifically. The underlying principle is that the independence of the CAE is safeguarded by ensuring that his or her remuneration or performance assessment is not inappropriately influenced by those subject to audit. In the UK public sector this can be achieved by ensuring that the chief executive (or equivalent) undertakes, countersigns, contributes feedback to or reviews the performance appraisal of the CAE and that feedback is also sought from the chair of the audit committee.

### **1110.A1**

The internal audit activity must be free from interference in determining the scope of internal auditing, performing work and communicating results.

### **1111 Direct Interaction with the Board**

The chief audit executive must communicate and interact directly with the board.

### **1120 Individual Objectivity**

Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest.

#### *Interpretation:*

Conflict of interest is a situation in which an internal auditor, who is in a position of trust, has a competing professional or personal interest. Such competing interests can make it difficult to fulfil his or her duties impartially. A conflict of interest exists even if no unethical or improper act results. A conflict of interest can create an appearance of impropriety that can undermine confidence in the internal auditor, the internal audit activity and the profession. A conflict of interest could impair an individual's ability to perform his or her duties and responsibilities objectively.

### **1130 Impairment to Independence or Objectivity**

If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment.

#### *Interpretation:*

Impairment to organisational independence and individual objectivity may include, but is not limited to, personal conflict of interest, scope limitations, restrictions on access to records, personnel and properties and resource limitations, such as funding.

The determination of appropriate parties to which the details of an impairment to independence or objectivity must be disclosed is dependent upon the expectations of the internal audit activity's and the chief audit executive's responsibilities to senior management and the board as described in the internal audit charter, as well as the nature of the impairment.

### **1130.A1**

Internal auditors must refrain from assessing specific operations for which they were previously responsible. Objectivity is presumed to be impaired if an internal auditor provides assurance services for an activity for which the internal auditor had responsibility within the previous year.

### **1130.A2**

Assurance engagements for functions over which the chief audit executive has responsibility must be overseen by a party outside the internal audit activity.

### **1130.C1**

Internal auditors may provide consulting services relating to operations for which they had previous responsibilities.

### **1130.C2**

If internal auditors have potential impairments to independence or objectivity relating to proposed consulting services, disclosure must be made to the engagement client prior to accepting the engagement.

#### **Public sector requirement**

Approval must be sought from the board for any significant additional consulting services not already included in the audit plan, prior to accepting the engagement.

## **1200 Proficiency and Due Professional Care**

Engagements must be performed with proficiency and due professional care.

### **1210 Proficiency**

Internal auditors must possess the knowledge, skills and other competencies needed to perform their individual responsibilities. The internal audit activity collectively must possess or obtain the knowledge, skills and other competencies needed to perform its responsibilities.

#### *Interpretation:*

Knowledge, skills and other competencies is a collective term that refers to the professional proficiency required of internal auditors to effectively carry out their professional responsibilities. Internal auditors are encouraged to demonstrate their proficiency by obtaining appropriate professional certifications and qualifications, such as the Certified Internal Auditor designation and other designations offered by The Institute of Internal Auditors and other appropriate professional organisations.

#### **Public sector requirement**

The chief audit executive must hold a professional qualification (CMIIA, CCAB or equivalent) and be suitably experienced.

### **1210.A1**

The chief audit executive must obtain competent advice and assistance if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement.

### **1210.A2**

Internal auditors must have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the organisation, but are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.

### **1210.A3**

Internal auditors must have sufficient knowledge of key information technology risks and controls and available technology-based audit techniques to perform their assigned work. However, not all internal auditors are expected to have the expertise of an internal auditor whose primary responsibility is information technology auditing.

### **1210.C1**

The chief audit executive must decline the consulting engagement or obtain competent advice and assistance if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement.

### **1220 Due Professional Care**

Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.

#### **1220.A1**

Internal auditors must exercise due professional care by considering the:

- Extent of work needed to achieve the engagement's objectives;
- Relative complexity, materiality or significance of matters to which assurance procedures are applied;
- Adequacy and effectiveness of governance, risk management and control processes;
- Probability of significant errors, fraud, or non-compliance; and
- Cost of assurance in relation to potential benefits.

#### **1220.A2**

In exercising due professional care internal auditors must consider the use of technology-based audit and other data analysis techniques.

#### **1220.A3**

Internal auditors must be alert to the significant risks that might affect objectives, operations or resources. However, assurance procedures alone, even when performed with due professional care, do not guarantee that all significant risks will be identified.

#### **1220.C1**

Internal auditors must exercise due professional care during a consulting engagement by considering the:

- Needs and expectations of clients, including the nature, timing and communication of engagement results;
- Relative complexity and extent of work needed to achieve the engagement's objectives; and
- Cost of the consulting engagement in relation to potential benefits.

### **1230 Continuing Professional Development**

Internal auditors must enhance their knowledge, skills and other competencies through continuing professional development.

## **1300 Quality Assurance and Improvement Programme**

The chief audit executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.

#### *Interpretation:*

A quality assurance and improvement programme is designed to enable an evaluation of the internal audit activity's conformance with the *Definition of Internal Auditing* and the *Standards* and an evaluation of whether internal auditors apply the *Code of Ethics*. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.



## 1310 Requirements of the Quality Assurance and Improvement Programme

The quality assurance and improvement programme must include both internal and external assessments.

### 1311 Internal Assessments

Internal assessments must include:

- Ongoing monitoring of the performance of the internal audit activity; and
- Periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices.

#### *Interpretation:*

Ongoing monitoring is an integral part of the day-to-day supervision, review and measurement of the internal audit activity. Ongoing monitoring is incorporated into the routine policies and practices used to manage the internal audit activity and uses processes, tools and information considered necessary to evaluate conformance with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*.

Periodic assessments are conducted to evaluate conformance with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*.

Sufficient knowledge of internal audit practices requires at least an understanding of all elements of the International Professional Practices Framework.

### 1312 External Assessments

External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The chief audit executive must discuss with the board:

- The form of external assessments;
- The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest; and
- The need for more frequent external assessments.

#### *Interpretation:*

External assessments can be in the form of a full external assessment, or a self-assessment with independent validation.

A qualified assessor or assessment team demonstrates competence in two areas: the professional practice of internal auditing and the external assessment process. Competence can be demonstrated through a mixture of experience and theoretical learning. Experience gained in organisations of similar size, complexity, sector or industry and technical issues is more valuable than less relevant experience. In the case of an assessment team, not all members of the team need to have all the competencies; it is the team as a whole that is qualified. The chief audit executive uses professional judgment when assessing whether an assessor or assessment team demonstrates sufficient competence to be qualified.

An independent assessor or assessment team means not having either a real or an apparent conflict of interest and not being a part of, or under the control of, the organisation to which the internal audit activity belongs.

### Public sector requirement

The chief audit executive must agree the scope of external assessments with an appropriate sponsor, eg the Accounting/Accountable Officer or chair of the audit committee as well as with the external assessor or assessment team.

## 1320 Reporting on the Quality Assurance and Improvement Programme

The chief audit executive must communicate the results of the quality assurance and improvement programme to senior management and the board.

### Interpretation:

The form, content and frequency of communicating the results of the quality assurance and improvement programme is established through discussions with senior management and the board and considers the responsibilities of the internal audit activity and chief audit executive as contained in the internal audit charter. To demonstrate conformance with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*, the results of external and periodic internal assessments are communicated upon completion of such assessments and the results of ongoing monitoring are communicated at least annually. The results include the assessor's or assessment team's evaluation with respect to the degree of conformance.

### Public sector requirement

Progress against any improvement plans, agreed following external assessment, must be reported in the annual report.

## 1321 Use of Conforms with the International Standards for the Professional Practice of Internal Auditing

The chief audit executive may state that the internal audit activity conforms with the *International Standards for the Professional Practice of Internal Auditing* only if the results of the quality assurance and improvement programme support this statement.

### Interpretation:

The internal audit activity conforms with the International Standards when it achieves the outcomes described in the *Definition of Internal Auditing*, *Code of Ethics* and *International Standards*.

The results of the quality assurance and improvement programme include the results of both internal and external assessments. All internal audit activities will have the results of internal assessments. Internal audit activities in existence for at least five years will also have the results of external assessments.

## 1322 Disclosure of Non-conformance

When non-conformance with the *Definition of Internal Auditing*, the *Code of Ethics* or the *Standards* impacts the overall scope or operation of the internal audit activity, the chief audit executive must disclose the non-conformance and the impact to senior management and the board.

### Public sector requirement

Instances of non-conformance must be reported to the board. More significant deviations must be considered for inclusion in the governance statement.

# Performance Standards

## 2000 Managing the Internal Audit Activity

The chief audit executive must effectively manage the internal audit activity to ensure it adds value to the organisation.

*Interpretation:*

The internal audit activity is effectively managed when:

- The results of the internal audit activity's work achieve the purpose and responsibility included in the internal audit charter;
- The internal audit activity conforms with the *Definition of Internal Auditing* and the *Standards*; and
- The individuals who are part of the internal audit activity demonstrate conformance with the *Code of Ethics* and the *Standards*.

The internal audit activity adds value to the organisation (and its stakeholders) when it provides objective and relevant assurance, and contributes to the effectiveness and efficiency of governance, risk management and control processes.

## 2010 Planning

The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals.

*Interpretation:*

The chief audit executive is responsible for developing a risk-based plan. The chief audit executive takes into account the organisation's risk management framework, including using risk appetite levels set by management for the different activities or parts of the organisation. If a framework does not exist, the chief audit executive uses his/her own judgment of risks after consideration of input from senior management and the board. The chief audit executive must review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programs, systems, and controls.

### Public sector requirement

The risk-based plan must take into account the requirement to produce an annual internal audit opinion and the assurance framework. It must incorporate or be linked to a strategic or high-level statement of how the internal audit service will be delivered and developed in accordance with the internal audit charter and how it links to the organisational objectives and priorities.

### 2010.A1

The internal audit activity's plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the board must be considered in this process.

### 2010.A2

The chief audit executive must identify and consider the expectations of senior management, the board and other stakeholders for internal audit opinions and other conclusions.

### **2010.C1**

The chief audit executive should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value and improve the organisation's operations. Accepted engagements must be included in the plan.

### **2020 Communication and Approval**

The chief audit executive must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval. The chief audit executive must also communicate the impact of resource limitations.

### **2030 Resource Management**

The chief audit executive must ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan.

*Interpretation:*

Appropriate refers to the mix of knowledge, skills and other competencies needed to perform the plan. Sufficient refers to the quantity of resources needed to accomplish the plan. Resources are effectively deployed when they are used in a way that optimises the achievement of the approved plan.

#### **Public sector requirement**

The risk-based plan must explain how internal audit's resource requirements have been assessed.

Where the chief audit executive believes that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion, the consequences must be brought to the attention of the board.

### **2040 Policies and Procedures**

The chief audit executive must establish policies and procedures to guide the internal audit activity.

*Interpretation:*

The form and content of policies and procedures are dependent upon the size and structure of the internal audit activity and the complexity of its work.

### **2050 Coordination**

The chief audit executive should share information and coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimise duplication of efforts.

#### **Public sector requirement**

The chief audit executive must include in the risk-based plan the approach to using other sources of assurance and any work required to place reliance upon those other sources.

## 2060 Reporting to Senior Management and the Board

The chief audit executive must report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the board.

### *Interpretation:*

The frequency and content of reporting are determined in discussion with senior management and the board and depend on the importance of the information to be communicated and the urgency of the related actions to be taken by senior management or the board.

## 2070 External Service Provider and Organisational Responsibility for Internal Audit

When an external service provider serves as the internal audit activity, the provider must make the organisation aware that the organisation has the responsibility for maintaining an effective internal audit activity.

### *Interpretation:*

This responsibility is demonstrated through the quality assurance and improvement programme which assesses conformance with the *Definition of Internal Auditing*, the *Code of Ethics* and the *International Standards*.

## 2100 Nature of Work

The internal audit activity must evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach.

### 2110 Governance

The internal audit activity must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:

- Promoting appropriate ethics and values within the organisation;
- Ensuring effective organisational performance management and accountability;
- Communicating risk and control information to appropriate areas of the organisation; and
- Coordinating the activities of and communicating information among the board, external and internal auditors and management.

#### 2110.A1

The internal audit activity must evaluate the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities.

#### 2110.A2

The internal audit activity must assess whether the information technology governance of the organisation supports the organisation's strategies and objectives.

## 2120 Risk Management

The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes.

### *Interpretation:*

Determining whether risk management processes are effective is a judgment resulting from the internal auditor's assessment that:

- Organisational objectives support and align with the organisation's mission;
- Significant risks are identified and assessed;
- Appropriate risk responses are selected that align risks with the organisation's risk appetite; and
- Relevant risk information is captured and communicated in a timely manner across the organisation, enabling staff, management and the board to carry out their responsibilities.

The internal audit activity may gather the information to support this assessment during multiple engagements. The results of these engagements, when viewed together, provide an understanding of the organisation's risk management processes and their effectiveness.

Risk management processes are monitored through ongoing management activities, separate evaluations, or both.

### **2120.A1**

The internal audit activity must evaluate risk exposures relating to the organisation's governance, operations and information systems regarding the:

- Achievement of the organisation's strategic objectives;
- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations and programmes;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures and contracts.

### **2120.A2**

The internal audit activity must evaluate the potential for the occurrence of fraud and how the organisation manages fraud risk.

### **2120.C1**

During consulting engagements, internal auditors must address risk consistent with the engagement's objectives and be alert to the existence of other significant risks.

### **2120.C2**

Internal auditors must incorporate knowledge of risks gained from consulting engagements into their evaluation of the organisation's risk management processes.

### **2120.C3**

When assisting management in establishing or improving risk management processes, internal auditors must refrain from assuming any management responsibility by actually managing risks.

## **2130 Control**

The internal audit activity must assist the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.

### **2130.A1**

The internal audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems regarding the:

- Achievement of the organisation's strategic objectives;
- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations and programmes;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures and contracts.

### **2130.C1**

Internal auditors must incorporate knowledge of controls gained from consulting engagements into the evaluation of the organisation's control processes.

## **2200 Engagement Planning**

Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing and resource allocations.

### **2201 Planning Considerations**

In planning the engagement, internal auditors must consider:

- The objectives of the activity being reviewed and the means by which the activity controls its performance;
- The significant risks to the activity, its objectives, resources and operations and the means by which the potential impact of risk is kept to an acceptable level;
- The adequacy and effectiveness of the activity's governance, risk management and control processes compared to a relevant framework or model; and
- The opportunities for making significant improvements to the activity's governance, risk management and control processes.

### **2201.A1**

When planning an engagement for parties outside the organisation, internal auditors must establish a written understanding with them about objectives, scope, respective responsibilities and other expectations, including restrictions on distribution of the results of the engagement and access to engagement records.

### **2201.C1**

Internal auditors must establish an understanding with consulting engagement clients about objectives, scope, respective responsibilities and other client expectations. For significant engagements, this understanding must be documented.

## 2210 Engagement Objectives

Objectives must be established for each engagement.

### 2210.A1

Internal auditors must conduct a preliminary assessment of the risks relevant to the activity under review. Engagement objectives must reflect the results of this assessment.

### 2210.A2

Internal auditors must consider the probability of significant errors, fraud, non-compliance and other exposures when developing the engagement objectives.

### 2210.A3

Adequate criteria are needed to evaluate governance, risk management and controls. Internal auditors must ascertain the extent to which management and/or the board has established adequate criteria to determine whether objectives and goals have been accomplished. If adequate, internal auditors must use such criteria in their evaluation. If inadequate, internal auditors must work with management and/or the board to develop appropriate evaluation criteria.

#### Public sector interpretation

In the public sector, criteria are likely to include value for money.

### 2210.C1

Consulting engagement objectives must address governance, risk management and control processes to the extent agreed upon with the client.

### 2210.C2

Consulting engagement objectives must be consistent with the organisation's values, strategies and objectives.

## 2220 Engagement Scope

The established scope must be sufficient to satisfy the objectives of the engagement.

### 2220.A1

The scope of the engagement must include consideration of relevant systems, records, personnel and physical properties, including those under the control of third parties.

### 2220.A2

If significant consulting opportunities arise during an assurance engagement, a specific written understanding as to the objectives, scope, respective responsibilities and other expectations should be reached and the results of the consulting engagement communicated in accordance with consulting standards.

### 2220.C1

In performing consulting engagements, internal auditors must ensure that the scope of the engagement is sufficient to address the agreed-upon objectives. If internal auditors develop reservations about the scope during the engagement, these reservations must be discussed with the client to determine whether to continue with the engagement.



## **2220.C2**

During consulting engagements, internal auditors must address controls consistent with the engagement's objectives and be alert to significant control issues.

## **2230 Engagement Resource Allocation**

Internal auditors must determine appropriate and sufficient resources to achieve engagement objectives based on an evaluation of the nature and complexity of each engagement, time constraints and available resources.

## **2240 Engagement Work Programme**

Internal auditors must develop and document work programmes that achieve the engagement objectives.

### **2240.A1**

Work programmes must include the procedures for identifying, analysing, evaluating and documenting information during the engagement. The work programme must be approved prior to its implementation and any adjustments approved promptly.

### **2240.C1**

Work programmes for consulting engagements may vary in form and content depending upon the nature of the engagement.

## **2300 Performing the Engagement**

Internal auditors must identify, analyse, evaluate and document sufficient information to achieve the engagement's objectives.

### **2310 Identifying Information**

Internal auditors must identify sufficient, reliable, relevant and useful information to achieve the engagement's objectives.

#### *Interpretation:*

Sufficient information is factual, adequate and convincing so that a prudent, informed person would reach the same conclusions as the auditor. Reliable information is the best attainable information through the use of appropriate engagement techniques. Relevant information supports engagement observations and recommendations and is consistent with the objectives for the engagement. Useful information helps the organisation meet its goals.

### **2320 Analysis and Evaluation**

Internal auditors must base conclusions and engagement results on appropriate analyses and evaluations.

### **2330 Documenting Information**

Internal auditors must document relevant information to support the conclusions and engagement results.

#### **2330.A1**

The chief audit executive must control access to engagement records. The chief audit executive must obtain the approval of senior management and/or legal counsel prior to releasing such records to external parties, as appropriate.

### **2330.A2**

The chief audit executive must develop retention requirements for engagement records, regardless of the medium in which each record is stored. These retention requirements must be consistent with the organisation's guidelines and any pertinent regulatory or other requirements.

### **2330.C1**

The chief audit executive must develop policies governing the custody and retention of consulting engagement records, as well as their release to internal and external parties. These policies must be consistent with the organisation's guidelines and any pertinent regulatory or other requirements.

## **2340 Engagement Supervision**

Engagements must be properly supervised to ensure objectives are achieved, quality is assured and staff are developed.

### *Interpretation:*

The extent of supervision required will depend on the proficiency and experience of internal auditors and the complexity of the engagement. The chief audit executive has overall responsibility for supervising the engagement, whether performed by or for the internal audit activity, but may designate appropriately experienced members of the internal audit activity to perform the review. Appropriate evidence of supervision is documented and retained.

## **2400 Communicating Results**

Internal auditors must communicate the results of engagements.

### **2410 Criteria for Communicating**

Communications must include the engagement's objectives and scope as well as applicable conclusions, recommendations and action plans.

#### **2410.A1**

Final communication of engagement results must, where appropriate, contain internal auditors' opinion and/or conclusions. When issued, an opinion or conclusion must take account of the expectations of senior management, the board and other stakeholders and must be supported by sufficient, reliable, relevant and useful information.

### *Interpretation:*

Opinions at the engagement level may be ratings, conclusions or other descriptions of the results. Such an engagement may be in relation to controls around a specific process, risk or business unit. The formulation of such opinions requires consideration of the engagement results and their significance.

#### **2410.A2**

Internal auditors are encouraged to acknowledge satisfactory performance in engagement communications.

#### **2410.A3**

When releasing engagement results to parties outside the organisation, the communication must include limitations on distribution and use of the results.

#### **2410.C1**

Communication of the progress and results of consulting engagements will vary in form and content depending upon the nature of the engagement and the needs of the client.

## 2420 Quality of Communications

Communications must be accurate, objective, clear, concise, constructive, complete and timely.

### *Interpretation:*

Accurate communications are free from errors and distortions and are faithful to the underlying facts. Objective communications are fair, impartial and unbiased and are the result of a fair-minded and balanced assessment of all relevant facts and circumstances. Clear communications are easily understood and logical, avoiding unnecessary technical language and providing all significant and relevant information. Concise communications are to the point and avoid unnecessary elaboration, superfluous detail, redundancy and wordiness. Constructive communications are helpful to the engagement client and the organisation and lead to improvements where needed. Complete communications lack nothing that is essential to the target audience and include all significant and relevant information and observations to support recommendations and conclusions. Timely communications are opportune and expedient, depending on the significance of the issue, allowing management to take appropriate corrective action.

## 2421 Errors and Omissions

If a final communication contains a significant error or omission, the chief audit executive must communicate corrected information to all parties who received the original communication.

## 2430 Use of Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing

Internal auditors may report that their engagements are conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*, only if the results of the quality assurance and improvement programme support the statement.

## 2431 Engagement Disclosure of Non-conformance

When non-conformance with the *Definition of Internal Auditing*, the *Code of Ethics* or the *Standards* impacts a specific engagement, communication of the engagement results must disclose the:

- Principle or rule of conduct of the *Code of Ethics* or Standard(s) with which full conformance was not achieved;
- Reason(s) for non-conformance; and
- Impact of non-conformance on the engagement and the communicated engagement results.

## 2440 Disseminating Results

The chief audit executive must communicate results to the appropriate parties.

### *Interpretation:*

The chief audit executive is responsible for reviewing and approving the final engagement communication before issuance and deciding to whom and how it will be disseminated.

### **2440.A1**

The chief audit executive is responsible for communicating the final results to parties who can ensure that the results are given due consideration.

## 2440.A2

If not otherwise mandated by legal, statutory, or regulatory requirements, prior to releasing results to parties outside the organisation the chief audit executive must:

- Assess the potential risk to the organisation;
- Consult with senior management and/ or legal counsel as appropriate; and
- Control dissemination by restricting the use of the results.

## 2440.C1

The chief audit executive is responsible for communicating the final results of consulting engagements to clients.

## 2440.C2

During consulting engagements, governance, risk management and control issues may be identified. Whenever these issues are significant to the organisation, they must be communicated to senior management and the board.

## 2450 Overall Opinions

When an overall opinion is issued, it must take into account the expectations of senior management, the board and other stakeholders and must be supported by sufficient, reliable, relevant and useful information.

### *Interpretation:*

The communication will identify:

- The scope including the time period to which the opinion pertains.
- Scope limitations.
- Consideration of all related projects including the reliance on other assurance providers.
- The risk or control framework or other criteria used as a basis for the overall opinion.
- The overall opinion, judgment or conclusion reached.

The reasons for an unfavourable overall opinion must be stated.

### **Public sector requirement**

The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report must incorporate:

- the opinion;
- a summary of the work that supports the opinion; and
- a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

## **2500 Monitoring Progress**

The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.

### **2500.A1**

The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.

### **2500.C1**

The internal audit activity must monitor the disposition of results of consulting engagements to the extent agreed upon with the client.

## **2600 Communicating the Acceptance of Risks**

When the chief audit executive concludes that management has accepted a level of risk that may be unacceptable to the organisation, the chief audit executive must discuss the matter with senior management. If the chief audit executive determines that the matter has not been resolved, the chief audit executive must communicate the matter to the board.

### *Interpretation:*

The identification of risk accepted by management may be observed through an assurance or consulting engagement, monitoring progress on actions taken by management as a result of prior engagements, or other means. It is not the responsibility of the chief audit executive to resolve the risk.

# Glossary

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## Add Value

The internal audit activity adds value to the organisation (and its stakeholders) when it provides objective and relevant assurance, and contributes to the effectiveness and efficiency of governance, risk management and control processes.

## Adequate Control

Present if management has planned and organised (designed) in a manner that provides reasonable assurance that the organisation's risks have been managed effectively and that the organisation's goals and objectives will be achieved efficiently and economically.

### Public sector definition: Assurance Framework

This is the primary tool used by a board to ensure that it is properly informed on the risks of not meeting its objectives or delivering appropriate outcomes and that it has adequate assurances on the design and operation of the systems in place to mitigate those risks.

## Assurance Services

An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the organisation. Examples may include financial, performance, compliance, system security and due diligence engagements.

### Public sector definition: Audit Committee

The governance group charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting.

## Board

The highest level of governing body charged with responsibility to direct and oversee the activities and management of the organisation. Typically, this includes an independent group of directors (eg a board of directors, a supervisory board or a board of governors or trustees). If such a group does not exist, the 'board' is the head of the company or agency. 'Board' may refer to an audit committee to which the governing body has delegated its authority.

## Charter

The internal audit charter is a formal document that defines the internal audit activity's purpose, authority and responsibility. The internal audit charter establishes the internal audit activity's position within the organisation; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

## Chief Audit Executive

Chief audit executive describes a person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the *Definition of Internal Auditing*, the *Code of Ethics* and the *International Standards*. The chief audit executive or others reporting to the chief audit executive will have appropriate professional certifications and qualifications. The specific job title of the chief audit executive may vary across organisations.

## Code of Ethics

The *Code of Ethics* of The Institute of Internal Auditors (IIA) are Principles relevant to the profession and practice of internal auditing and Rules of Conduct that describe behaviour expected of internal auditors. The *Code of Ethics* applies to both parties and entities that provide internal audit services.

The purpose of the *Code of Ethics* is to promote an ethical culture in the global profession of internal auditing.

## Compliance

Adherence to policies, plans, procedures, laws, regulations, contracts, or other requirements.

## Conflict of Interest

Any relationship that is, or appears to be, not in the best interest of the organisation. A conflict of interest would prejudice an individual's ability to perform his or her duties and responsibilities objectively.

## Consulting Services

Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.

## Control

Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

## Control Environment

The attitude and actions of the board and management regarding the importance of control within the organisation. The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control. The control environment includes the following elements:

- Integrity and ethical values.
- Management's philosophy and operating style.
- Organisational structure.
- Assignment of authority and responsibility.
- Human resource policies and practices.
- Competence of personnel.

## Control Processes

The policies, procedures and activities that are part of a control framework, designed to ensure that risks are contained within the level of risk that an organisation is willing to accept.

## Engagement

A specific internal audit assignment, task, or review activity, such as an internal audit, control self-assessment review, fraud examination, or consultancy. An engagement may include multiple tasks or activities designed to accomplish a specific set of related objectives.

## Engagement Objectives

Broad statements developed by internal auditors that define intended engagement accomplishments.

## Engagement Opinion

The ratings, conclusions or other descriptions of results of an individual internal audit engagement based upon the procedures performed, relating only to those aspects within the objectives and scope of the engagement.

## Engagement Work Programme

A document that lists the procedures to be followed during an engagement, designed to achieve the engagement plan.

## External Service Provider

A person or firm outside of the organisation that has special knowledge, skill and experience in a particular discipline.



## **Fraud**

Any illegal act characterised by deceit, concealment or violation of trust. These acts are not dependent upon the threat of violence or physical force. Frauds are perpetrated by parties and organisations to obtain money, property or services; to avoid payment or loss of services; or to secure personal or business advantage.

## **Governance**

The combination of processes and structures implemented by the board to inform, direct, manage and monitor the activities of the organisation toward the achievement of its objectives.

### **Public sector definition: Governance Statement**

The mechanism by which an organisation publicly reports on its governance arrangements each year.

## **Impairment**

Impairment to organisational independence and individual objectivity may include personal conflict of interest, scope limitations, restrictions on access to records, personnel and properties and resource limitations (funding).

## **Independence**

The freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner.

## **Information Technology Controls**

Controls that support business management and governance as well as provide general and technical controls over information technology infrastructures such as applications, information, infrastructure and people.

## **Information Technology Governance**

Consists of the leadership, organisational structures and processes that ensure that the enterprise's information technology supports the organisation's strategies and objectives.

## **Internal Audit Activity**

A department, division, team of consultants, or other practitioner(s) that provides independent, objective assurance and consulting services designed to add value and improve an organisation's operations. The internal audit activity helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.

## International Professional Practices Framework

The conceptual framework that organises the authoritative guidance promulgated by The IIA. Authoritative Guidance is comprised of two categories (1) mandatory and (2) endorsed and strongly recommended.

### Public sector interpretation

Only the mandatory elements apply for the purposes of the Public Sector Internal Audit Standards.

### Public sector interpretation: International Standards for the Professional Practice of Internal Auditing

The Public Sector Internal Audit Standards take the place of the International Standards where applicable.

## Must

The *Standards* use the word must to specify an unconditional requirement.

## Objectivity

An unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others.

## Overall Opinion

The overall ratings, conclusions or other descriptions of results provided by the chief audit executive addressing, at a broad level, governance, risk management and control processes of the organisation. An overall opinion is based on the results of a number of individual engagements and other activities for a specific time interval.

## Risk

The effect of uncertainty on objectives. An effect is a deviation from the expected and may be positive or negative. Risk is often expressed in terms of a combination of the consequences of an event and the associated likelihood of occurrence.

## Risk Appetite

The level of risk that an organisation is willing to accept.

## Risk Management

A process to identify, assess, manage and control potential events or situations to provide reasonable assurance regarding the achievement of the organisation's objectives.

## **Should**

The *Standards* use the word should where conformance is expected unless, when applying professional judgment, circumstances justify deviation.

## **Significance**

The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, effect, relevance and impact. Professional judgment assists internal auditors when evaluating the significance of matters within the context of the relevant objectives.

## **Standard**

A professional pronouncement promulgated by the Internal Audit Standards Board that delineates the requirements for performing a broad range of internal audit activities and for evaluating internal audit performance.

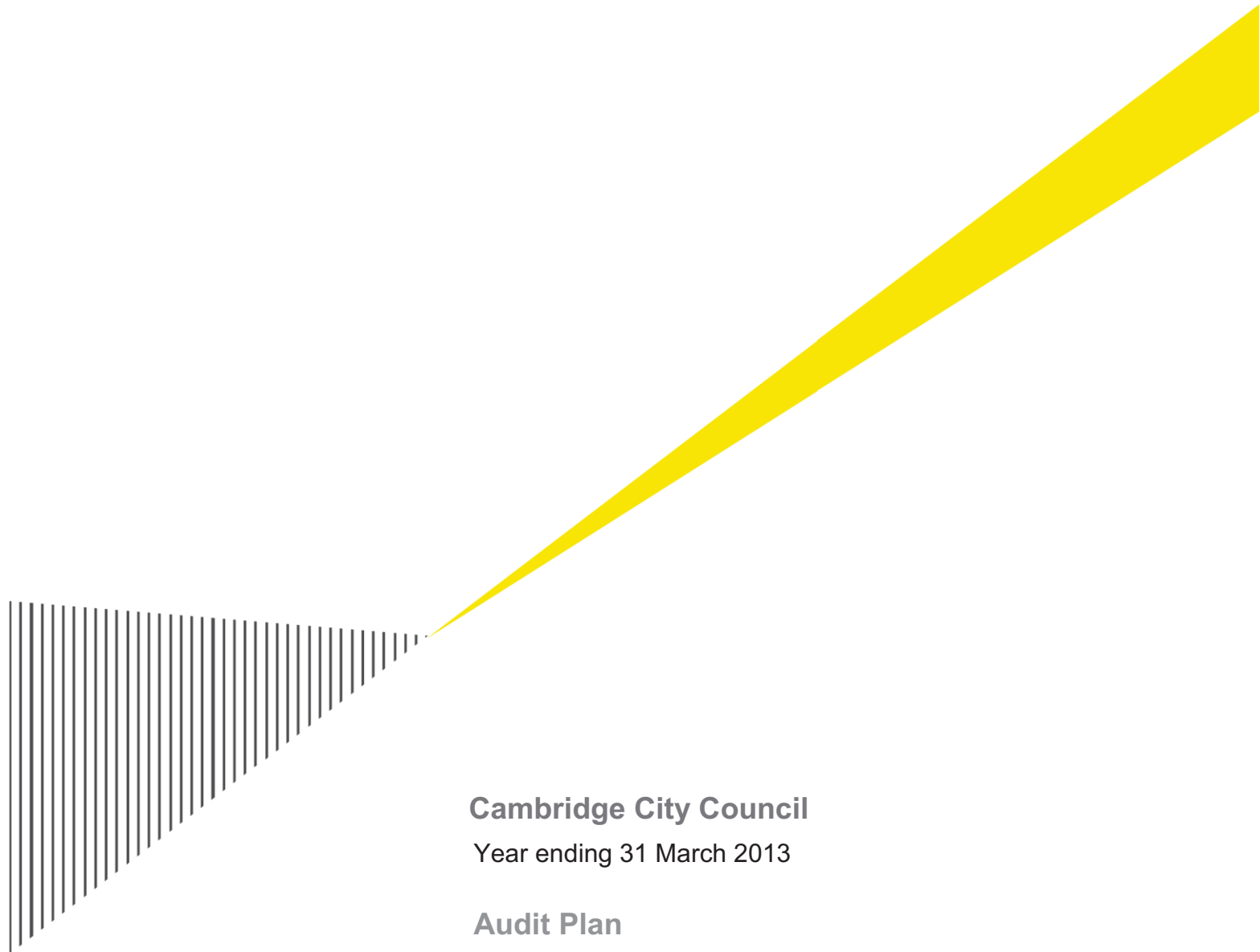
## **Technology-based Audit Techniques**

Any automated audit tool, such as generalised audit software, test data generators, computerised audit programmes, specialised audit utilities and computer-assisted audit techniques (CAATs).





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**Cambridge City Council**

Year ending 31 March 2013

**Audit Plan**

20 March 2013

Civic Affairs Committee  
Cambridge City Council  
The Guildhall  
Cambridge  
CB2 3QJ

20 March 2013

Dear Member

## **Audit Plan**

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. The purpose of this report is to provide the Civic Affairs Committee with a basis to review our proposed audit approach and scope for the 2012/13 audit, in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, the Standing Guidance, auditing standards and other professional requirements, but also to ensure that our audit is aligned with the Civic Affairs Committee's service expectations.

This report summarises our assessment of the key risks which drive the development of an effective audit for Cambridge City Council, and outlines our planned audit strategy in response to those risks.

We welcome the opportunity to discuss this report with you on 20 March 2013 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Mark Hodgson  
Audit Director  
For and on behalf of Ernst & Young LLP  
Enc



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# 1. Overview

## 1.1 Context for the audit

This audit plan covers the work that we plan to perform in order to provide you with:

- ▶ Our audit opinion on whether the Council's financial statements give a true and fair view of the financial position as at 31 March 2013 and of the income and expenditure for the year then ended.
- ▶ A statutory conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.

We will also review and report to the National Audit Office ('NAO'), to the extent and in the form required by them, on the Whole of Government Accounts return.

When planning the audit we take into account several key inputs:

- ▶ Strategic, operational and financial risks relevant to the financial statements.
- ▶ Developments in financial reporting and auditing standards.
- ▶ The quality of systems and processes.
- ▶ Changes in the business and regulatory environment.
- ▶ Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter. And by focusing on the areas that matter, our feedback is more likely to be relevant to the Council.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

In part 2 and 3 of this report we provide more detail on the areas which we believe present significant risk to the financial statements audit, and outline our plans to address these risks. Details of our audit process and strategy are set out in more detail in section 4 and summarised below.

We will provide an update to the Audit Committee on the results of our work in these areas in our report to those charged with governance scheduled for delivery in September 2013.

## **1.2 Our process and strategy**

### **1.2.1 Financial statement audit**

We will apply the concept of materiality in planning and performing our audit, in evaluating the effect of any identified misstatements and in forming our opinion. We set our materiality based on the Council's level of gross expenditure. We carry out an initial assessment of materiality using the financial statements for 2011/12 but will update this when we receive the draft and final 2012/13 financial statements. We also consider the size of useable reserves, the Council's financial position, its public profile and the reporting and challenge history. Our audit is designed to identify errors above materiality.

We aim to rely on the Council's internal controls in the key financial systems. We identify the controls we consider important and seek to place reliance on Internal Audit's testing of those controls. Where control failures are identified we consider the most appropriate steps to take.

We seek to place reliance on the work of Internal Audit wherever possible. We have already liaised with Internal Audit, established the systems they are testing and made arrangements to review this work.

### **1.2.2 Arrangements for securing economy, efficiency and effectiveness**

We adopt an integrated audit approach such that our work on the financial statement audit feeds into our consideration of the arrangements in place for securing economy, efficiency and effectiveness.

We have considered the risks relevant to our value for money conclusion and have identified a significant risk requiring specific risk-based work which is detailed in section 3.1. We will keep our risk assessment under review taking into account: our discussions with the Council; our review of reports and minutes; the results of Internal Audit work; our opinion and certification work; review of the Annual Governance Statement; and the work of other regulators.

## 2. Financial statement risks

We outline below our assessment of the key strategic or operational risks and the financial statement risks facing the Council, identified through our knowledge of the entity's operations and discussion with members and officers.

### Significant risks (including fraud risks)

Valuation of Property, Plant and Equipment and capital expenditure

### Our audit approach

Our approach will focus on:

- ▶ Reliance on management experts
- ▶ Reliance on auditor experts
- ▶ Test of detail if required

### Other financial statement risks

Management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has put in place a culture of ethical behaviour and a strong control environment that both deters and prevents fraud. Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

### Our audit approach

Based on the requirements of auditing standards our approach will focus on:

- ▶ Identifying any fraud risks during the planning stages.
- ▶ Inquiry of management about risks of fraud and the controls put in place to address those risks.
- ▶ Understanding the oversight given by the Audit Committee, as those charged with governance, of management's processes over fraud.
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Determining an appropriate strategy to address those identified risks of fraud.
- ▶ Performing mandatory procedures regardless of specifically identified fraud risks.

We will consider the results of the Audit Commission's National Fraud Initiative and may make reference to it in our reporting.

### 3. Economy, efficiency and effectiveness

Our work will focus on whether the Council has proper arrangements in place to secure:

- ▶ Financial resilience
- ▶ Economy, efficiency and effectiveness in its use of resources

#### 3.1 Identification of significant risks

In December 2012, the Council discovered errors in its financial modelling in respect of the 2012/13 financial year budget, and specifically differences between its original budget and a re-forecast undertaken in December 2012.

This poses a significant risk to the financial resilience of the Council and brings into question the adequacy of the underlying budget setting arrangements. As such, these pose a significant risk to the Value for Money conclusion.

We have been engaged by the Council to review the budget setting process and the level and impact of the errors found. These reviews will also address the significant identified risk and provide evidence in relation to our Audit Code responsibilities.

In addition, we will continue to monitor the Council's arrangements throughout the remainder of the audit, including reviewing the year end financial outturn against the 2012/13 budget, and the arrangements for financial planning in respect of the 2013/14 and 2014/15 financial years.

If we identify any further risks or our assessment of risk changes based on this work, we will report this to the Civic Affairs Committee and plan appropriate audit work to gain the requisite audit assurance.

## 4. Our audit process and strategy

### 4.1 Objective and scope of our audit

Under the Audit Commission's Code of Audit Practice ('the Code'), dated March 2010, our principle objectives are to review and report on, to the extent required by the relevant legislation and the requirements of the Code, the Council's:

- ▶ Financial statements
- ▶ Arrangements for securing economy, efficiency and effectiveness in its use of resources

We issue a two-part audit report covering both of these objectives.

#### 4.1.1 Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland). We will also review and report to the National Audit Office ('NAO'), to the extent and in the form required by them, on the Whole of Government Accounts return

#### 4.1.2 Arrangements for securing economy, efficiency and effectiveness

The Code sets out our responsibility to satisfy ourselves that the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In arriving at our conclusion, to the fullest extent possible we will place reliance on the reported results of the work of other statutory inspectorates in relation to corporate or service performance. In examining the Council's corporate performance management and financial management arrangements we have regard to the following criteria and areas of focus specified by the Audit Commission:

- ▶ Arrangements for securing financial resilience – whether the Council has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
- ▶ Arrangements for securing economy, efficiency and effectiveness – whether the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

### 4.2 Audit process overview

Our audit involves:

- ▶ Assessing the key internal controls in place and testing the operation of these controls
- ▶ Review and re-performance of the work of Internal Audit
- ▶ Reliance on the work of other auditors where appropriate
- ▶ Reliance on the work of experts in relation to areas such as pensions and property valuations
- ▶ Substantive tests of detail of transactions and amounts

### 4.2.1 Processes

Our initial assessment of the key processes has identified the following key processes where we will seek to test key controls, relying on the work of internal audit:

- ▶ Accounts receivable
- ▶ Accounts payable
- ▶ Housing and Council tax benefits
- ▶ Council tax

Other material items of account will be tested substantively at year end.

### 4.2.2 Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular in respect of payroll and journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests.
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

### 4.2.3 Internal audit

We will review Internal Audit plans and the results of work undertaken. We will reflect the findings from these reports, together with reports from other work completed in the year, in our detailed audit plan, where issues are raised that could impact the year-end financial statements.

### 4.2.4 Use of experts

We will utilise specialist Ernst & Young resource, as necessary, to help us to form a view on judgments made in the financial statements.

### 4.2.5 Other procedures

In addition to the key areas of emphasis outlined, we have to perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline the procedures we will undertake during the course of our audit.

***Mandatory procedures required by auditing standards on:***

- ▶ Addressing the risk of fraud and error
- ▶ Significant disclosures included in the financial statements
- ▶ Entity-wide controls
- ▶ Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements
- ▶ Auditor independence

### **Procedures required by the Code**

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement.
- ▶ Reviewing and reporting on the Whole of Government accounts return, in line with the instructions issued by the NAO.
- ▶ Reviewing, and where appropriate, examining evidence that is relevant to the Council's corporate performance management and financial management arrangements and reporting on these arrangements.

## **4.3 Materiality**

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

ISA (UK & Ireland) 450 (revised) requires us to record all misstatements identified except those that are "clearly trivial". All uncorrected misstatements found which are not "clearly trivial" will be presented to you in our year-end report.

## **4.4 Fees**

The Audit Commission has published a scale fee for all authorities. The scale fee is defined as the fee required by auditors to meet statutory responsibilities under the Audit Commission Act in accordance with the Code of Audit Practice 2010. The indicative fee scale for the Council's audit is £68,405. This fee is predicated on the Council preparing financial statements for audit which are free from material error and which are supported by good quality working papers.

## **4.5 Your audit team**

The engagement team is led by Mark Hodgson who has significant experience of the Local Government audit. Mark is supported by Ruth Pritchard-Wooles who is responsible for the day-to-day direction of audit work, and who is the key point of contact for the Head of Accounting Services.

## **4.6 Timetable of communication, deliverables and insights**

We have set out below a timetable showing the key stages of the audit, including the value for money work and the whole of government accounts; and the deliverables we have agreed to provide to through the Audit Committee cycle in 2013. These dates are determined to ensure our alignment with the Audit Commission's rolling calendar of deadlines.

We will provide a formal report to the Audit Committee in September, incorporating the outputs from our year-end procedures. From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chair as appropriate.



Following the conclusion of our audit we will prepare an annual audit letter in order to communicate to the Council and external stakeholders, including members of the public, the key issues arising from our work.

Audit phase	Timetable	Civic Affairs Committee timetable	Deliverables
High level planning	<b>December</b>		Audit Fee letter
Risk assessment and setting of scopes	<b>February</b>	Civic Affairs Committee	Audit Plan
Testing of routine processes and controls	<b>March-April</b>		Reporting of any significant matters if required
Draft accounts	<b>30 June</b>		Accounts received for audit
Year-end audit including WGA	<b>July</b>		
Reporting	<b>September</b>	Civic Affairs Committee	Report to those charged with governance  Audit report (including our opinion on the financial statements and a conclusion as to whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources).
			Audit completion certificate
Reporting	<b>November</b>		Annual Audit Letter
Reporting	<b>December</b>		Annual report on the certification of grant claims and returns

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters.

## 5. Independence

### 5.1 Introduction

The APB Ethical Standards and ISA (UK and Ireland) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with governance on matters in which you have an interest.

#### Required communications

##### Planning stage

- ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us.
- ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review.
- ▶ The overall assessment of threats and safeguards.
- ▶ Information about the general policies and process within EY to maintain objectivity and independence.

##### Final stage

- ▶ A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed.
- ▶ Details of non-audit services provided and the fees charged in relation thereto.
- ▶ Written confirmation that we are independent.
- ▶ Details of any inconsistencies between APB Ethical Standards, the Audit Commission’s Standing Guidance and the Council’s policy for the supply of non-audit services by EY and any apparent breach of that policy.
- ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted.

We ensure that the total amount of fees that Ernst & Young and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

## **5.2 Relationships, services and related threats and safeguards**

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. However we have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective.

### **5.2.1 Self interest threats**

A self interest threat arises when Ernst & Young has financial or other interests in the entity. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved and that are in compliance with the Audit Commission's Standing Guidance.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard 4.

There are no other self interest threats at the date of this report.

### **5.2.2 Self review threats**

Self review threats arise when the results of a non-audit service performed by Ernst & Young or others within the Ernst & Young network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

### **5.2.3 Management threats**

Partners and employees of Ernst & Young are prohibited from taking decisions on behalf of management of the entity. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report

### **5.2.4 Other threats**

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report

### **5.2.5 Overall assessment**

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that Ernst & Young is independent and the objectivity and independence of Mark Hodgson, your audit engagement director, and the audit engagement team have not been compromised.

## **5.3 Other required communications**

Ernst & Young has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within Ernst & Young for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 29 June 2012 and can be found here:

[UK 2012 Transparency Report](#)

## Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2012/13 £	Actual Fee 2011/12 £	Explanation of variance
Total Audit Fee – Code work	68,405	114,009	40% reduction in line with Audit Commission announcement on scale fees
Certification of claims and returns*	12,900	22,512	See note below

The agreed fee presented above is based on the following assumptions:

- ▶ The Council provides good quality draft accounts which have undergone senior management review by 30 June 2013 and good quality supporting working papers at the commencement of the audit.
- ▶ Officers provide appropriate responses to queries and other information we request within the agreed timescales to allow us to complete the audit fieldwork by 26 July 2013.
- ▶ We are able to place reliance, as planned, on the work of Internal Audit.
- ▶ The level of risk in relation to the audit of accounts is consistent with that in the prior year.
- ▶ No significant changes are made by the Audit Commission to the use of resources criteria on which our conclusion will be based.
- ▶ Our accounts opinion and use of resources conclusion will be unqualified.
- ▶ The Council maintains an effective control environment.
- ▶ There are no questions asked or objections made by local government electors.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Director of Resources and the Civic Affairs Committee in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

\*Our fee for the certification of grant claims is based on the indicative scale fee set by the Audit Commission. This is based on the fee for the 2010/11 grant claim certification, adjusted for the schemes no longer requiring certification and reduced by 40%.

## Appendix B UK required communications with those charged with governance

There are certain communications that we must provide to the Audit Committee of audited clients. These are detailed here:

Required communication	Reference
<p><b>Planning and audit approach</b> Communication of the planned scope and timing of the audit including any limitations.</p>	Audit Plan
<p><b>Significant findings from the audit</b></p> <ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> <li>▶ Findings and issues regarding the opening balance on initial audits</li> </ul>	Report to those charged with governance
<p><b>Misstatements</b></p> <ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ In writing, corrected misstatements that are significant</li> </ul>	Report to those charged with governance
<p><b>Fraud</b></p> <ul style="list-style-type: none"> <li>▶ Enquiries of the Civic Affairs Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ A discussion of any other matters related to fraud</li> </ul>	Report to those charged with governance
<p><b>Related parties</b> Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	Report to those charged with governance
<p><b>External confirmations</b></p> <ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	Report to those charged with governance

Required communication	Reference
<p><b>Consideration of laws and regulations</b></p> <ul style="list-style-type: none"> <li>▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</li> <li>▶ Enquiry of the Civic Affairs Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Civic Affairs Committee may be aware of</li> </ul>	Report to those charged with governance
<p><b>Independence</b></p> <p>Communication of all significant facts and matters that bear on Ernst &amp; Young's objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>For listed companies, communication of minimum requirements as detailed in the ethical standards:</p> <ul style="list-style-type: none"> <li>▶ Relationships between Ernst &amp; Young, the audited body and senior management</li> <li>▶ Services provided by Ernst &amp; Young that may reasonably bear on the auditors' objectivity and independence</li> <li>▶ Related safeguards</li> <li>▶ Fees charged by Ernst &amp; Young analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees</li> <li>▶ A statement of compliance with the ethical standards</li> <li>▶ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence</li> </ul>	Audit Plan Report to those charged with governance
<p><b>Going concern</b></p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	Report to those charged with governance
<p><b>Significant deficiencies in internal controls identified during the audit</b></p>	Report to those charged with governance
<p><b>Opening Balances (initial audits)</b></p> <ul style="list-style-type: none"> <li>▶ Findings and issues regarding the opening balance of initial audits</li> </ul>	Report to those charged with governance
<p><b>Certification work</b></p> <ul style="list-style-type: none"> <li>▶ Summary of certification work undertaken</li> </ul>	Annual Report to those charged with governance summarising grant certification, and Annual Audit Letter if considered necessary

Required communication	Reference
<b>Fee Information</b>	Audit Plan
▶ Breakdown of fee information at the agreement of the initial audit plan	Report to those charged with
▶ Breakdown of fee information at the completion of the audit	governance and Annual Audit Letter if considered necessary



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## CAMBRIDGE CITY COUNCIL

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REPORT OF: Director of Resources

TO: Civic Affairs Committee

20/03/2013

WARDS: All

### **RISK MANAGEMENT STRATEGY**

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#### **1 INTRODUCTION**

- 1.1 Cambridge City Council's Risk Management Strategy has been reviewed and updated to reflect the recent changes made to the Council's Risk Management Framework. The updated Strategy is presented at Appendix 1 to this report.

#### **2. RECOMMENDATIONS**

- 2.1 Civic Affairs Committee is asked to approve the revised Risk Management Strategy.

#### **3. BACKGROUND**

- 3.1. A fundamental review of the Council's Risk Management Framework has been undertaken over the last 18 months. This has included the following changes:
- The procurement and roll-out of a new, web-based risk register to all services, including full training provided to all users of the system.
  - Facilitation of risk workshops for all service areas and the Strategic Leadership Team (SLT) to capture and score the Council's current risks.
  - Risks are captured at two levels, strategic/corporate level and operational/service level.
  - Risks are categorised into key themes agreed by the Strategic Leadership Team.
  - A review of the reporting arrangements for risk. A report is taken to SLT twice a year setting out the Council's high and significant risks and details of overdue actions to mitigate risks.
  - The number of risks has been streamlined to a more manageable level.
  - Risks are now scored once (as opposed to twice previously), taking into account existing controls.
  - Major projects are recorded separately on the risk register.
  - Actions to mitigate risks, including Internal Audit actions, are recorded on the risk register and their implementation is regularly monitored.

- 3.2 The new web-based Risk Management system has been well received by managers, who have found it easy to use and informative. The new system includes a range of reporting facilities and automatic e-mail prompts to assist in the management of risks and actions.
- 3.3 The Council's Risk Management Strategy has been reviewed and updated by the Risk Management Team to reflect the changes made to the risk management framework. The revised strategy document (Appendix 1) sets out the Council's risk management process, including arrangements for monitoring and review, and defines the roles and responsibilities within that process.
- 3.4 The Risk Management Team will continue to provide on going support and advice to SLT, Heads of Service and Managers to ensure that the risk management process is fully embedded across the Council.

#### **4. CONSULTATIONS**

- 4.1 Members of SLT have been consulted on the revised Risk Management Strategy.

#### **5. IMPLICATIONS**

- (a) **Financial Implications**  
None
- (b) **Staffing Implications**  
None
- (c) **Equal Opportunities Implications**  
None
- (d) **Environmental Implications**  
None
- (e) **Community Safety Implications**  
None

#### **Background Papers:**

None.

The author and contact officer for queries on the report is Karl Tattam on extension 8161.



**CAMBRIDGE CITY COUNCIL**  
**RISK MANAGEMENT STRATEGY**

**Revised January 2013**

## **RISK MANAGEMENT STRATEGY**

### **Risk**

Cambridge City Council considers risk to be the possibility that an unwanted or uncertain action or event will cause injury, loss, damage or adversely affect the ability to achieve our objectives. The objective of the risk management process is to identify, evaluate and control risks. Risk Management is a key element of the Council's Governance framework.

### **Governance**

The governance framework is the systems by which the Council ensures that it achieves the right outcomes for the citizens of Cambridge in an open and honest way. The system of internal control is a key part of the governance framework and is designed to manage risk to a reasonable level. Internal Audit regularly reviews the system of internal control, providing independent assurance on the adequacy and effectiveness of the controls in place to manage risks. Actions are also agreed with management to improve controls.

### **Risk Management**

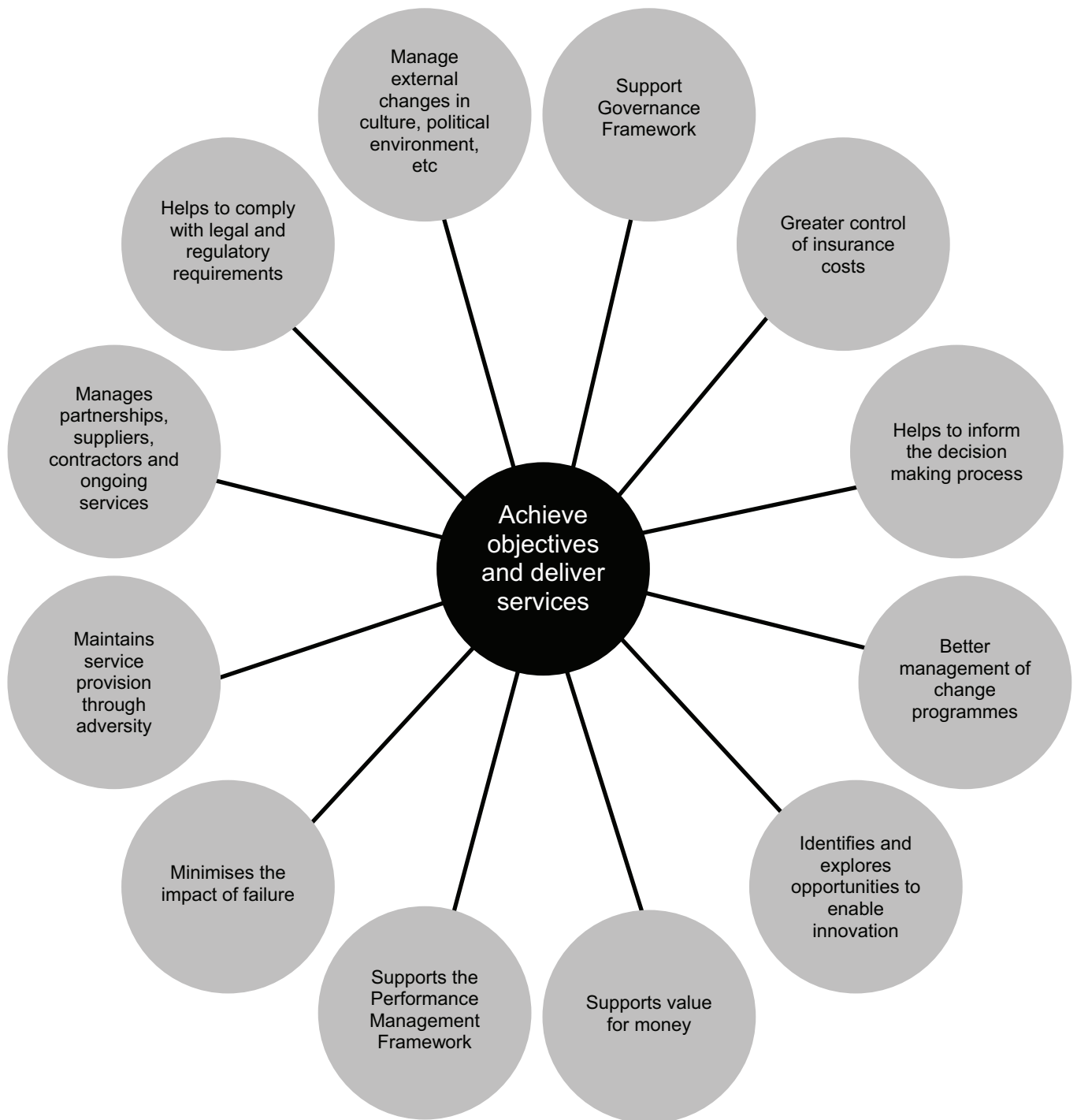
The Risk Management process involves identifying potential risks; what might cause the risks to occur; and what the consequences would be if the risk does occur. The process will identify controls that are currently in place to mitigate the risks and establish what actions can be taken to further reduce the likelihood of the risk arising and the impact should it occur. Risk Management is a continual process and as part of this we need to consider learning from previous experiences.

The greater the understanding of the risks that the Authority is exposed to and the causes and consequences of these risks, the more informed future decision making should be.

### **How the Council captures and monitors risks**

The Council currently uses an electronic web based hosted risk management system (4Risk) to record and manage risks and controls. The system is used to produce reports and statistics to assist Council Officers monitor and manage their risks. Management actions agreed in Internal Audit reports are also entered into the risk management system and progress on their implementation is monitored.

## The Benefits of Good Risk Management



## Risk Categories

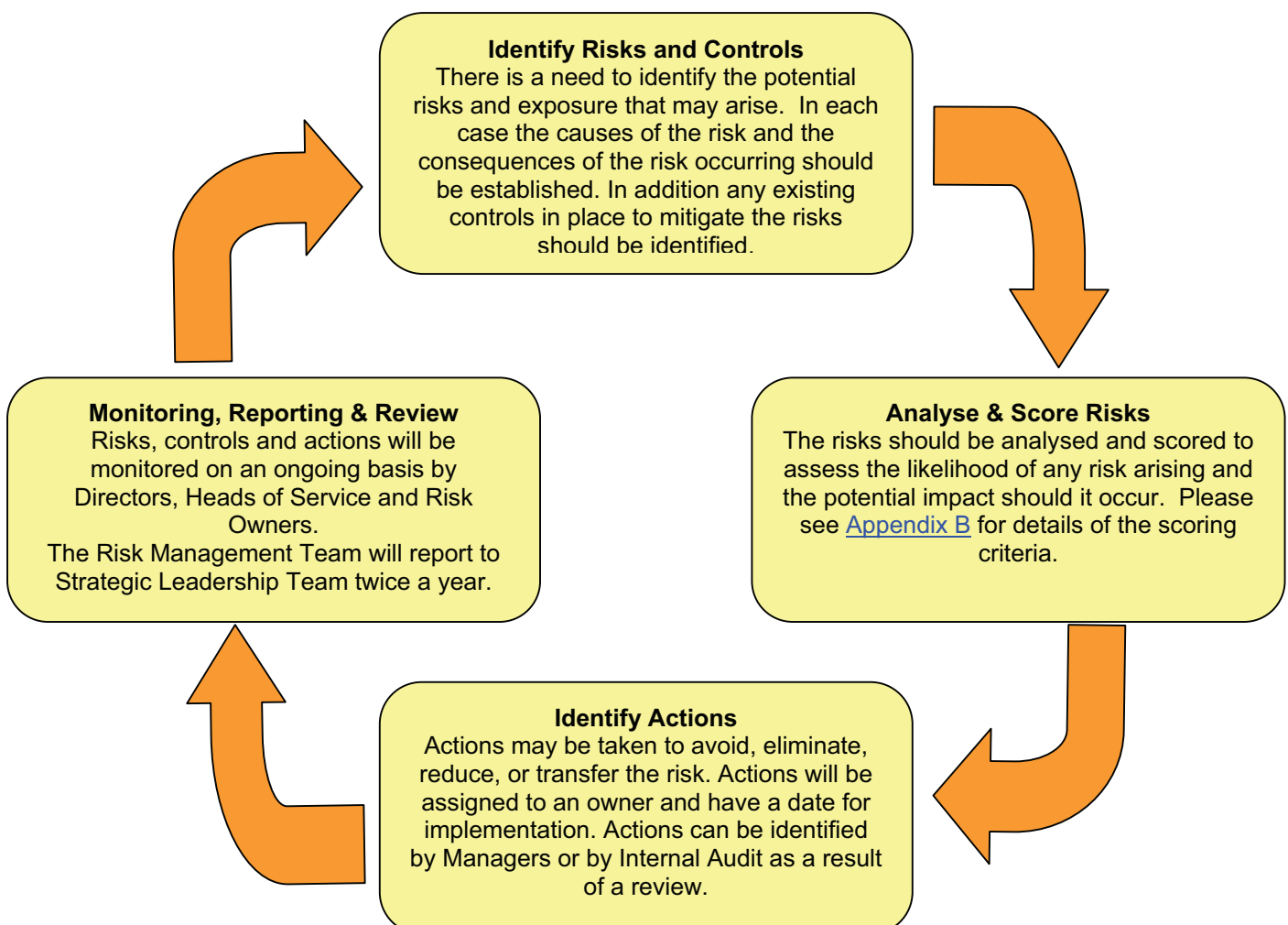
Cambridge City Council is faced with Strategic (Corporate) and Operational (Service) risks that could impact on the achievement of its objectives and the delivery of its services.

Risks can be categorised across a number of different themes. Strategic Leadership Team have identified 19 risk categories or themes. Each risk is allocated a risk category to which it best fits, some risks will fall into more than one category, but the best fit should be selected.

Please see [Appendix AT](#) for a full list of the risk categories.

## The Risk Management Process

There are a number of critical steps in the process of identifying and managing risk within Cambridge City Council’s activities. These are as follows:-





Risk management is a continuous process and the incidence of potential risks should be regularly reviewed to monitor changes over time.

Within the Council, officers and Members, supported by the Councils Risk Management Framework and Risk Register, undertake the processes outlined above.

There will be two key stage reviews to Strategic Leadership Team each year, in January/February and June/July. The 4Risk - Risk Management system will issue email reminders to officers of the need to review Actions. Quarterly reports setting out the significant and high scoring risks will also be produced for Directors for review with their Executive Councillor(s).

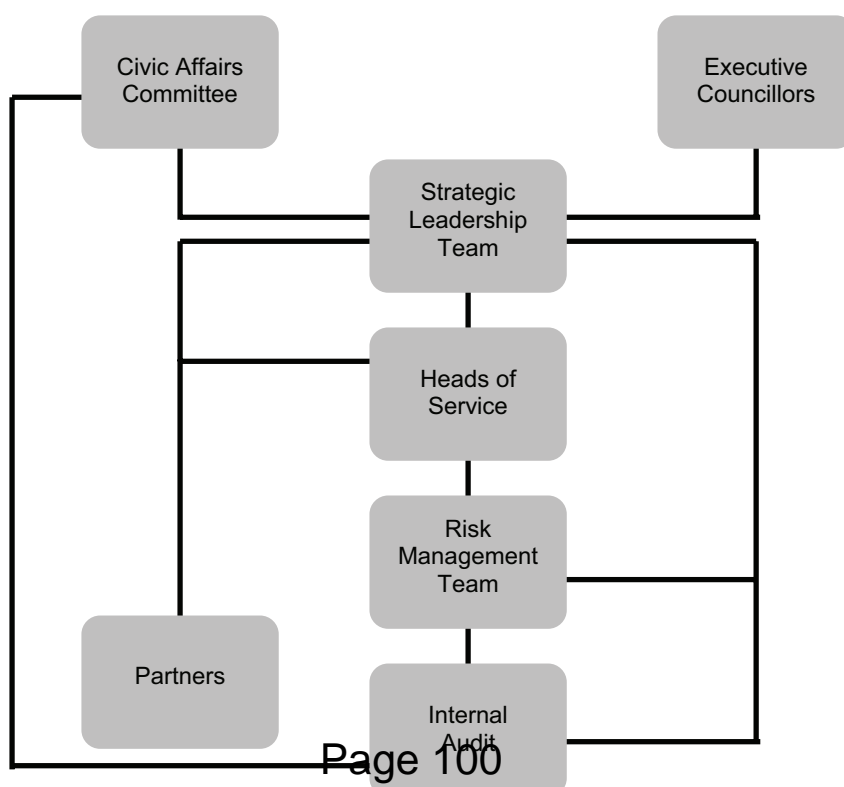
### **Roles and Responsibilities**

It is vital that everybody understands the role that they play in effective risk management, with every employee and Member of Cambridge City Council being responsible for ensuring effective risk management. The roles and responsibilities in the Risk Management Process are detailed below:-

<b>Group or Individual</b>	<b>Roles and Responsibilities</b>
Civic Affairs	Members of Civic Affairs have the role of overseeing the effective management of risk by officers. In effect this means that they will agree the Strategy, framework and process put forward by officers.
Executive Councillors	Ensure that risks are considered as part of the Portfolio Planning Process. Review and challenge the risks associated with their portfolios on a quarterly basis with the relevant Director.
Strategic Leadership Team	Strategic Leadership Team will approve the Risk Management Framework Process and Strategy. They will carry out twice yearly reviews of the key risks facing the Council and progress with the implementation of overdue and outstanding actions.
Heads of Service	Heads of Service will support the Risk Management framework strategy and process. Heads of Service are responsible for managing the risks within their service or associated projects and ensuring that risk activity and targets for implementing actions are achieved and that the risk register is updated on a timely basis.

<p>Risk Management Team</p>	<p>The Risk Management team (Support Services Manager and Internal Audit) is responsible for the implementation of the integrated framework, strategy and process on behalf of the Council and its Strategic Leadership Team. This team is essentially fulfilling a controlling and facilitation role – to ensure the processes are implemented and to offer guidance and advice.</p> <p>The Risk Management Team provides advice, guidance, support and challenge on all aspects of Risk Management including training on the use of the Risk Register (4Risk).</p>
<p>Internal Audit</p>	<p>Internal Audit provides independent assurance on the effectiveness of controls within the Council to mitigate risks. Internal Audit supports the risk management process. It utilises the risk register for monitoring the progress of management agreed actions resulting from audit reports.</p> <p>As part of the production and presentation of the annual Head of Internal Audit Opinion to the Civic Affairs committee, Internal Audit comments on the appropriateness of the risk management process within the Council; as well as identifying areas of no or limited assurance and the associated actions required.</p>
<p>Partners</p>	<p>Cambridge City Council works with a wide range of partners in delivering its services. It is important that those partners are brought into the risk management framework. At times it will be appropriate for partnerships / shared services to be undertaken. However, it is essential that accountabilities are adequately determined and that Cambridge City Council does not overlook any risks that may fall on it arising from its part in a joint venture. Even where there is transfer of operational risks, there will undoubtedly be some residual risks falling on the authority. It is <b>not</b> possible to transfer responsibility for the risk management process.</p>

**Risk Management Lines of Communication**



**The Importance of an Integrated Approach**

In essence, the framework detailed above should provide a consistent, integrated top-down meets bottom-up approach to risk management – embedding it into strategy and operations.

Risk management must continue to be integrated and play a key role in the decision making process in the future.

## Glossary of Key Terms

<b>Action</b>	Something in addition to the existing controls which needs to be carried out to mitigate a risk. Once implemented actions may become controls.
<b>Analysing Risk</b>	The evaluation of risk with regard to the severity if the risk is realised, and the likelihood of the risk being realised.
<b>Cause</b>	What will cause the risk occur.
<b>Consequence</b>	What the consequence will be should the risk occur.
<b>Control</b>	Existing checks / processes in place to mitigate a risk.
<b>Corporate (Strategic) Risk</b>	Potential risks that may prevent the organisation achieving its aims and Medium Term Objectives.
<b>Impact (Severity)</b>	The probable effect on the Organisation / Service if the risk occurs (scored from 1 – 5).
<b>Likelihood</b>	The probability or chance of the risk occurring (scored from 1 – 5).
<b>Operational (Service) Risk</b>	Potential risks that managers and officers encounter during their business planning and day-to-day service delivery
<b>Risk</b>	Risk is the uncertainty of outcome, whether a positive opportunity or a negative threat, of action and events. It is the combination of likelihood and severity.
<b>Risk Management</b>	All the processes involved in identifying, analysing and profiling risks, assigning ownership, taking actions to mitigate or anticipate theme and monitoring and reviewing progress.
<b>Risk Score</b>	The exposure arising from a specific risk after controls have been put in place to manage it and making the assumption that the control is effective. The score is calculated by multiplying likelihood by severity with controls in place.

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## Appendix A – Risk Categories

<b>Risk Category</b>	<b>Risk Description</b>
<i>Growth</i>	Opportunity to influence the growth agenda to ensure the Council meets its Objectives.
<i>Financial</i>	Failure to effectively manage the Council's assets and finances including budget monitoring, financial priorities, medium/long term planning, fraud prevention.
<i>Health &amp; Safety</i>	Failure to manage health and safety effectively leading to a prosecution under the Corporate Manslaughter Act or other health and safety legislation.
<i>Major Projects</i>	Failure to adequately manage and control major CCC projects.
<i>Climate Change</i>	Failure to meet Council's climate change commitments.
<i>Recruitment &amp; Retention</i>	Failure to recruit and retain adequate number of suitable staff leading to key person dependency and loss of capacity building opportunities.
<i>Legislation</i>	Failure to ensure compliance with legislation.
<i>Business Continuity</i>	Failure to adequately plan and manage processes for unforeseen events (Civil Emergency Plan, Business Continuity Plans, IT failure)
<i>Reputation</i>	Damage to Council's reputation through adverse media coverage.
<i>Partnerships</i>	Failure to adequately manage and control partnerships working and joint agency activity and key contractor relationships.
<i>Equalities/Social Exclusion</i>	Failure to manage equalities/social exclusion (including duties for specific vulnerable groups).
<i>Political</i>	Ineffective political leadership, policy development and community leadership; member support.
<i>Officer/Member Relationships</i>	Ineffective officer/member working relationships.
<i>Planning &amp; Leadership</i>	Opportunity to maintain and continue to improve Council efficiency through clear strategic focus, planning and leadership.
<i>Governance *</i>	Inappropriate internal governance.
<i>Procurement &amp; Contract Management</i>	Failure to ensure effective procurement and contract management arrangements.
<i>IT &amp; Technology</i>	Failure to properly manage IT, data and the Council's website.
<i>Change Management</i>	Ineffective management of change, inadequate capacity and knowledge.
<i>Physical Property &amp; Assets</i>	Failure to properly manage property and other assets, to prevent damage, loss or theft.

\* (N.B. Governance refers to the framework of policies and procedures in place that ensure accountability and transparency of the way in which the Council undertakes its activities).

## Appendix B – Risk Scoring

## Cambridge City Council – Risk Matrix

Impact	5	5-10 Medium	5-10 Medium	12-15 Significant	16-25 High	16-25 High
	4	1-4 Low	5-10 Medium	12-15 Significant	16-25 High	16-25 High
	3	1-4 Low	5-10 Medium	5-10 Medium	12-15 Significant	12-15 Significant
	2	1-4 Low	1-4 Low	5-10 Medium	5-10 Medium	5-10 Medium
	1	1-4 Low	1-4 Low	1-4 Low	1-4 Low	5-10 Medium
		1	2	3	4	5
		Likelihood				

Score	Impact	Description
5	Critical	The consequences of this event occurring could cause the failure of a number of services or result in the Council having its powers removed through government intervention. The level of financial impact is likely to be over £500,000 in any year.
4	Significant disruption &/or damaging	Significant – the consequence of such an event occurring could cause the failure of the service or bring the Council into serious disrepute. The level of financial impact is likely to be up to £500,000 in any year.
3	Noticeable effect	This type of risk event would have a significant impact on a service's ability to provide its full range of activities. The result of this is that the integrity of the service/Council would be called into question by, for example an inspection service. The level of financial impact is likely to be up to £300,000.
2	Some limited disruption	These types of events can normally be dealt with through the normal day to day management of the service and internal control mechanisms. The level of financial impact is likely to be up to £50,000 in any year.
1	Virtually no impact	These events may be recognized internally but generally have no external impact and can be resolved quickly. The level of financial impact is likely to be under £5,000 in any year.

Score	Likelihood	Description
5	Dead Cert	In this case the event(s) may have already happened in the relatively recent past. Without controls it will happen again and may even occur despite controls. Projected increase in insurance premiums
4	Probable	The event is more likely to happen than not but there remains some possibility it will not. The chance of occurrence may be around 75%+.
3	Strong possibility	There is an even chance that this event may occur. (A probability would be around one in two, (50%)).
2	Some possibility	These events are not likely to occur but there remains some possibility it will. (A probability of a one in ten chance of this event occurring (10%)).
1	Little chance	These events will only occur in exceptional circumstances. (A probability of less than one in fifty (2%).

## CAMBRIDGE CITY COUNCIL

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REPORT OF: Head of Legal Services  
TO: Civic Affairs Committee 20/3/2013  
WARDS: None directly affected

### **CONSTITUTION AMENDMENT: REVIEW OF HOMELESSNESS DECISIONS**

#### **1 INTRODUCTION**

- 1.1 The Council's arrangements for conducting reviews of decisions relating to homelessness applications have been challenged. This report proposes a change to the Constitution to avoid scope for doubt.

#### **2. RECOMMENDATIONS**

- 2.1 That the Council treats its functions relating to the review of homelessness applications under the Housing Act 1996 as executive functions.
- 2.2 That the Head of Legal Services is authorised to amend the Constitution to reflect this.

#### **3. THE ISSUE**

- 3.1 The Local Government Act 2000 radically changed the structure of decision-making in local government. Amongst other things, it introduced the "leader and cabinet" model of governance.
- 3.2 Regulations under the Act divided Council functions between those that were to be the responsibility of the Executive, those that remained with the Council, those that had an element of joint responsibility and those for which the Council could choose whether they should be the responsibility of the Council or of the Executive.
- 3.3 The Council has responsibility for making decisions about its obligations when people apply for help because they are homeless. The primary legislation is the Housing Act 1996. The Council also

has a duty to provide a review of a decision, if requested by an applicant. Prior to the Local Government Act 2000 and, for a period afterwards, reviews were carried out at member level by a Homelessness Appeals Sub-Committee.

- 3.4 One of the areas of choice for the Council when implementing the “leader and executive” model of governance was whether “homelessness appeals” should be the responsibility of the Council or whether it should be an Executive function. The Council wished, at the time, to retain the member level review and so it decided not to pass responsibility for this function to the Executive.
- 3.5 In 2004, a report by the Head of Housing Services, to the Housing and Health and Scrutiny Committee and the Executive Councillor for Housing and Health recommended that homeless reviews be outsourced, on a three year contract. The Executive Councillor’s decision was:

“Subject to consideration by the Civic Affairs Committee in view of the amendment required to the Constitution, to recommend Council to out source the homelessness decision review/appeals procedure to an external agency, on a three-year contract.”

As the review was treated as a Council function, the decision on its outsourcing needed to be made by the Council.

- 3.6 The Civic Affairs Committee met on August 31, 2004. The meeting recommended an amendment to the constitution to remove reference to the Homelessness Appeals Sub-Committee, in line with the proposal from the Executive Councillor.
- 3.7 Unfortunately, whilst the Civic Affairs recommendation regarding the Constitution was considered and approved by Council, the Executive Councillor’s recommendation to outsource the function was not. Doubt has been cast on whether the decision to outsource was made properly and it would be prudent now to put the matter beyond doubt.
- 3.8 The contract for outsourcing reviews of homelessness decisions is about to expire. The Director of Customer and Community Services is submitting a report to the Executive Councillor for Housing Community Services Scrutiny Committee recommending that a further contract should be let.



3.9 The original point of designating the homeless review function as the responsibility of the Council, rather than that of the Executive, was to preserve the member review by the Homelessness Appeals Sub-Committee. As the Sub-Committee was dissolved in 2004, there is little reason for this to remain a Council function. Other responsibilities for homelessness rest with the Executive, and it would be sensible, and avoid unnecessary bureaucracy, to treat the review element similarly. This would allow the Executive Councillor to make decisions without the need for consideration by full Council.

#### 4.0 **CONSULTATIONS**

The decision and views of the Executive Councillor for Housing and the Community Services Scrutiny Committee on 14 March will be reported to this meeting.

#### 5.0 **OPTIONS**

If the Council decides not to treat its functions relating to the review of homelessness applications under the Housing Act 1996 as executive functions, the Council itself will need to decide whether or not the homelessness review/appeals process should be outsourced. It should also delegate responsibility for the management of this function to a regulatory committee.

#### 6. **IMPLICATIONS**

- (a) **Financial Implications** - None
- (b) **Staffing Implications** - None
- (c) **Equal Opportunities Implications** – None. No equality impact assessment has been carried out in connection with this report as it relates to a procedural constitutional issue, rather than a substantive policy in delivering a service.
- (d) **Environmental Implications** – Nil
- (e) **Procurement** - None
- (f) **Consultation and communication** - None
- (g) **Community Safety** - None

**BACKGROUND PAPERS:** The following are the background papers that were used in the preparation of this report: None

The author and contact officer for queries on the report is Simon Pugh, Head of Legal Services, tel (01223) 457401, email [simon.pugh@cambridge.gov.uk](mailto:simon.pugh@cambridge.gov.uk)

Report file:

Date originated: 08 March 2013

Date of last revision: 08 March 2013

## CAMBRIDGE CITY COUNCIL

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REPORT OF: Head of Planning Services

TO: Civic Affairs Committee

20/03/2013

WARDS:All

### **AMENDMENT TO STANDING ORDERS OF JOINT DEVELOPMENT CONTROL COMMITTEE (CAMBRIDGE FRINGE SITES) TO INCREASE NUMBER OF ALTERNATE MEMBERS**

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#### **1 INTRODUCTION**

- 1.1 The Terms of Reference for the Joint Development Control Committee (Cambridge Fringe Sites) and associated documentation, including Standing Orders were last updated in 2010.
- 1.2 Section 5.1 of the Standing Orders, as set out in Appendix 2 to the Terms of Reference currently allows for one alternate member to be appointed in respect of each political group which represents their council on the Committee.
- 1.3 South Cambridgeshire District Council has requested that the number of alternate members that can be appointed be increased to two, in respect of each political group which represents their council on the Committee.
- 1.4 As this is a modification to the Terms of Reference and the membership of the Committee, it requires all three authorities to approve the change through their full Councils.

#### **2. RECOMMENDATIONS**

- 2.1. To note the proposed changes to the Standing Orders and;
- 2.2 That Council on 18 April 2013 be recommended to agree that Section 5.1 of the Standing Orders of the Joint Development Control Committee (Cambridge Fringe Sites) be amended to allow two

alternate members to be appointed in respect of each political group which represents each of the three councils on the Committee.

### **3. BACKGROUND**

3.1. Section 5.1 of the Standing Orders (see Appendix 1 of this report for relevant extract) that form part of the Terms of Reference for the Joint Development Control Committee (Cambridge Fringe Sites) (JDCC) states as follows:

“Each council will, by resolution, appoint one alternate member in respect of each political group which represents their council on the Committee, but shall not appoint an alternate member for a political group which declines to nominate an alternate member. Each council will notify the Administrator of alternate members appointed.”

3.2. South Cambridgeshire District Council (SCDC) has requested that the number of alternate members that can be appointed be increased to two, in respect of each political group which represents their council on the Committee. This is to provide a greater degree of flexibility and to reduce the possibility of the Committee not being quorate.

3.3. Because the Standing Orders form part of the Terms of Reference for the Committee and it involves a modification to the membership of the Committee, this change needs to be agreed by all three of the local authorities that constitute the Committee, through their respective full Councils. The change cannot be implemented until all three local authorities have approved it.

3.4. SCDC has already approved the change through their Council meeting on 28 February 2013 at the same time as it approved the same change to the Standing Orders of the Northstowe Joint Committee. It is understood that the County's full Council is due to consider the proposals on 26 March 2013.

### **4. CONSULTATIONS**

4.1. Informal consultation has been carried out with the City Council's Head of Legal Services who has no objections to the proposal.

4.2. The City Council Members on the JDCC have been notified of these proposals.

### **5. CONCLUSIONS**

- 5.1. City Council officers have no objections to the proposals and it is therefore considered that Council on 18 April 2013 be recommended to approve the change to the Standing Orders of the JDCC as set out in Section 2.2 of this report.

## 6. **IMPLICATIONS**

### (a) **Financial Implications**

There are no financial implications arising from the proposal.

### (b) **Staffing Implications** (if not covered in Consultations Section)

There are no staffing implications arising from the proposal.

### (c) **Equal Opportunities Implications**

No Equality Impact Assessment has been carried out as there are no equalities implications arising from the proposal.

### (d) **Environmental Implications**

There are no environmental implications arising from the proposal so this has a NIL impact.

### (e) **Procurement**

There are no procurement implications arising from the proposal.

### (f) **Consultation and communication**

### (g) **Community Safety**

There are no community safety implications arising from the proposal.

**BACKGROUND PAPERS:** The following are the background papers that were used in the preparation of this report:

Terms of Reference and associated documentation for the Joint Development Control Committee (Cambridge Fringe Sites) July 2010

South Cambridgeshire District Council meeting minutes dated 28 February 2013

To inspect these documents contact Sharon Brown on extension 7294.

The author and contact officer for queries on the report is Sharon Brown on extension 7294.

Report file:

Date originated: 11 March 2013

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### **Appendix 1 –Extract from Standing Orders of Joint Development Control Committee (Cambridge Fringe Sites).**

The proposed amendment to Section 5.1 is shown as a tracked change below.

#### **Alternate Members**

5.1 Each council will, by resolution, appoint two alternate members in respect of each political group which represents their council on the committee, but shall not appoint an alternate member for a political group which declines to nominate an alternate member. Each council will notify the Administrator] of alternate members appointed.

5.2 Alternate members will have all the powers and duties of any ordinary member of the committee. For the purposes of briefing meetings and circulation of papers, alternate members shall be treated in the same manner as ordinary members.

5.3 Alternate members may attend meetings in that capacity only to take the place of a member of the same political group who is an ordinary member of the relevant committee or sub-committee. The alternate member should withdraw from participation as a member of that committee or sub-committee in the business at that meeting during any period during which the principal member is in fact in attendance.

## CAMBRIDGE CITY COUNCIL

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REPORT OF: Head of Streets and Open Spaces  
TO: Civic Affairs Committee 20/03/2013  
WARDS: All Wards

### **THE INTRODUCTION OF BYELAWS ON CHERRY HINTON CHALK PIT LOCAL NATURE RESERVE.**

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#### **1 INTRODUCTION**

- 1.1 Byelaws are laws of local or limited application that local authorities can make under an Act of Parliament. They are generally based on centrally approved model byelaws and refine and add detail to the existing Acts of Parliament, which enable their creation.
- 1.2 It is proposed that byelaws will be introduced that will enable enhanced protection of Cherry Hinton Chalk Pits Local Nature Reserve (LNR) within the Cambridge City Council administrative boundary. The site consists of three adjacent dry chalk pits designated for their ecological value. In addition to LNR status, two of the Pits (East Pit and West Pit) are also nationally designated as Sites of Special Scientific Interest (SSSIs). The Wildlife Trust own and manage East Pit and lease the other two pits from the City Council.
- 1.3 Since the Trust purchased the largest of the Pits (East pit) the site has been subject to extensive habitat restoration and opened for public enjoyment. Wildlife Trust staff have requested the adoption of byelaws following concerns over certain undesirable activities, including large all night parties that are occurring on the site and threaten to disturb or destroy the rare flora and fauna for which the site was designated.

## 2. RECOMMENDATIONS

The Committee is recommended:

1. To approve the adoption of byelaws under section 21 of the National Parks and Access to the Countryside Act 1949.
2. To approve the sealing with the Council's Common Seal.
3. To approve the advertising of the byelaws allowing for an inspection period of 6 weeks.

## 3. BACKGROUND

### Local Nature Reserves byelaws

- 3.1 The National Parks and Access to the Countryside Act 1949 provided the framework for the creation of National Parks and Areas of Outstanding Natural Beauty, Local Nature Reserves in England and Wales, and also addressed public rights of way and access to open land. Section 21 allows byelaws to be created to protect any created Local Nature Reserve.
- 3.2 To enable further protection of Local Nature Reserves, local authorities have powers to create byelaws. The Wildlife Trust manages the reserve and have suggested the adoption of byelaws based on the Department for Environment, Food and Rural Affairs (Defra) model for byelaws.

These byelaws seek to prevent potentially harmful activities being undertaken on the Cherry Hinton Chalk Pits Reserve. They do not restrict access for quiet enjoyment of the site or the walking of dogs under appropriate control. These byelaws include sections dealing with the following issues:

- Restriction of access to certain areas at certain times e.g. to protect sensitive wildlife when breeding
- Deliberate damage to or disturbance of things in the Reserve
- Bringing animals into the reserve that may have a negative impact e.g. Falconry. Please note that well controlled dogs are welcome in the Reserve
- Use of vehicles such as motorbikes that might damage the reserve and disturb the wildlife
- Use of certain equipment such as radios that might disturb wildlife.
- Use of firearms
- Use of fire
- Interference with duly authorised Officers



## **Model byelaws**

- 3.3 Model LNR byelaws have been created by Defra to speed up the process of creating byelaws. This limits amendments to the sections contained within the byelaws. Sections can be removed where not required. For example exclusion of water sports on sites with no areas of open water.

## **The Process for byelaws**

- 3.4 Consultation has been undertaken with Natural England and the Wildlife Trust as to which sections are appropriate and to ensure no conflict with existing byelaws. A draft has been sent to the Department for Environment, Food and Rural Affairs for informal consultation and those comments have been incorporated into the proposed bylaws.
- 3.5 The byelaws are required to be advertised for a period of 6 weeks. Written representations will then be received and due consideration will be undertaken and written responses will be provided to any objectors with the aim of resolving any objections and having them withdrawn. Any significant or substantive change would mean the re-advertising of the byelaws.
- 3.6 Application for confirmation would then be sent to the relevant department of the Department for Environment, Food and Rural Affairs together with the following documents:
1. two sealed and signed copies of the byelaws;
  2. statement as to deposit (where deposited, dates and times, copy of the newspaper page(s) and website pages where advertised);
  3. copies of any objections that may have been sent to the local authority and the local authority's response.
  4. statement that local and other public authorities (naming them) were notified and when.

## **Usage**

- 3.7 It is not intended that the byelaws be formally used on a day-to-day basis, but more as an aid to negotiations with individuals that may be undertaking undesirable actions concerning Cherry Hinton Chalk Pits Local Nature Reserve. On the Local Nature Reserve a notice board

displaying the bylaws will allow City Council, Wildlife Trust (owners of East Pit) and police officers to easily point out the relevant bylaws to individuals who may be in contravention.

## **Enforcement**

- 3.8 Any enforcement will be considered as a matter of last resort and will be undertaken by existing enforcement officers within the City Council.

## **4. CONSULTATIONS**

Defra, Natural England, and the Wildlife Trust have been consulted and their views have been incorporated into the bylaws. Legal services have been involved in the drafting of the bylaws.

The process of adopting the bylaws has been approved by the Executive Councillor for Arts, Sport and Public Places: Councillor Rod Cantrill at Community Services Committee on the 14<sup>th</sup> March 2013.

The process of adopting the bylaws will include a 6 week public consultation.

## **5. CONCLUSIONS**

The bylaws that will be introduced will enable enhanced protection of Cherry Hinton Chalk Pits Local Nature Reserve and SSSI within the Cambridge City Council administrative boundary.

## **6. IMPLICATIONS**

### **(a) Financial Implications**

There are no financial implications relating to the introduction of bylaws as all work will be undertaken by existing officers.

### **(b) Staffing Implications**

There are no staffing implications.

### **(c) Equal Opportunities Implications**

An Equality Impact Assessment has not been conducted because there are no impacts associated with adopting bylaws.

(d) **Environmental Implications**

Nil: the proposal has no climate change impact.

(e) **Procurement**

There are no procurement implications.

(f) **Consultation and communication**

Please refer to section 5

(g) **Community Safety**

There are no community safety implications.

**BACKGROUND PAPERS:** The following are the background papers that were used in the preparation of this report:

- National Parks and Access to the Countryside Act 1949

To inspect these documents contact Guy Belcher, Nature Conservation Officer Ext. 8532.

Report file:

Date originated: 11 March 2013

Date of last revision: 11 March 2013

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**Cambridge City Council**  
**Cherry Hinton Chalk Pits, Cambridge (*East Pit, West Pit and Lime Kiln Close*) Nature Reserve**

Cambridge City Council in exercise of the powers conferred upon them by sections 20<sup>1</sup>, 21(4)<sup>2</sup> and 106<sup>3</sup> of the National Parks and Access to the Countryside Act 1949 and in accordance with section s 236(4) of the Local Government Act 1972<sup>2</sup> and Environment Protection Act 1990, hereby make the following byelaws for the protection of the Nature Reserve at Cherry Hinton Chalk Pits Cambridge in the City of Cambridge in the County of Cambridgeshire

**1. INTERPRETATION**

In these byelaws

- a. "The Reserve" shall mean the pieces or parcels of land containing in the whole 15.24 hectares or thereabouts and situated in Cambridge in the County of Cambridgeshire declared to be managed as a Nature Reserve by the declaration dated the 2 day of June 2009 and two other declarations of unknown date made by the Council in pursuance of section 21 of the National Parks and Access to the Countryside Act 1949, and the Reserve is for the purposes of identification shown as nearly as may be on the map annexed to these byelaws and therein edged in red.
- b. "The Council" shall mean Cambridge City Council.
- c. "Firearm" shall have the same meaning as in section 57 of the Firearms Act 1968.
- d. Within the Reserve the following acts are hereby prohibited except insofar as they may be authorised by a permit issued by the Council in accordance with Byelaw 4, or are necessary to the proper execution of his duty by an officer of the Council or by any person, or servant of any person, employed or authorised by the Council.

**2. PROHIBITED ACTS**

**Restriction of access**

- (1) Entering at any time those parts of the Reserve where notice to keep out has been posted by order of the Council.

**Damage to or disturbance of things in the Reserve**

- (2) Spreading or using any net, or setting or using any lamp or other instrument, or any snare or lure, for the taking, injury or destruction of any living creature.
- (3) Taking, molesting or intentionally disturbing, injuring or killing any living creature.
- (4) Taking or intentionally disturbing or destroying the eggs, larvae, pupae or other immature stages, or the place used for the shelter or protection of any living creature.

---

*Notes for Guidance*

- 1. Amended by Natural Environment and Rural Communities (NERC) Act 2006.  
Water Act and Communications Act 2003. Telecommunications Act 1984.
- 2. Amended by (NERC) Act 2006
- 3. Amended by the (NERC) Act 2006 and the Environmental Protection Act 1990

- (5) Intentionally removing or displacing the whole or part of any tree, shrub, plant, fungus or part thereof, or any unfashioned mineral thing including water.
- (6) Climbing or ascending any tree or cliff.

**Bringing animals into the Reserve**

- (7) Intentionally bringing, or permitting to be brought, into the Reserve any living creature, or the egg of any living creature, or any plant, or any seed or any other part of any plant, in such circumstances that it is likely that such creature or plant will reproduce or propagate itself, or such egg will hatch, or such seed will germinate.
- (8) Bringing into, or permitting to remain within, the Reserve any animal other than a dog unless it is kept under proper control and is prevented from worrying or disturbing any animal or bird.
- (9) Permitting a dog to disturb any animal or wild bird.
- (10) Turning out any animal or poultry to feed or graze.

**Use of vehicles**

- (11) Driving, riding, propelling or leaving any mechanically propelled vehicle (including a bicycle) elsewhere than on a highway or on a road, or in a place indicated by a notice as being available for the purpose.
- (12) Landing any aircraft except in case of emergency.
- (13) Launching or landing except in an emergency a hang glider.

**Use of certain equipment**

- (14) Using a device designed or adapted for detecting or locating metal or mineral in the Reserve.
- (15) Using any camera or any apparatus for the transmission, reception, reproduction, or amplification of sound, speech or images by electrical or mechanical means, except apparatus designed and used as an aid to defective hearing and apparatus used in a vehicle so as not to produce sound audible by a person outside the vehicle.

**Use of firearms etc**

- (16) Possessing a firearm (with ammunition suitable for use in that firearm) otherwise than on a public paved road, or discharging a firearm or lighting a firework.
- (17) Projecting any missile manually or by artificial means.

**General prohibitions**

- (19) Bringing any polluting or noxious substances into the Reserve.
- (20) Erecting, occupying or using any tent, shed, caravan or other structure.
- (21) Flying any kite or model aircraft.
- (22) Erecting any post, rail, fence, pole, booth, stand, building or other structure.
- (23) Neglecting to shut any gate or to fasten it if any means of doing so are provided.
- (24) Posting or placing any notice or advertisement.

(25) Selling or offering or exposing for sale, or letting for hire or offering or exposing for letting for hire, any commodity or article, or selling or offering for sale any service.

(26) Engaging in any activity which is causing or likely to cause a disturbance.

(27) Holding any show, performance, public meeting, exhibition or sports or playing of any organised game.

(28) Roller skating, skiing, tobogganing, or skate-boarding.

#### **Use of fire**

(29) Lighting any fire, stove, heater or other appliance capable of causing a fire.

(30) Letting fall or throwing any lighted match or lighted substance in a manner likely to cause a fire.

(31) Intentionally leaving items in a place other than a receptacle provided by the Council for deposit of litter or refuse.

### **3. INTERFERENCE WITH DULY AUTHORISED OFFICER**

Intentionally obstructing any officer of the Council or any person, or the servant of any person, employed or authorised by the Council in the execution of any works including research or scientific work connected with the laying out, maintenance or management of the Reserve.

### **4. PERMITS**

The Council may issue permits authorising any person to do any act or class of acts within the Reserve or any part thereof which would otherwise be unlawful under these byelaws.

Any such permit shall be issued subject to the following conditions:

(a) that it must be carried whenever a visit is made to the Reserve, and produced for inspection when required by a person duly authorised by the Council in that behalf; and

(b) that it may be revoked by the Council at any time.

### **5. BYELAWS**

These byelaws shall not operate so as to interfere with the exercise –

(a) by a person of -

(i) a right vested in him/her as owner, lessee or occupier of land in the Reserve,

(ii) any easement or profit a prendre to which he is entitled,

(iii) any public right of way.

(b) of any functions of a local authority, statutory undertaker or drainage authority

(c) by a constable or a member of the armed forces or of any fire brigade or ambulance service of the performance of his duty.

### **6. OFFENCES**

Any person who offends against any of these byelaws shall be liable on summary conviction to a fine on level 2 as laid down in the Criminal Justice Act 1982 and in the case of a continuing offence to a further fine for each day during which the offence continues after the said conviction.





# Cambridge City Council Equality Impact Assessment



Completing an Equality Impact Assessment will help you to think about what impact your strategy, policy, plan, project, contract or major change to your service may have on people that live in, work in or visit Cambridge, as well as on City Council staff.

The template is easy to use. You do not need to have specialist equalities knowledge to complete it. It asks you to make judgements based on evidence and experience. There are guidance notes on the intranet to help you. You can also get advice from David Kidston, Strategy and Partnerships Manager on 01223 457043 or email [david.kidston@cambridge.gov.uk](mailto:david.kidston@cambridge.gov.uk) or from any member of the Joint Equalities Group.

## 1. Title of strategy, policy, plan, project, contract or major change to your service:

The introduction of byelaws on Cherry Hinton Chalk Pit Local Nature Reserve.

## 2. What is the objective or purpose of your strategy, policy, plan, project, contract or major change to your service?

It is proposed that byelaws will be introduced that will enable enhanced protection of Cherry Hinton Chalk Pits Local Nature Reserve within the Cambridge City Council administrative boundary.

## 3. Who will be affected by this strategy, policy, plan, project, contract or major change to your service? (Please tick those that apply)

- Residents
- Visitors
- Staff

A specific client group or groups (please state):  
N/A

## 4. What type of strategy, policy, plan, project, contract or major change to your service is this? (Please tick)

- New
- Revised
- Existing

## 5. Responsible directorate and service

Directorate: Environment

Service: Streets & Open Spaces

## 6. Are other departments or partners involved in delivering this strategy, policy, plan, project, contract or major change to your service?

No

Yes (please give details):

BCN Wildlife Trust

## 7. Potential impact

Please list and explain how this strategy, policy, plan, project, contract or major change to your service could **positively** or **negatively** affect individuals from the following equalities groups.

When answering this question, please think about:

- The results of relevant consultation that you or others have completed (for example with residents, people that work in or visit Cambridge, service users, staff or partner organisations).
- Complaints information.
- Performance information.
- Information about people using your service (for example whether people from certain equalities groups use the service more or less than others).
- Inspection results.
- Comparisons with other organisations.
- The implementation of your piece of work (don't just assess what you think the impact will be after you have completed your work, but also think about what steps you might have to take to make sure that the implementation of your work does not negatively impact on people from a particular equality group).
- The relevant premises involved.
- Your communications.
- National research (local information is not always available, particularly for some equalities groups, so use national research to provide evidence for your conclusions).

**(a) Age** (any group of people of a particular age, including younger and older people)

Proposed bylaws do not discriminate against any particular group based on age.

**(b) Disability** (including people with a physical impairment, sensory impairment, learning disability, mental health problem or other condition which has an impact on their daily life)

Proposed bylaws do not discriminate against any particular group based on disability.

**(c) Gender**

Proposed bylaws do not discriminate against any particular group based on gender.

**(d) Pregnancy and maternity**

Proposed bylaws do not discriminate against any particular group based on pregnancy or maternity.

**(e) Transgender** (including gender re-assignment)

Proposed bylaws do not discriminate against any particular group based on transgender.

**(f) Marriage and Civil Partnership**

Proposed bylaws do not discriminate against any particular group based on marriage or civil partnership status.

**(g) Race or Ethnicity**

Proposed bylaws do not discriminate against any particular group based on race or ethnicity.

**(h) Religion or Belief**

.Proposed bylaws do not discriminate against any particular group based on religion or belief.

**(i) Sexual Orientation**

Proposed bylaws do not discriminate against any particular group based on their sexual orientation.

**(j) Other factor that may lead to inequality (please state):**

Not applicable.

## 8. If you have any additional comments please add them here

Officers have considered the nature of each of the proposed bylaws and assessed whether their adoption and implementation would negatively or positively impact upon any particular group. It is concluded that the bylaws are reasonable to protect the Local Nature Reserve and their creation will not discriminate against Cambridge residents, visitors or City Council Staff.

## 9. Conclusions and Next Steps

- If you have not identified any negative impacts, please sign off this form.
- If you have identified potential negative actions, you must complete the action plan at the end of this document to set out how you propose to mitigate the impact. If you do not feel that the potential negative impact can be mitigated, you must complete question 8 to explain why that is the case.
- If there is insufficient evidence to say whether or not there is likely to be a negative impact, please complete the action plan setting out what additional information you need to gather to complete the assessment.

All completed Equality Impact Assessments must be emailed to David Kidston, Strategy and Partnerships Manager, who will arrange for it to be published on the City Council's website. Email [david.kidston@cambridge.gov.uk](mailto:david.kidston@cambridge.gov.uk)

## 10. Sign off

Name and job title of assessment lead officer: I Guy Belcher. Nature Conservation Officer

Names and job titles of other assessment team members and people consulted:  
Simon Bunn Drainage Engineer

Date of completion: 28<sup>th</sup> January 2013

Date of next review of the assessment:

## Action Plan

**Equality Impact Assessment title:**

**Date of completion:**

Equality Group	Age
Details of possible disadvantage or negative impact	
Action to be taken to address the disadvantage or negative impact	
Officer responsible for progressing the action	
Date action to be completed by	

Equality Group	Disability
Details of possible disadvantage or negative impact	
Action to be taken to address the disadvantage or negative impact	
Officer responsible for progressing the action	
Date action to be completed by	

Equality Group	Gender
Details of possible disadvantage or negative impact	
Action to be taken to address the disadvantage or negative impact	
Officer responsible for progressing the action	
Date action to be completed by	

<b>Equality Group</b>	<b>Pregnancy and Maternity</b>
Details of possible disadvantage or negative impact	
Action to be taken to address the disadvantage or negative impact	
Officer responsible for progressing the action	
Date action to be completed by	

<b>Equality Group</b>	<b>Transgender</b>
Details of possible disadvantage or negative impact	
Action to be taken to address the disadvantage or negative impact	
Officer responsible for progressing the action	
Date action to be completed by	

<b>Equality Group</b>	<b>Marriage and Civil Partnership</b>
Details of possible disadvantage or negative impact	
Action to be taken to address the disadvantage or negative impact	
Officer responsible for progressing the action	
Date action to be completed by	

<b>Equality Group</b>	<b>Race or Ethnicity</b>
Details of possible disadvantage or negative impact	
Action to be taken to address the disadvantage or negative impact	
Officer responsible for progressing the action	
Date action to be completed by	

<b>Equality Group</b>	<b>Religion or Belief</b>
Details of possible disadvantage or negative impact	
Action to be taken to address the disadvantage or negative impact	
Officer responsible for progressing the action	
Date action to be completed by	

<b>Equality Group</b>	<b>Sexual Orientation</b>
Details of possible disadvantage or negative impact	
Action to be taken to address the disadvantage or negative impact	
Officer responsible for progressing the action	
Date action to be completed by	

<b>Other factors that may lead to inequality</b>	
Details of possible disadvantage or negative impact	
Action to be taken to address the disadvantage or negative impact	
Officer responsible for progressing the action	
Date action to be completed by	

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