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Cambridge City Council

CIVIC AFFAIRS

To: **Committee Members:** Councillors Rosenstiel (Chair), Cantrill (Vice-Chair), Benstead, Herbert, Pitt and Ashton

Alternates: Councillor Boyce

Despatched: Tuesday, 11 March 2014

Date: Wednesday, 19 March 2014

Time: 6.00 pm

Venue: Committee Room 1 & 2 - Guildhall

Contact: Glenn Burgess

Direct Dial: 01223 457013

AGENDA

1 APOLOGIES FOR ABSENCE

2 MINUTES OF PREVIOUS MEETING *(Pages 7 - 12)*

To approve the minutes of the meeting held on 29 January 2014.

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** **EXTERNAL AUDIT PLAN** (*Pages 13 - 32*)

- 6** **INTERNAL AUDIT PLAN & STRATEGY 2014 / 2015** (*Pages 33 - 68*)

- 7** **CONSTITUTION - LEGISLATIVE UPDATE** (*Pages 69 - 72*)

Information for the Public

Location The meeting is in the Guildhall on the Market Square (CB2 3QJ).

Between 9 a.m. and 5 p.m. the building is accessible via Peas Hill, Guildhall Street and the Market Square entrances.

After 5 p.m. access is via the Peas Hill entrance.

All the meeting rooms (Committee Room 1, Committee 2 and the Council Chamber) are on the first floor, and are accessible via lifts or stairs.

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To ask a question or make a statement please notify the Committee Manager (details listed on the front of the agenda) prior to the deadline.

- For questions and/or statements regarding items on the published agenda, the deadline is the start of the meeting.
- For questions and/or statements regarding items NOT on the published agenda, the deadline is 10 a.m. the day before the meeting.

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CIVIC AFFAIRS

29 January 2014

6.00pm - 6.56 pm

Present: Councillors Rosenstiel (Chair), Ashton, Benstead and Pitt**Officers present:**

Chief Executive: Antoinette Jackson

Director of Resources: David Horspool

Director of Business Transformation: Ray Ward

Head of Legal Services: Simon Pugh

Head of Human Resources: Deborah Simpson

Democratic Services Manager: Gary Clift

Electoral Services Manager: Vicky Breeding

Committee Manager: Glenn Burgess

Audit Manager: Ernst & Young (External Auditors) – Ruth Pritchard-Wooles

FOR THE INFORMATION OF THE COUNCIL**14/1/CIV Apologies for absence**

Apologies were received from Councillors Cantrill and Herbert.

14/2/CIV Minutes of previous meeting

The minutes of the meeting held on 20 November 2013 were signed as a correct record by the Chair.

14/3/CIV Declarations of Interest

Councillor	Item	Interest
Rosenstiel	13/06/CIV	Personal: Member of Trinity College

14/4/CIV Public Questions

There were no public questions.

14/5/CIV External Audit Annual Certification Report 2012/13

The committee received a report from the External Audit Manager regarding the External Audit Annual Certification Report for 2012/13.

The Chief Executive confirmed that she had raised concerns with the external auditors regarding the current process. Whilst the City Council followed guidance issued by the Department for Work and Pensions (DWP) it had become apparent that the audit guidelines used by the external auditors was not consistent with the DWP advice.

The Director of Resources confirmed that this had also been raised with DWP and it was hoped that the inconsistency would be addressed for future years.

The committee noted the External Audit Annual Certification Report for 2012/13.

14/6/CIV Review of Polling Districts, Polling Places and Polling Stations

An introduction was given by the Chief Executive.

The committee received a report from the Electoral Services Manager regarding the review of polling districts, polling places and polling stations.

Changes to Market Ward (page 10 of the Officer's report)

In response to a question from the Chair the Electoral Services Manager confirmed that the Corn Exchange Foyer was not available for the 2014 elections and that St.Columba's Hall had been secured as an alternative polling station. Fisher Hall would continue to be used for Newnham Ward.

Changes to Newnham Ward (page 10 of the Officer's report)

The Chair noted that, whilst owners had an obligation to make their venues fully accessible for disabled people, he supported the compromise being discussed with Trinity College about the possible use of a building on Old Field.

Changes to Romsey Ward (page 11 of the Officer's report)

The Chair proposed the following amendments, which had been circulated prior to the meeting:

- *Alfred Court – should be in LB (not LA)*
- *Ashtead Court – should be in LC (not LB)*
- *Jubilee Terrace – included as Catharine Street in LA (for info)*
- *Montreal Road & Montreal Square – should be in LC (not LB)*
- *St. Phillip's Road – whole road should be in LA (not split)*
- *Stourbridge Grove – should be in LC (not LA)*
- *Vinery Way – Should be one listing in LC (22 properties in total)*

Updated statistics

	Current Properties	Curent Electorate	Average electors per property	Proposed Properties	Estimated Electorate
<u>Romsey</u>					
LA	2,662	4,093	1.5	1,472	2,208
LB	1,497	2,266	1.5	1,767	2,651
LC (new)	0	0	1.5	920	1,380
	4,159	6,359		4,159	6,239

The committee expressed support for these amendments.

Councillor Smart (Ward Councillor) felt that the suggested changes were a solution to a long running problem. It was proposed however that the division between Cavendish Road on the 'odd number' side is moved up to numbers 63-65.

The committee expressed support for this amendment.

In response to a question from the Chair the Electoral Services Manager confirmed that the owners of St. Phillip's Hall and a church hall on Vinery Road would prefer that neither be used as a polling station. With regard to an alternative County Council owned facility on the corner diagonally opposite the Sainsbury's on Coldhams Lane, Officers were chasing a response. The option of a temporary cabin located in Sainsbury's car park was also being investigated.

Members discussed different options regarding the proposed split of house numbers on Coldhams Lane. It was noted that the relevant Ward Councillors had expressed differing opinions.

The committee proposed that the Chief Executive consult Romsey Ward Councillors on the options relating to Coldhams Lane and make a decision based on the majority view.

Changes to Trumpington Ward (page 14 of the Officer's report)

Members discussed in detail the option of creating a third polling district (MC) in Trumpington.

The Chair questioned whether north/south was the correct way to divide Trumpington. Councillor Smart responded that, as a member of the Joint Development Control Committee which looked at the growth sites, she felt that this was the best way to divide Trumpington.

In response to a question from Councillor Ashton the Democratic Services Manager confirmed that maps were sent to all relevant Ward Councillors for comment prior to the report being drafted. A copy of the final report was also circulated to Ward Councillors for information.

The Democratic Services Manager confirmed that the following would be built by March 2015:

- 324 new homes on Trumpington Meadows
- 400 new homes on Clay Farm
- 210 new homes on Glebe Farm

In response to a question from the Chair the Electoral Services Manager confirmed that she did not think that Trumpington Village Hall would be a suitable polling station if the number of electors significantly increased. Councillor Smart responded that extra rooms were available at the venue and her view was that the venue would be suitable.

The Committee agreed that combining the polling place for MB and MC polling districts would resolve the issue of the location of a new polling station within the new MC polling district, allowing the current polling station in MB to be used until building of the new community centre in MC was completed.

Resolved (unanimously) to:
See report recommendations

Agree the following - as per Appendix 1 of the Officer's report, subject to the agreed changes (as above):

Romsey Ward

As per appendix 1 but with the following changes:

- *Alfred Court – should be in LB (not LA)*
- *Ashtead Court – should be in LC (not LB)*
- *Jubilee Terrace – included as Catharine Street in LA (for info)*
- *Montreal Road & Montreal Square – should be in LC (not LB)*
- *St. Phillip's Road – whole road should be in LA (not split)*
- *Stourbridge Grove – should be in LC (not LA)*

Vinery Way – Should be one listing in LC (22 properties in total)

- *Division between Cavendish Road on the 'odd number' side moved up to numbers 63-65.*
- *Chief Executive to consult Romsey Ward Councillors on the options relating to Coldhams Lane and make a decision based on the majority view.*

Trumpington Ward

Reject the proposal to move some properties from MA to MB.

Agree the creation of a third polling district (MC) and designate the polling place for that district to be the whole of MB and MC polling districts

14/7/CIV Members Allowances - Municipal Year 2014/15

The committee received a report from the Democratic Services Manager regarding the Members Allowances Scheme for 2014/15.

In response to a question from Councillor Ashton the Democratic Services Manager confirmed that the Independent Remuneration Panel (IRP) would only have been consulted if any changes were being recommended.

Resolved (by 3 votes to 0) to:

- i. Recommend to Council on 27 February 2014 that the existing Members' Allowances Scheme be continued for the 2014/15 Municipal Year.

14/8/CIV Pay Policy Statement 2014/15

The committee received a report from the Head of Human Resources regarding the Pay Policy Statement for 2014/15.

Resolved (by 3 votes to 0):

- i. That only full Council may authorise salary or severance packages of £100,000 or more, following consideration by the Employment (Senior Officer) Committee.
- ii. That the Terms of Reference of the Employment (Senior Officer) Committee be amended by the addition of:

"To make recommendations to Council with regard to proposals for salary or severance packages of £100,000 or more."
- iii. To note the recommendations of the Strategy and Resources Scrutiny Committee in relation to review of the Living Wage Policy for agency workers.
- iv. To recommend to Council the draft Pay Policy Statement 2014/15.

The meeting ended at 6.56 pm

CHAIR

Cambridge City Council

Year ending 31 March 2014

Audit Plan

3 March 2014



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Members of the Civic Affairs Committee
Cambridge City Council
The Guildhall
Cambridge
CB2 3QJ

3 March 2014

Dear Members

2013-14 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 2014 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 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 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully



Mark Hodgson
For and behalf of Ernst & Young LLP
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In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

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 its financial position as at 31 March 2014 and of the income and expenditure for the year then ended; and
- ▶ A statutory conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office ('NAO'), to the extent and in the form required by them, on your 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 parts 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 our value for money conclusion. We also outline our plans to address these risks.

Details of our audit process and strategy are set out in section 4.

2. Financial statement risks

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

Significant risks (including fraud risks)	Our audit approach
<p>Fraud and management override risk</p> <p>ISA (UK&I) 240 requires that we plan our audit work to consider the risk of fraud. This includes consideration of the risk that management may override controls in order to manipulate the financial statements.</p> <p>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.</p> <p>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.</p> <p>One area which may be susceptible to manipulation is the capitalisation of revenue expenditure on Property, Plant and Equipment given the extent of the Council's Capital programme.</p>	<p>Based on the requirements of auditing standards our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Identifying 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 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 National Fraud Initiative and may make reference to it in our reporting to you. ▶ We will test the additions to the Property Plant and Equipment balance to ensure they are properly classified as capital expenditure
<p>Localisation of business rates retention</p> <p>There have been significant changes in the arrangements for business rate arrangements from April 2013. The detailed accounting requirements for the new arrangement are not yet clear and this therefore presents a risk in terms of the financial statements.</p> <p>One of the main changes is that individual councils now need to provide for rating appeals. This includes not only claims from 1 April 2013 but claims that relate to earlier periods. As appeals are made to the Valuation Office, Councils may not be aware of the level or extent of claims. Councils may also find it difficult to obtain sufficient information to establish a reliable estimate for the appeal provision.</p>	<ul style="list-style-type: none"> ▶ We will review the detailed accounting for business rates to ensure the Council's accounts are materially accurate and compliant with the CIPFA Code of practice. ▶ We will review the Council's provision for business rate appeals to ensure it has been calculated on a reasonable basis in line with IAS37. As part of this we will ensure the provision is supported by appropriate evidence and that the level of estimation uncertainty is adequately disclosed in the accounts.
<p>Property asset valuations</p> <p>Valuation of property assets and capital expenditure are significant accounting estimates that have material impact on the financial statements.</p> <p>Changes in the assumptions and the basis of valuation can have a material impact on the reported figures.</p> <p>The upturn in the economy and the boom in development and property values in Cambridge mean that there may be significant movements in values from the prior year.</p> <p>The Council is entering into a number of developments where the valuation of properties could have commercial sensitivity.</p> <p>The council uses external valuers – but the Council instructs them on the basis of the valuation - so if the wrong accounting treatment is chosen the resultant valuation could be materially misstated.</p>	<p>Our approach will focus on</p> <ul style="list-style-type: none"> ▶ Reliance on management's experts ▶ Reliance on auditor experts ▶ Consideration of the accounting treatments and basis of valuation as required by the Code ▶ Test of detail if required

We will provide an update to the Civic Affairs Committee on the results of our work in these areas in our report to those charged with governance scheduled for delivery in September 2014.

3. Economy, efficiency and effectiveness

Our work will focus on:

1. Whether there are proper arrangements in place for securing financial resilience at Cambridge City Council ; and
2. Whether there are proper arrangements in place at the Council to secure economy, efficiency and effectiveness in the use of resources.

We have undertaken a high-level summary of our risk assessment and have not identified any significant risks. We have identified the following areas that we will focus on as part of our assessment.

Area of focus	Our audit approach
Pressures from economic downturn	
<p>To date the Council has responded well to the financial pressures resulting from the continuing economic downturn. However, the Comprehensive Spending Review will continue to impact on the Council's budget and medium term Financial Strategy during the current and forthcoming financial years.</p> <p>In 2012/13, we reported on internal control weaknesses that impacted on the Council's budget setting process and the planned future reserve levels in the medium term Financial Strategy.</p>	<p>Our approach will continue to focus on:</p> <ul style="list-style-type: none"> ▶ The adequacy of the Council's budget setting process. ▶ The robustness of any assumptions. ▶ The effective use of scenario planning to assist the budget setting process. ▶ The effectiveness of in year monitoring against the budget. ▶ The Council's approach to prioritising resources. ▶ Follow up on the action plan put in place to address the control weaknesses identified in 2012/13.
Localisation of business rates retention	
<p>From April 2013, the Council will be able to retain some of its income from local business rates rather than paying the full amount back to central government. This localisation of business rates will impact upon the Council's income levels.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Whether outcomes of the new arrangements are in line with the Council's plan and the impact on the Council's Budget.
Approach to local council tax support	
<p>The Local Council Tax Support (LCTS) scheme took effect from April 2013. This will require the Council to set locally appropriate levels of council tax support.</p> <p>The move to LCTS represents a significant change for the Council and brings both financial and reputational risks.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ The outcomes from the development and implementation of LCTS. ▶ How the Council's move to LCTS has impacted on the budget setting process.

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; and
- ▶ Arrangements for securing economy, efficiency and effectiveness in the use of resources

We issue a two-part auditor's 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 your 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; and
- ▶ 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 approach is to assess the Council's level of internal controls and to place reliance upon those controls where our assessment allows.

In doing so, we will look to rely upon the work of Internal Audit as much as possible whilst complying with the requirements of auditing standards. We have discussed our requirements with Internal Audit, establishing which financial systems they are reviewing this year and have built this in to our work plan:

4.2.1 Processes

Our initial assessment of the key processes across the entity has identified the following key processes where we will seek to rely on key controls:

- ▶ Accounts payable
- ▶ Accounts receivable
- ▶ Housing Benefits

4.2.2 Analytics

We will aim to use our computer-based analytics tools to enable us to capture whole populations of 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; and
- ▶ 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 Civic Affairs Committee.

4.2.3 Internal audit

As in prior years, 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 approach, when issues are raised that could impact the year-end financial statements.

We will seek to place reliance on the work of internal audit wherever possible in line with auditing standards.

4.2.4 Mandatory procedures

We will undertake the following mandatory procedures as required by auditing standards:

- ▶ Addressing the risk of fraud and error.
- ▶ Reviewing significant disclosures included in the financial statements.
- ▶ Assessing entity-wide controls.
- ▶ Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements.

The following procedures are also 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 the Authority its 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 above this level will be presented 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 audit of Cambridge City Council is £68,405. Further information is provided in Appendix A.

4.5 Your audit team

The engagement team is led by Mark Hodgson, who has significant experience of Cambridge City Council. 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 finance team.

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 conclusion work and the Whole of Government Accounts (WGA); and the deliverables we have agreed to provide to you through the Civic Affairs Committee cycle in 2014. These dates are determined to ensure our alignment with the Audit Commission's rolling calendar of deadlines.

We will provide a report to the Civic Affairs Committee in September 2014, detailing the findings from our year end audit. From time to time matters may arise that require immediate communication with the Civic Affairs Committee and we will discuss them with the Chairman 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	Deliverables
High level planning	April 13	Audit Fee letter
Risk assessment and setting of scopes	December 13 to February 14	Audit Plan
Testing of routine processes and controls	February 14 to March 14	
Year-end audit	July 14 to September 14	Report to 'Those charged with governance' Audit results 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. This will also report on our Whole of Government accounts work). Audit completion certificate
Reporting	October 14	Annual Audit Letter

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 your governance on matters in which you have an interest.

Required communications	
Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the 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. 	<ul style="list-style-type: none"> ▶ 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 your policy for the supply of non-audit services by EY and any apparent breach of that policy; and ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you 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 EY 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 EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receives 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 EY or others within the EY 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 EY are prohibited from taking decisions on behalf of management of your 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 EY 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

EY 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 EY 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 28 June 2013 and can be found here: [UK 2013 Transparency Report](#)

Appendix A Fees

A breakdown of our agreed fee is shown below

	Planned Fee 2013/14 £	Actual Fee 2012/13 £
Total Audit Fee – Code work	68,405	68405
Certification of claims and returns*	12,700	20,655*

**The actual fee for 2012/13 is subject to finalisation by the Audit Commission.*

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

- ▶ Officers meeting the agreed timetable of deliverables.
- ▶ 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 (where we have prior year experience).
- ▶ No significant changes being made by the Audit Commission to the use of resources criteria on which our conclusion will be based.
- ▶ Our accounts opinions and use of resources conclusion being unqualified.
- ▶ Appropriate quality of documentation is provided by the audited body.
- ▶ An effective control environment is in place.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with you 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.

Appendix B UK required communications with those charged with governance

There are certain communications that we must provide to those charged with governance of audited clients. These are detailed here:

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

Required communication	Reference
<ul style="list-style-type: none"> ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	
<p>Going concern</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"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	<p>Report to those charged with governance</p>
<p>Significant deficiencies in internal controls identified during the audit</p>	<p>Report to those charged with governance</p>
<p>Certification work</p> <ul style="list-style-type: none"> ▶ Summary of certification work undertaken 	<p>Annual Report to those charged with governance summarising grant certification, and Annual Audit Letter if considered necessary</p>
<p>Fee Information</p> <ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial audit plan ▶ Breakdown of fee information at the completion of the audit 	<p>Audit Plan</p> <p>Report to those charged with governance and Annual Audit Letter if considered necessary</p>

EY | Assurance | Tax | Transactions | Advisory

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CAMBRIDGE CITY COUNCIL

REPORT OF: DIRECTOR OF BUSINESS TRANSFORMATION

TO: CIVIC AFFAIRS COMMITTEE

19 March 2014

WARDS: All

INTERNAL AUDIT PLAN 2014 / 2015

1. INTRODUCTION

- 1.1 This is the draft Internal Audit Annual Plan and Strategy for 2014/15 for consideration by the Civic Affairs Committee. The plan has been subject to consultation with all Directorates, the Chief Executive and a copy of the draft plan has been shared with External Audit.
- 1.2 Internal Plans and the associated documents have been established in accordance with best practice as laid down in the Public Sector Internal Audit Standards (PSIAS).

2. RECOMMENDATIONS

- 2.1 Civic Affairs Committee is requested to examine the draft Internal Audit Plan for 2014/15 and:
- Identify any areas for further consideration;
 - Approve the draft audit plan and strategy; and
 - Note the internal documents on Internal Audit provision – the Audit Charter, Code of Ethics and Performance Indicators – as identified in accordance with the Public Sector Internal Audit Standards.

3. BACKGROUND

- 3.1 This report provides an overview of the stages followed prior to the formulation of the Annual Audit Plan for 2014/15. The Annual Audit Plan will then serve as the work programme for Internal Audit and provide the basis upon which the HoIA will subsequently give Audit Opinions on Cambridge City Council's (CCC) system of internal control and risk management, and corporate governance arrangements for 2014/15.
- 3.2 Members' attention is also drawn to the fact that the Audit Charter has been presented for approval. This sets out the original Terms of Reference for the service and is aligned against the PSIAS. The foundations of these standards however are not so fundamentally different to those requirements formerly specified in the CIPFA Code of Practice for Internal Audit, although the

structure of the Charter must follow a prescribed format which defines the purpose, authority and responsibility of the Internal Audit activity, and clear definitions need to be given of those governance elements fulfilling responsibilities of the 'board' and 'senior management'

- 3.3 In accordance with legislative, regulatory and best practice requirements, CCC has made arrangements for a continuous internal audit to examine the accounting, financial and other operations of the organisation.
- 3.4 A number of key supporting papers have also been developed – e.g. Audit Charter (how we work), Code of Ethics (clarity on conduct) and Performance Indicators (how we monitor service delivery). In conjunction with these documents, an insight into future audit input envisaged is set out in the Strategy alongside a more detailed analysis of audit assignments being lined up for the next financial year.
- 3.5 During 2013, following a number of years of stability within the team, two officers left. Following a review of the service provision, potential savings and efficiencies that could be delivered, it was deemed appropriate to restructure and make one appointment. The service is in the process of recruiting to this post, which has been temporarily filled with an agency staff for a short period of time. In addition, South Cambridgeshire District Council joined the partner arrangements for the shared HoIA from July 2013. The allocation is Cambridge (40%), Peterborough (40%) and South Cambridgeshire (20%). This has been factored into current and future plans.

4. THE AUDIT CHARTER

- 4.1 The Public Sector Internal Audit Standards have been primarily introduced to:
 - Define the nature of internal auditing;
 - Set basic principles for carrying out internal audit;
 - Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations.
 - Establish the basis for the evaluation of internal audit performance and to drive improvement planning.
- 4.2 As part of evidencing that these requirements are being adhered to, there is a duty on the Internal Audit Service to have an Audit Charter which demonstrates how these elements are being handled and managed. The attached Charter covers off the above requirements, acknowledging too that some additional appendices have been needed to give further clarity on important issues such as the Code of Ethics and the Performance Indicators adopted by Internal Audit.
- 4.3 Finally, there is an obligation under the mandatory standards to review and re-present the Audit Charter to Civic Affairs Committee annually. The Charter has to be re-evaluated to confirm its on-going validity and completeness, and thereafter, the documentation requires the scrutiny and endorsement of senior management and the Civic Affairs Committee. The Audit Charter can be found attached at **APPENDIX A**.

5. CODE OF ETHICS

- 5.1 The Code of Ethics sets out the expected behaviours of Internal Audit staff in relation to service delivery and is attached at **APPENDIX B**. The basis for 2014/15 remain unchanged from previous years and mirrors the obligations in this area as per the Public Sector Internal Audit Standards.
- 5.2 Aside from the Code of Ethics, the HoIA in the role of the Chief Audit Executive will also be cognisant of and comply with requirements laid down in CIPFA's Statement on the Role of the Head of Internal Audit, and it is further acknowledged that all Internal Audit staff will operate in accordance with their own professional bodies' Code of Ethics, as well as any organisational Codes of Ethics or Conduct relating to their employer.

6. INTERNAL AUDIT PLAN AND STRATEGY 2014/15 (APPENDIX C)

- 6.1 The Internal Audit Strategy has the overarching purpose of establishing how the annual programme of audit assignments has been devised, in terms of the process followed when undertaking the annual audit needs assessment, the risk factors applied and how this information is then used to populate the Annual Audit Plans.
- 6.2 The PSIAS recommends Internal Audit undertake annual assessments of the provisions in these areas and this is set out in the document.
- 6.3 The overarching objective of the Audit Plan is to provide a comprehensive programme of review work, sufficient to enable an informed annual opinion and to develop the organisation's Annual Governance Statement. We have produced an Audit Plan which satisfies the obligations of the PSIAS, and provides an acceptable minimum level of audit coverage capable of generating the requisite audit assurances to the organisation, whilst also being affordable.
- 6.4 The draft Internal Audit Plan for 2014/15 has been developed using a risk-based approach. The plan has been formulated from reviews of the following:
- i) Corporate and 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.
- 6.5 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.

- 6.6 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.
- 6.7 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 2014/15 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.
- 6.8 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 HoIA will establish the course of action to be taken in consultation with the Director of Business Transformation, Section 151 Officer 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.
- 6.9 The results of the work set out in the Internal Audit plan will be the production of the annual opinion by the HoIA 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.
- 6.10 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.

7 PERFORMANCE INDICATORS

- 7.1 As part of the on-going internal appraisal of the service, various indicators have been set to ensure delivery against best practice and also to monitor individual and service performance. These are set out in **APPENDIX D** are referred through Committee as part of the reporting process.

8 CONSULTATION

- 8.1 On-going 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.
- 8.2 Directors were consulted during February 2014 on the possible content for the 2014/15 audit plan and their views have been taken into consideration when putting the plan together.

9 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
Public Sector Internal Audit Standards
Cambridge City Council Risk Registers

APPENDICES:

A: Internal Audit Charter
B: Code of Ethics
C: Internal Audit Plan and Strategy 2014/15
D: Performance Indicators

To inspect these documents contact Steve Crabtree on extension 8181.

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

Date originated: 11 March 2014

Date of last revision: 11 March 2014

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APPENDIX A

**CAMBRIDGE CITY COUNCIL
INTERNAL AUDIT CHARTER**

KEY CONTACTS		
Steve Crabtree Bridget Bishop	Head of Internal Audit Principal Auditor	☎ 458 181 ☎ 458 182

March 2014

Next Review: By March 2015

1. INTRODUCTION

1.1 Organisations in the UK public sector have historically been governed by an array of differing internal audit standards. The Public Sector Internal Audit Standards (the PSIAS), which took effect from the 1 April 2013, and are based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) now provide a consolidated approach to promoting further improvement in the professionalism, quality, consistency, transparency and effectiveness of Internal Audit across the whole of the public sector.

1.2 The PSIAS require that all aspects of Internal Audit operations are acknowledged within an Audit Charter that defines the purpose, authority and responsibilities of the service provision. The Charter therefore establishes the position of the service within Cambridge City Council (CCC); its authority to access records, personnel and physical properties relevant to the performance of engagements; in addition to defining the scope of Internal Audit activities. There is also an obligation under the PSIAS for the Charter to be periodically reviewed / presented to Civic Affairs Committee, the Section 151 Officer and senior management. This Charter will therefore be revisited annually to confirm its ongoing validity and completeness, and be circulated in accordance with the requirements specified above.

2. PURPOSE

2.1 In accordance with the PSIAS, Internal Auditing is defined as:

"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."

2.2 However, it should also be appreciated that the existence of Internal Audit does not diminish the responsibility of senior management to establish appropriate and adequate systems of internal control and risk management. Internal Audit is not a substitute for the functions of senior management, who should ensure that Council activities are conducted in a secure, efficient and well-ordered manner with arrangements sufficient to address the risks which might adversely impact on the delivery of corporate priorities and objectives.

3. AUTHORISATION

3.1 The requirement for an Internal Audit Service is outlined within the Accounts and Audit Regulations 2003, as amended in 2006 and 2011, which state that *"a relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control"*. This statutory requirement for continuous Internal Audit has been formally recognised and endorsed within CCC's Constitution.

- 3.2 Further, there are additional requirements placed upon the Chief Audit Executive (see Section 4: Organisation and Relationships), to fulfil all aspects of CIPFA's Statement on the Role of the Head of Internal Audit in Public Sector Organisations, whilst the Council's Constitution makes Internal Audit primarily responsible for carrying out an examination of the accounting, financial and other operations of the Council, under the independent control and direction of the Section 151 Officer. The role of Section 151 Officer at CCC, as at March 2014, is currently being recruited into. Interim arrangements exist with South Cambridgeshire District Council.
- 3.3 The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorised to have full, free, and unrestricted access to any and all of the organisation's:
- Records, documents and correspondence (manual and electronic) relating to any financial and other transactions;
 - Physical properties, i.e. premises and land, plus cash, stores or any other Council property; and
 - Personnel – requiring and receiving such explanations as are necessary concerning any matter under examination and generally assisting the Internal Audit activity in fulfilling its roles and responsibilities.
- 3.4 Such access shall be granted on demand and shall not be subject to prior notice, although in principle, the provision of prior notice will be given wherever possible and appropriate, unless circumstances dictate otherwise.

4. ORGANISATION AND RELATIONSHIPS

- 4.1 Within the PSIAS, the terms 'Chief Audit Executive,' 'Board' and 'Senior Management' are used to describe key elements of the organisation's governance, and the ways in which they interact with Internal Audit. The PSIAS require that the terms are defined in the context of the governance arrangements in each public sector organisation, in order to safeguard the independence and objectivity of Internal Audit. At CCC, the following interpretations are applied, so as to ensure the continuation of the current relationships between Internal Audit and other key bodies at the Council. The following terms are explained:
- Chief Audit Executive
 - Board
 - Senior Management
 - External Audit
 - Other Internal Audit Service Providers
 - Other External Review and Inspection Bodies

4.2 Chief Audit Executive

At CCC, the Chief Audit Executive is the Head of Internal Audit (HoIA), who fulfils this role to Peterborough City Council (PCC) and South Cambridgeshire District Council (SCDC) as part of a shared service arrangement. A Memorandum of Understanding exists between all three authorities and this agreement is subject to annual review. Each authority, as at March 2014, had its own internal staff providing the Internal Audit service. The HoIA has a direct line of reporting to the Section 151 officer at each Council and in response to requirements laid down within the PSIAS, it is further confirmed that the HoIA has a direct reporting line and access to the Chief Executive should it be required.

4.3 Board

In the context of overseeing the work of Internal Audit, the 'Board' will be the Civic Affairs Committee of the Council, which has been established as part of the corporate governance arrangements at the Council. The Committee is responsible for the following with reference to Internal Audit:

- Internal Audit Plans;
- Progress and performance against approved plans;
- Annual Audit Opinion, and
- Compliance against Public Sector Internal Audit Standards.

Internal Audit will work closely with committee to facilitate and support its activities. Moreover, should it be needed, the HoIA also has a direct reporting line and free access to the Chair of the Civic Affairs Committee.

4.4 Senior Management

In the context of ensuring effective liaison between Internal Audit and senior officers, Internal Audit has regular access to Directors and Heads of Service. 'Senior Management' for the purposes of this Charter is the Strategic Leadership Team of which the Section 151 Officer is a key member.

4.5 External Audit

Internal Audit's interact with the Council's External Auditors – Ernst and Young – in order to minimise any potential duplication of work and determine the assurance that can be placed on the respective work of the two parties. As a result this will ensure that External Audit can place maximum reliance on the work of Internal Audit, wherever possible.

4.6 Other Internal Audit Service Providers

Internal Audit will also liaise with other Council's Internal Audit Service providers, where shared service arrangements exist. In such cases, a dialogue will be opened with the other Council's equivalent Chief Audit Executive to agree a way forward regarding the future auditing of 'shared' services, which will be both efficient and cost effective for all parties involved, and cause least disruption to the area(s) being audited.

4.7 Other External Review and Inspection Bodies

The Internal Audit Section confirms it will likewise co-operate with all external review and inspection bodies that are authorised to assess and evaluate the activities of the Council, to determine compliance with regulations, standards or targets. Internal Audit will, wherever possible, utilise third party assurances arising from this work.

5. **OBJECTIVES AND SCOPE**

5.1 The provision of assurance services is the primary role of Internal Audit and there is a duty of care on the Chief Audit Executive to give an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control. This responsibility to evaluate the governance framework far exceeds examination of controls applying to the Council's core financial systems. Instead, Internal Audit is required to scrutinise the whole system of risk management, internal control and governance processes established by management.

5.2 Internal Audit also has a secondary role, whereby it will provide consultancy services which are advisory in nature and generally performed at the request of the Council to facilitate improved governance, risk management and control, and potentially contribute to the annual audit opinion.

5.3 A risk based Audit Plan will be developed each year to determine an appropriate level of audit coverage to generate an annual audit opinion, which can then be used to assist with the formulation of the CCC's Annual Governance Statement. Moreover, audit work performed will seek to enhance the Council's overall internal control environment. In the event of deficiencies in arrangements being identified during audit assignments, Internal Audit will put forward recommendations aimed at improving existing arrangements and restoring systems of internal control to a satisfactory level, where relevant.

- 5.4 In accordance with the PSIAS, the Internal Audit Service will evaluate and contribute to the improvement of:
- The design, implementation and effectiveness of the organisation's ethics related objectives, programmes and activities.
 - The effectiveness of the Council's processes for performance management and accountability.
 - The Council's IT governance provisions in supporting the organisation's corporate priorities, objectives and strategies.
 - The Council's risk management processes in terms of significant risks being identified and assessed; appropriate risk responses being made that align with the organisation's risk appetite, the capturing and communicating of risk information in a timely manner, and its use by staff, senior management and members to carry out their responsibilities and inform decision making generally.
 - The provisions developed to support achievement of the organisation's strategic objectives and goals.
 - The systems formulated to secure an effective internal control environment.
 - The completeness, reliability, integrity and timeliness of management and financial information.
 - The systems established to ensure compliance with legislation, regulations, policies, plans, procedures and contracts, encompassing those set by the Council and those determined externally.
 - The systems designed to safeguard Council assets and employees.
 - The economy, efficiency and effectiveness with which resources are used in operations and programmes at the Council.
- 5.5 In addition to the areas recorded above, where Internal Audit will give input to their continuing enhancement; the Service will also provide support to the Section 151 Officer in the discharge of their duties, in particular with responsibility for the probity and effectiveness of the Authority's financial arrangements and internal control systems.
- 5.6 **Managing the risk of fraud and corruption is the responsibility of management.** However, as part of the scope of Internal Audit, it will be alert in all its work to the risks and exposures that could allow fraud or corruption to occur and will monitor the extent and adequacy of risk controls built into systems by management, sharing this information with External Audit and other corporate investigators e.g. Benefit Fraud.
- 5.7 In the course of delivering services encompassing all the elements stated above, should any significant risk exposures and control issues subsequently be identified, Internal Audit will report these matters to senior management, propose action to resolve or mitigate these, and appraise the Civic Affairs Committee of such situations.

6. INDEPENDENCE

- 6.1 The Internal Audit Section operates within an organisational framework that preserves the independence and objectivity of the assurance function, and ensures that Internal Audit activity is free from interference in determining the scope of internal auditing, performing work and communicating results. The framework allows the HoIA direct access to and the freedom to report unedited, as deemed appropriate, to the Civic Affairs Committee, the Chief Executive, Section 151 Officer and the Strategic Leadership Team.
- 6.2 Internal Auditors should have no operational responsibilities or authority over any of the activities that they are required to review. As a consequence, they do not develop procedures, install systems, prepare records, or engage in any other activity, which would impair their judgement. However, Internal Audit does have some surveillance over the development and facilitation of risk management advice and training. Overall ownership of risk management remains within Support Services.
- 6.3 In addition, Internal Auditors will not assess specific operations for which they were previously responsible, and objectivity is presumed to be impaired if an Internal Auditor provides assurance services for an activity for which they had responsibility within the previous 12 months. Internal Auditors may however provide consulting services relating to operations over which they had previous responsibility. The HoIA will confirm to the Civic Affairs Committee, at least annually, the organisational independence of the Internal Audit activity.

7. PROFESSIONAL STANDARDS

- 7.1 CCC's Internal Auditors operate in accordance with the Public Sector Internal Audit Standards, 2013.
- 7.2 The Internal Auditors are also governed by the policies, procedures, rules and regulations established by CCC. These include, but are not limited to, Financial Regulations and Contract Standing Orders, the Prevention of Fraud and Corruption Policy, and the Code of Conduct. Similarly, the Council's Internal Auditors will be aware of external bodies' requirements (e.g. as identified by CIPFA), and all legislation affecting the Council's activities.
- 7.3 The Council's Internal Auditors will additionally adhere to the Code of Ethics as contained within the PSIAS. Internal Auditors will also demonstrate due professional care in the course of their work and consider the use of technology-based audit and other data analysis techniques, wherever feasible and considered beneficial to the Council. All working arrangements and methodologies, which will be followed by CCC's Internal Auditors are set out in the Audit Manual.

8. AUDIT RESOURCES

- 8.1 The HoIA will be professionally qualified (CMIIA, CCAB or equivalent) and have wide internal audit management experience, to enable them to deliver the responsibilities of the role.

8.2 The HoIA will ensure that the Internal Audit Service has access to a team of staff that have an appropriate range of knowledge, skills, qualifications and experience to deliver requisite audit assignments. The type of reviews that will be provided in year include computer audits, contract audits, systems reviews, grant certification work, consultancy input to new / modified systems, and special / fraud investigations. In the event of special / fraud investigations being required, there is limited contingency in the Audit Plans to absorb this work. However, additional resources may need to be made available to the Internal Audit Service when such input is necessary.

9. **AUDIT PLANNING**

9.1 The HoIA will develop an annual audit strategy, together with annual audit plans and a summary of annual audit coverage using a risk based methodology. This will take into account documented corporate and operational risks, as well as any risks or concerns subsequently notified to Internal Audit by senior management. Copies of these documents will then be submitted to Departmental Management Teams and the Chief Executive for their approval prior to being taken forward to the Civic Affairs Committee for final endorsement, in advance of the new financial year to which they relate.

9.2 The Annual Audit Plan includes the timing, as well as budget and resource requirements for the year. Any difference between the plan and the resources available will be identified and reported to the Civic Affairs Committee. The plan will outline the assignments to be carried out and the broad resources and skills required to deliver the plan. It will provide sufficient information for the Council to understand the areas to be covered and for it to be satisfied that sufficient resources and skills are available to deliver the plan. Areas included in the audit plan are highlighted in **Table 1**.

TABLE 1: AUDIT ACTIVITIES
<ul style="list-style-type: none"> • Core system assurance work • Governance and Assurance Framework • Corporate / Cross Cutting audits, including value for money reviews • Contracts and Projects • Departmental specific reviews • Fraud and irregularities • Follow up activity • Internal consultancy / advice on risks, controls and procedures • Member support

9.3 The audit plan will be kept under review to identify any amendment needed to reflect changing priorities and emerging risks. It will be flexible, containing an element of contingency to accommodate assignments which could not have been readily foreseen. However, on occasions, specific audit requests take precedence over the original audit plan and will be required as additional work rather than as a

replacement. Resources, such as specialist or additional auditors may be required to supplement this. Internal Audit will reserve the right to make a charge for any additional work that is over and above that originally planned.

9.4 Annual audit plans will be discussed with each Departmental Management Team prior to their formal approval.

10. **REPORTING**

10.1 The process followed for completing each audit is set out in **Table 2**.

10.2 Upon completion of each audit assignment, an Internal Audit report will be prepared that:

- Provides an opinion on the risks and controls of the area reviewed, and this will contribute to the annual opinion on the internal control environment, which, in turn, informs the Annual Governance Statement; and
- Provides a formal record of points arising from the audit and management responses to issues raised, to include agreed actions with implementation timescales.

TABLE 2: WORKING ARRANGEMENTS DURING AUDITS	
Stage	Commentary
Audit Brief	Set up and agreed with manager(s)
Fieldwork	Assignment undertaking including interviews, testing etc.
Exit Meeting	At conclusion of fieldwork, issues raised for reporting (if not already provided during course of fieldwork).
Draft report	Produced within 15 working days of completion of fieldwork / exit meeting. Head of Service / Line Manager to formally respond within 15 days, including acceptance (or not) of actions together with timescale proposals to implement.
Final Report	Audit incorporates all management comments within report and re-issue as a final within 10 days of receiving the response. The report will be distributed in accordance with agreed protocols (see Table 4). Unless a special investigation, a questionnaire will be included with the final report to assess management's opinions on the conduct of the audit and the usefulness of the report

10.3 Exit meetings are accommodated enabling management to discuss issued Draft Audit Reports. Accountability for management's response to Internal Audit actions lies with the Chief Executive, Directors, and / or Heads of Service, as appropriate, who can either, accept and implement guidance given or formally reject it. However, if audit proposals to strengthen the internal control environment are

disregarded and there are no compensating controls justifying this course of action, an audit comment will be made in the Final Audit Report, reiterating the nature of the risk that remains and recognising that management has chosen to accept this risk. Furthermore, depending on the severity of the risk, the matter may be escalated upwards and drawn to the attention of the Civic Affairs Committee.

10.4 Actions are rated and an overall opinion given on the service area reviewed (see **Table 3**). Final Audit Reports will be issued in line with agreed working protocols to the relevant nominated officers and subject to follow up work as necessary.

TABLE 3: AUDIT OPINION / CLASSIFICATION OF RISKS	
We categorise our opinions according to our assessment of the controls in place and the level of compliance with these controls:	
Opinion / Assurance	Description
FULL	The system is designed to meet objectives and controls are consistently applied that protect the Authority from foreseeable risks.
SIGNIFICANT	The system is generally sound but there are some weaknesses of the design of control and / or the inconsistent application of controls. Opportunities exist to mitigate further against potential risks.
LIMITED	There are weaknesses in the design of controls and / or consistency of application, which can put the system objectives at risk. Therefore, there is a need to introduce additional controls and improve compliance with existing ones to reduce the risk exposure for the Authority.
NO	Controls are weak and /or there is consistent non-compliance, which can result in the failure of the system. Failure to improve controls will expose the Authority to significant risk, which could lead to major financial loss, embarrassment or failure to achieve key service objectives.

10.5 Following the end of the year, an annual report will be produced setting out Internal Audits opinion on the state of the internal controls and governance across the Council. This will comment upon:

- The scope including the time period to which the opinions pertains;
- Any 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, providing reasons where an unfavourable overall opinion is given; and
- A statement on conformance with the PSIAS and the results of the quality assurance and improvement programme.

TABLE 4: PLANNING AND REPORTING FREQUENCY			
Report Produced	For	Reason	Content
Audit Assignment Report	<p>The relevant departments'</p> <ul style="list-style-type: none"> • Director • Head of Service 	<p>The end of each audit assignment as the main recipient and those charged with actioning the issues identified</p>	<ul style="list-style-type: none"> • Executive Summary • Audit Opinion • Detailed risk issues • Agreed improvement plan
	<ul style="list-style-type: none"> • Chief Executive • Lead of the Council • Executive Councillor • External Audit • S.151 Officer • Members • Monitoring Officer 	<p>At the conclusion of the audit for information purposes</p>	<p>As above, with the exception of Members and the Monitoring Officer who receive the Executive Summary only</p>
Half Year Progress Reports	Civic Affairs Committee	<p>To provide the Council with progress at delivering the audit service and any key governance issues arising.</p>	<ul style="list-style-type: none"> • Progress against annual plan • Any amendments to current annual plan • Details of significant risk issues • Details of non-responses or non-implementation of actions
Annual Opinion and Performance Report	<ul style="list-style-type: none"> • Civic Affairs Committee • External Audit 	<p>The end of each year in accordance with PSIAS. An evaluation of the works undertaken and the level of assurance established.</p>	<ul style="list-style-type: none"> • Annual assurance report giving HoIA's opinion on the control environment • Achievement of the annual plan and performance data. • Effectiveness of Internal Audit • Compliance with PSIAS and any associated quality improvement plan
Annual Audit Plan	<ul style="list-style-type: none"> • Civic Affairs Committee • S.151 Officer • External Audit 	<p>Beginning of year. Details of the service delivered and the future plans to provide assurance across the Council in accordance with PSIAS.</p>	<ul style="list-style-type: none"> • Audit Plan and days to be delivered • Audit Charter • Code of Ethics • Performance indicators to monitor service delivery and quality

11. QUALITY ASSURANCE AND IMPROVEMENT

11.1 The PSIAS require that the Internal Audit develops and maintains a quality assurance and improvement programme that covers all aspects of the Internal Audit activity, and includes both internal and external assessments. In the event of an improvement plan proving necessary to formulate and implement, in order to further develop existing service provisions, the HoIA will initiate the appropriate action and annually, the results of the quality and assurance programme together with progress made against the improvement plan will be reported to senior management and the Civic Affairs Committee.

11.2 **Internal Assessments**

Internal Assessments must include on-going monitoring of the performance of the internal audit activity. The Service operates in accordance with a number of key performance indicators. Performance is subject to regular review by the Audit Team.

Internal arrangements also include receipt of post audit feedback from auditees and should criticism be received, this will immediately be investigated and steps taken to resolve matters raised.

The PSIAS additionally require periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of Internal Audit practices. This obligation is satisfied by the HoIA performing an annual self-assessment of the effectiveness of Internal Audit, before the results are submitted to the Civic Affairs Committee. Presenting this information to the Civic Affairs Committee enables members to be assured that the Internal Audit Service is operating in a satisfactory manner such that reliance can be placed on the subsequent annual audit opinion provided by the HoIA.

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

The HoIA will agree with the Director of Business Transformation and / or Section 151 Officer the form of the external assessments; and, the qualifications and independence of the external assessor or assessment team, including any potential conflict of interest. As part of the shared service arrangements, it would be prudent for each authority to be reviewed at the same time. This is currently planned for 2015 / 2016.

**CAMBRIDGE CITY COUNCIL
INTERNAL AUDIT: CODE OF ETHICS**

INTRODUCTION

The purpose of a Code of Ethics is to promote an appropriate ethical culture for Internal Audit. The Code sets out the minimum standards for the performance and conduct of Cambridge City Council's (CCC) Internal Auditors. It is intended to clarify the standards of conduct expected when carrying out their duties and promote an ethical, professional culture at all times when undertaking audit duties.

PRINCIPLES

Internal auditors are expected to apply and uphold the following principles:

- **Integrity.** The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.
- **Objectivity.** 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 judgments.
- **Confidentiality.** 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.
- **Competency.** Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

INTEGRITY

CCC Internal Auditors shall:

- Perform their work with honesty, diligence and responsibility;
- Observe the law and make disclosures expected by the law and the profession;
- 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;
- Respect and contribute to the legitimate and ethical objectives of the organisation; and
- Maintain relationships with colleagues, internal clients and external contacts that are characterised by honesty, truthfulness and fairness

OBJECTIVITY

CCC Internal auditors 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;
- Not review any activity for which they have previously had operational responsibility;
- Not accept anything that may impair or be presumed to impair their professional judgement; and
- Disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

CONFIDENTIALITY

CCC Internal auditors shall:

- Be prudent in the use and protection of information acquired in the course of their duties but should ensure that requirements of confidentiality do not limit or prevent reporting within the authority as appropriate;
- Not make unauthorised disclosure of information unless there is a legal or professional requirement to do so; and
- 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.

COMPETENCY

CCC Internal auditors shall:

- Engage only in those services for which they have the necessary knowledge, skills and experience;
- Perform Internal Audit services with the International Standards for the Professional Practice of Internal Audit; and
- Continually improve their proficiency, effectiveness and quality of their services

MANAGING ARRANGEMENTS

To ensure compliance with the Code of Ethics:

- There is an annual review of the Code to reinforce understanding and confirm on-going commitment;
- Quality control processes are in place to demonstrate integrity in all aspects of the work;
- All staff are obliged to declare any potential conflicts of interest, as a minimum every 6 months;
- Confidentiality breaches will not be tolerated; and

All staff are aware and understand the organisations aims and objectives together with an appreciation of the policies and procedures which govern the areas to be audited.

**CAMBRIDGE CITY COUNCIL
INTERNAL AUDIT PLAN 2014/15**

1. INTRODUCTION

- 1.1 This document is intended to demonstrate how Internal Audit will support the overall aims and objectives of the Council. It will be reviewed throughout the year to ensure its continued relevance, both in terms of supporting the council's aims and in achieving a professional, modern audit service.
- 1.2 The Accounts and Audit Regulations 2011 stipulate that a council should 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*". The regulations also provide that council's "*undertake an adequate and effective internal audit of its accounting records and of its system of internal control*" in accordance with the Public Sector Internal Audit Standards. The Council's Internal Audit team are bound by the mandatory requirements of these standards.
- 1.3 Internal audit is defined as 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
- 1.4 The provision of assurance is the key role for Internal Audit. This role requires the Head of Internal Audit to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control. This audit opinion is provided to the Audit Committee and also feeds into the Annual Governance Statement.
- 1.5 The role of Internal Audit, therefore, is to understand the key risks to the achievement of the Council's objectives and to evaluate the adequacy and effectiveness of management's response to those risks. An overview of risk management and governance processes and key financial controls is also a significant aspect of our work.
- 1.6 Consulting services are advisory in nature and are generally performed at the specific request of management, with the aim of improving operations. Requests of this nature are considered in light of resource availability and our primary role of assurance.

2. STRATEGY

- 2.1 While there has been a shared service in place with Peterborough since January 2011, this is the first full year of the partnership arrangements with three authorities following South Cambridgeshire joining in July 2013. This has had a knock on effect in the level of resources available at Cambridge in that there has been a reduced level of coverage at senior level. The level of resource has been reduced from 50% to 40% – with a commensurate reduction in cost.
- 2.2 In order for the service to deliver and enhance its provision, the following actions are proposed going forward:
- **Use of IT software.** We will look to roll out appropriate audit software to improve the way we manage and deliver our service. This will include, but not be restricted to VISION and IDEA software. VISION is an automated web-based package which will enable all audits to be completed on-line. With all the records held on-line, quality reviews should be able to be completed by managers on an on-going basis rather than waiting for audit completion. Early errors or concerns can then be addressed. With all data held on the system, this will free up office storage space as well as allowing all auditors to access from other sites. Finally, audit reports will be able to be generated from the system, potentially speeding up the final outputs. It is noted that there will be a lead in time for this to be effective i.e. data migration, templates created etc. A separate audit package, IDEA, will also be obtained. This interrogation package will enable audit to evaluate large data sets for potential anomalies on an ongoing basis which will provide greater assurance on the data quality and records of the Council. A separate “mini” audit plan will be produced to cover this.
 - **Shared resources and knowledge.** We will continue to share best practice between the partnership and others. A number of auditable areas cross over authority boundaries and we will look to obtain assurance from others – avoiding duplication of effort.
 - **Development of skills.** With a larger “critical mass” of auditors there is the potential for switching resources between the partnership on an ad-hoc basis where specialisms exist. Audit plans across each authority have been established following similar principles and a number of common themes identified. We will look into the potential for these to be completed by the same auditor – issues around Terms and Conditions, travel allowances etc. we need to be explored. Subject to resolution, as well as developing the skills of the auditor this could also enable improved services and benchmarking across the organisations.
 - **Service expansion.** We will continue to look to for other partners to enhance the provision of audit. However, we are mindful that any changes will need to be carefully project managed so as to not dilute coverage at Cambridge (or its existing partners). Furthermore, this will also necessitate a re-structure of the whole service.

3. AUDIT PLAN

- 3.1 The comprehensive risk-based planning process is set out in the Audit Charter. The following sources of information have been used in identifying the priorities put forward for audit coverage:
- Council objectives;
 - Medium Term Financial Strategy;
 - Portfolio and Operational Plans;
 - The Council's strategic and operational risk registers;
 - Consultations with individual directors and their management teams.
- 3.2 The Plan for 2014/15 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 it 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.
- 3.3 Internal Audit are fully committed to delivering a high quality and responsive Internal Audit service to the Council. With this in mind, they will be seeking throughout the year to continue to develop the service in accordance with recognised best practice.
- 3.4 Resource Requirements
- 3.4.1 Resource requirements are reviewed each year as part of the audit planning process and are discussed with the Section 151 Officer. Current plans are based upon 4.29 FTE. This is a reduction on 2013/14 following a service restructure (deletion of 1.00 FTE). Availability is based on the assumption that the current internal audit structure will remain essentially unaltered and intact throughout the year.
- 3.5 Allocations
- 3.5.1 We have attempted to map the audit activities across a series of broad areas, these being:
- **Core Systems.** 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. These therefore feature in the plan every year.

- **Annual Governance and Assurance Framework.** 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
- **Corporate Cross Cutting Audits.** Internal Audit provides support to Council and Directorate objectives by testing the effectiveness of controls designed to mitigate identified risks.
- **Projects and Contracts.** On-going project management and challenge of key contracts.
- **Departmental.** We will look to provide support and assurance on a number of the key activities across each directorate.

3.5.2 The overall allocation of time from the estimated 678 days available is as follows (compared with previous year):

Table 1: INTERNAL AUDIT ALLOCATIONS				
	2014/15 Days	2014/15 %	2013/14 Days	%
Core Systems Assurance Work	36	5.3	68	7.6
Annual Governance and Assurance Framework	60	8.9	20	2.2
Corporate Cross Cutting Audits	62	9.1	116	13.0
Contracts / Projects	90	13.2	107	12.0
Department Specific	130	19.2	245	27.5
Other Resource Provisions	300	44.3	335	37.7
TOTAL RESOURCES ALLOCATED	678	100.0	891	100.0

3.6 Contingencies

3.6.1 The internal audit plan needs to be fluid and flexible enough to enable the internal audit service to be reactive as required to situations arising during the course of the period covered by the plan. A contingency reserve element has been built in, to assist in dealing with any such matters arising to hopefully at least minimise any major impact on the work plan itself.

4 **SHARED SERVICES**

- 4.1 The service has an agreement with South Cambridgeshire and Peterborough to share resources, which came into effect from July 2013. This has solely been in relation to the provision of the lead for the service. As more organisations link in, there is a serious risk that this single dependency can become over-stretched and may be unable to react to unforeseen or unplanned events, such as investigations. Likewise unforeseen work which is taken on may impact on the planned audit work if over and above the contingency allocation. A review of the Memorandum of Understanding is required so that it can be expanded upon – one, to look to expand the potential resources shared, and two, to act as a mechanism to allow career and professional development.

5. INTERNAL AUDIT PLAN 2014/15

SERVICE / SYSTEM	Risk Ref	AUDIT SCOPE	Critical Service Review		Audit Days
			Yes	Reason	
CORE SYSTEM ASSURANCE WORK					
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.					
Housing Benefit		System parameter testing undertaken on behalf of External Audit.	Yes	External Audit reliance work	12
Council Tax		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.			
NNDR		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.	-		-
Main Accounting		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. To cover budget forecasting arrangements and preparation of the Council's Medium Term Strategy (MTS)	-		-
Treasury Management		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.	-		-
Accounts Payable		Systems based approach considering key risk exposures. Include mapping of key control areas and coverage of External Audit requirements.			-
Payroll		Systems based approach considering key risk exposures. Include mapping of key control areas and coverage of External Audit requirements.	Yes		12

SERVICE / SYSTEM	Risk Ref	AUDIT SCOPE	Critical Service Review		
			Yes	Reason	
Accounts Receivable		Systems based approach considering key risk exposures. Include mapping of key control areas and coverage of External Audit requirements.			-
Fixed Asset Register / Capital Accounting		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		The audit will review system access controls, rent collection and arrears management	Yes		12
BACS Payments		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		To provide assurance that VAT is correctly accounted for by the authority and on a timely basis.	-		-
				TOTAL	36

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

SERVICE / SYSTEM	Risk Ref	AUDIT SCOPE	Critical		Audit Days
			Yes	Reason	
ANNUAL GOVERNANCE AND ASSURANCE FRAMEWORK					
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					
Annual Governance Statement		Review the draft AGS and action plan.	Yes	Corporate responsibility	6
Annual Audit Opinion		Head of Internal Audit opinion on the state of governance and the internal control framework in place within Cambridge City Council.	Yes	Corporate responsibility	8
Internal Audit Effectiveness		Review of the Internal Audit service against the new Public Sector Internal Audit Standards.	Yes	Corporate responsibility	4
Prevention of Fraud and Corruption Policy		Review of Policy and reporting of cases to Committee that have arisen during previous year.	Yes	Corporate responsibility	4
National Fraud Initiative		Management of data download for the 2014-15 exercise. Key contact role.	Yes	Corporate responsibility	30
Discharge of S151 Responsibilities		Last audited in 2007/08, therefore timely to undertake an independent review again to take account of new arrangements to ensure that all S151 duties are being picked up effectively.	Yes	Corporate responsibility	8
TOTAL					60

SERVICE / SYSTEM	Risk Ref	AUDIT SCOPE	Critical		Audit Days
			Yes	Reason	
CORPORATE/CROSS-CUTTING AUDITS					
Internal Audit provides support to Council and Directorate objectives by testing the effectiveness of controls designed to mitigate identified risks.					
HMO Licences/ Use of Temporary Accommodation		Follow up of recommendations arising from recent Ombudsman case in respect of HMO Licences and use of temporary accommodation.			10
Safeguarding of Children & Vulnerable Adults		Review of information sharing arrangements in respect of safeguarding of children & vulnerable adults			10
Data Security/Data Sharing Protocols		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. Brought forward from 2013-14 to allow exercise to map CCC data sharing arrangements to be completed.			10
Customer Complaints		Review processes in place across all departments for managing and reporting on complaints, in particular examine whether complaints that cut across more than one service/department are managed effectively.			10
Governance Arrangements		Review governance arrangements put in place for new shared service arrangements, or other service delivery methods, (e.g. Payroll, CCTV, Business Improvement District) to ensure these are sound and that the Council's interest are protected.			10
Organisational Change Management		As CCC moves further into transformation ensure that the objectives of change are clearly identified and communicated and that objectives are achieved. Review arrangements in place to ensure that risks are managed effectively through the period of transition. To include review of arrangements for knowledge transfer where key employees leave the organisation, appropriate management of redundancies etc.			12
				TOTAL	62

SERVICE / SYSTEM	Risk Ref	AUDIT SCOPE	Critical		Audit Days
			Yes	Reason	
CONTRACTS AND PROJECTS					
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					
Clay Farm – Community Centre	Project CFCC	Ongoing review of progress in relation to expected deliverables from the project. Also to include forward planning arrangements to ensure that adequate resources will be in place to manage facilities.	Yes	Key CCC project. High reputational risk.	8
Building Cleaning Contract		Review progress with the project to provide corporate building cleaning services.	Yes	Key CCC project. High reputational risk.	8
Cultural Trust	Project CT	Provide audit input and advice to the project team responsible for delivering this project. To include regular progress reviews/health-checks to ensure project on target to deliver.	Yes	Key CCC project. High reputational risk.	8
Tour de France	Project TdF	Provide audit input and advice to the project team responsible for delivering this project. To include regular progress reviews/health-checks to ensure project on target to deliver.	Yes	Key CCC project. High reputational risk.	8
Green Deal	Project GD	Provide on-going audit input to this County-wide project to undertake energy saving works in private housing.	Yes	Key CCC project. High reputational risk.	8
IDOX – Post Implementation Review		Review the success of this project. Has it achieved the deliverables as set out in the original tender? Does it fulfil service needs?			10
Community Infrastructure Levy (CIL)		Review arrangements for implementing the new CIL. (Brought forward from 2013/14 audit plan). To cover review of existing S106 database to ensure resilience in transition as we move towards CIL.	Yes	Key CCC project. High reputational risk.	8
Contract Management Arrangements	SS5 A&R15 E&F 13	Review contract management arrangements in place for a sample of contracts across the organisation. (To include new Leisure Management Contract and Occupational Health Contract)			12
Tender Evaluation		Review tender evaluation arrangements for a sample of recently tendered contracts.			12
Closedown of Contracts		Review the processes in place for the closedown of contracts for a sample of key contracts. Ensure lessons learned from these exercises are shared across the organisation.			8
				TOTAL	90

There is also a small contingency of 40 days to provide ad hoc audit input/advice on other projects that arise during the year that are not included in the above list.

DEPARTMENT SPECIFIC REVIEWS						
SERVICE / SYSTEM	Risk Ref	AUDIT SCOPE	Critical		Audit Days	
			Yes	Reason		
CHIEF EXECUTIVE						
Office Moves PIR		Following completion of the movement of offices across the Council establish whether objectives have been achieved and within budget.				8
Compliance with FoI/ EIR Legislation	CorpS1	Review arrangements in place across the organisation for managing FoI requests, including approval of exemptions, processes in place for redacting information, quality control of responses and process for dealing with repeat requests.				10
CUSTOMER AND COMMUNITY SERVICES						
Implementation of Welfare Reform	R&B5, SLT4	Review the preparations for introduction of Universal Credit (UC), including set up of Local Support Services Framework.				8
Discretionary Housing Payments (DHPs)	R&B4	Review of arrangements in place to manage/process DHPs. Are payments made in a timely manner to minimise hardship? And how do we manage the total available budget?				10
Housing Allocations		Review of the Housing Allocations process to ensure adequate controls are in place for processing of applications, allocation of bandings, submission of bids for properties etc.				10
Grants to Housing Agencies		Review of arrangements in place for managing grants to Housing Agencies.				10

DEPARTMENT SPECIFIC REVIEWS					
SERVICE / SYSTEM	Risk Ref	AUDIT SCOPE	Critical		Audit Days
			Yes	Reason	
ENVIRONMENT					
Fire Safety Management – Specialist Services		Review of Fire Risk Assessments and associated action plans for Car Parks and the Crematorium.			10
Grounds Maintenance Recharges		Follow up of issues raised by Internal Audit into the financial arrangements for Housing Grounds Maintenance recharges made to leaseholders.			10
Vehicle, Machinery and Equipment Replacement Arrangements		Review policy and procedures for replacement of Council-owned fleet vehicles.			8
BUSINESS TRANSFORMATION					
Budget Setting Process	SLT2	Completion of review of the Budget Setting Process. <i>Include monitoring arrangements – Capital programme, Savings/Income targets</i>	Yes	Key financial risk area	10
Subsidence Claims		Review how the Council responds to subsidence claims arising from Council owned trees. Look at guidelines in place for the claimant in terms of what we expect them to do to prove their claims and a policy on how we deal with cases.			8
Health & Safety/ Business Continuity Arrangements		To focus on the shared service arrangement for delivery of H&S and Business Continuity with South Cambs.			10
Mobile Working		Review of effectiveness of new mobile working arrangements implemented across the Operations Team within Estates & Facilities in January 2014.			8
Contract Management – IT Contractor	ICT2	Review of contract management arrangements in place to monitor performance of the new IT contractor.			10
TOTAL					130

SERVICE / SYSTEM	Risk Ref	AUDIT SCOPE	Critical Reason		TOTAL
			Yes		
OTHER RESOURCE PROVISIONS					
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 2013-14 audit plan.					
Carry Forward Activities		Completion of audits from 2013-14 IA plan.			110
Follow Up Provision		Follow up of actions agreed in 2013-14 audits.			30
Ad hoc Project Management/ Procurement/ Contract Management advice		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		Pro-active counter fraud-work, together with re-active work where suspected irregularities have been detected or reported via the whistleblowing route.			60
Requested Work Contingency		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.			50
Risk Management		Reviewing and monitoring of Council's risks and implementation of actions agreed to mitigate risks.			10
TOTAL					300

SUMMARY AUDIT PLAN		Days
Core Systems Assurance Work		36
Annual Governance and Assurance Framework		60
Corporate / Cross Cutting Audits		62
Contracts and Projects		90
Department Specific Reviews:		
Chief Executive	18	
Customer and Community	38	
Environment	28	
Resources	46	130
Other Resource Provisions		300
TOTAL RESOURCES ALLOCATED (Days)		678

INTERNAL AUDIT: PERFORMANCE INDICATORS (AT MARCH 2014)

SERVICE

Indicator	Target	Purpose
% of audit plan (Critical Areas)	100 %	Coverage of the key systems
% Actions accepted by management	100 %	Internal Audit strives to agree all actions with management. Acceptance by management ensures that where improvements are required to the internal control environment, appropriate action will be taken to secure these enhancements. However, there can be occasions where actions are disputed. In these cases, there may be justifiable reasons for management not supporting them. Conversely, management can take the decision to accept the risks identified, particularly if insufficient resources preclude action being taken. However, this will mean that there are vulnerabilities in systems of internal control, which are not being addressed.
% Actions implemented to timescale	90%	This indicator measures the effectiveness of management in making change. Management commitment in implementing actions ensures that high profile risks / fundamental flaws in systems of internal control are suitably resolved.
Days between the completion of audit fieldwork and issue of draft report	15 working days	The draft report is the first stage after which management will have written confirmation of the audit outcomes. Issue on a timely basis provides better opportunity for management to be able to comment, and also ensures that the audit plan is delivered as expected.
Days between the issue of the draft and final report	10 working days	Delivery of a timely final report ensures that management can commence the process of addressing internal control weaknesses.
Average audit questionnaire Scores	Above 7	Audit reports are followed up with a questionnaire gauged views on performance. A score rating of between 1 (very poor) – 10 (excellent) can be provided.

COMPLIANCE WITH STANDARDS

<p>Compliance with the Public Sector Internal Audit Standards</p>	<p>Full</p>	<p>These Standards encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework.</p> <p>A checklist has been developed from the guidance, which will be completed annually, with the results feeding into our review of the effectiveness of internal audit.</p>
<p>Compliance with the CIPFA Statement on the Role of the Head of Internal Audit</p>	<p>Full</p>	<p>This Statement sets out what CIPFA considers being best practice for Heads of Internal Audit in terms of providing a summary of the core responsibilities entailed in the role to support the Council in achieving its objectives, by giving assurance on its internal control arrangements and playing a key part in promoting good corporate governance. A checklist has been developed from the guidance, which is completed annually and feeds into our review of the effectiveness of internal audit.</p>

CAMBRIDGE CITY COUNCIL

REPORT OF: Head of Legal Services

TO: Civic Affairs Committee

19/3/14

WARDS: None directly affected

CONSTITUTION – LEGISLATIVE UPDATE

1 INTRODUCTION

- 1.1 The purpose of the report is to recommend changes to the Council's Constitution to bring it into line with recent regulations governing recording votes relating to setting the budget and council tax.

2. RECOMMENDATIONS

- 2.1 To recommend that Council agrees to the changes to Part 4A of the Constitution as set out in the Appendix.

3. BACKGROUND

Part 4A-Council Procedure Rules (32. Mode of voting)

- 3.1 The Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014 requires the Council to amend its standing orders (constitution) to provide that:

“Immediately after any vote is taken at a budget decision meeting of an authority there must be recorded in the minutes of the proceedings of that meeting the names of the persons who cast a vote for the decision or against the decision or who abstained from voting.”

Recommended changes to incorporate this provision are set out in the Appendix.

3.2 This practice was followed at the budget Council meeting on 27 February in anticipation of the need to change the Council's standing orders.

6. **IMPLICATIONS**

- (a) **Financial Implications**
- (b) **Staffing Implications**
- (c) **Equal Opportunities Implications**
- (d) **Environmental Implications**
- (e) **Procurement**
- (f) **Consultation and communication**
- (g) **Community Safety**

No implications in the areas listed above

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

The Regulations referred to in the report.

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Report file:

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Part 4A-Council Procedure Rules

32. Mode of voting

- 32.1 Every question shall be decided by a show of hands, the members standing up if so required by the Mayor; subject to Rule 32.2.
- 32.2 If any member demands a division and is supported by two other members rising in their places, the question shall be determined by a vote by roll-call and the Chief Executive shall record and enter in the minutes the names of each member present and whether s/he voted for or against or abstained.
- 32.2 Any Member may, immediately after any vote is taken at a Council meeting, require a record to be made in the minutes of whether s/he voted for or against or abstained.
- 32.4 If there are equal numbers of votes for and against, the Mayor will have a second or casting vote.
- 32.5 If there are more than two people nominated for any position to be filled and there is not a clear majority of votes in favour of one person, then the name of the person with the fewest votes will be taken off the list and a new vote taken. The process will continue until there is a majority of votes for one person.
- 32.6 The procedure in Rule 32.5 shall also be followed where more than one position of a similar nature falls to be filled and more people are nominated than there are positions.
- 32.7 *Immediately after any vote is taken at a budget decision meeting of the Council there must be recorded in the minutes of the proceedings of that meeting the names of the persons who cast a vote for the decision or against the decision or who abstained from voting.***

A “budget decision meeting” means a meeting of the Council at which it:

(i) makes a calculation (whether originally or by way of substitute) in accordance with any of sections 31A, 31B, 34 to 36A, 42A, 42B, 45 to 49, 52ZF, 52ZJ of the Local Government Finance Act 1992;

or

(ii) issues a precept under Chapter 4 of Part 1 of that Act,

and includes a meeting where making the calculation or issuing the precept as the case may be was included as an item of business on the agenda for that meeting;

References to a vote are references to a vote on any decision related to the making of the calculation or the issuing of the precept as the case may be.

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