

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		
			Yes	Reason	Audit Days
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	Audit Days
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. <i>Brought forward from 2013-14 to allow exercise to map CCC data sharing arrangements to be completed.</i>			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		
			Yes	Reason	Audit Days
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 Fol/ EIR Legislation	CorpS1	Review arrangements in place across the organisation for managing Fol 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		TOTAL
			Yes	Reason	
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
Other Resource Provisions		300
TOTAL RESOURCES ALLOCATED (Days)		678