

CAMBRIDGE CITY COUNCIL

REPORT OF: Director of Business Transformation

TO: Civic Affairs Committee

18 March 2015

WARDS: All

INTERNAL AUDIT PLAN 2015 / 2016

1. INTRODUCTION

- 1.1 This is the draft Internal Audit Annual Plan for 2015 / 2016 for consideration by the Civic Affairs Committee. The plan has been subject to consultation with all Directorates, the Chief Executive and a copy has been shared with our External Auditors, Ernst and Young for information.
- 1.2 Internal Audit 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 Members of Civic Affairs are requested to examine the draft Internal Audit Plan for 2015 / 2016 and:
 - Identify any areas for further consideration;
 - Approve the draft audit plan; and
 - Note the internal documents on Internal Audit provision – the Audit Charter – as identified in accordance with the PSIAS.
- 2.2 Members of Civic Affairs are also asked to note progress with the implementation of Internal Audit agreed actions as recorded in the Council's risk register.

3. BACKGROUND

- 3.1 This report provides an overview of the stages followed prior to the formulation of the Audit Plan for 2015 / 2016. The Audit Plan will then serve as the work programme for Internal Audit and provide the basis upon which the service will subsequently give Audit Opinions on Cambridge City Council's (CCC) system of internal control, risk management and corporate governance arrangements for 2015 / 2016.

- 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. However, 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 As at February 2015, there is one vacancy within the team, with interviews planned for mid-March 2015. Due to contractual notice periods, the earliest start date for the successful candidate would be mid-May 2015. This has been factored into the resources available for the plan.

4. THE AUDIT CHARTER (APPENDIX A)

- 4.1 The PSIAS 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; and
 - 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 for the service to have an Audit Charter which demonstrates how these elements are being handled and managed. The attached Charter covers off the above requirements.
- 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.
- 4.4 Key issues identified within the Charter for Members are:
- (6) Independence. Internal Audit operates within an organisational framework that preserves the independence and objectivity of the assurance function, and ensures that its activity is free from interference in determining the scope of internal auditing, performing work and communicating results. Internal Auditors should have no operational responsibilities or authority over any of the activities that they are required to review. While 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.

- (11) Quality Assurance and Improvement Plans. Prior years have seen post audit questionnaires issued. Following changes to the Councils intranet, audit have been unable to issue / record PAQ's. This will be addressed going forward and forms part of our improvement plan.

5. CODE OF ETHICS

- 5.1 The Code of Ethics sets out the expectations of Internal Audit staff in relation to service delivery. The document remains unchanged from previous years (Civic Affairs Committee 19 March 2014: Agenda Item 6 Appendix B) and mirrors the obligations in this area as per the PSIAS.

6. INTERNAL AUDIT PLAN 2015 / 2016 (APPENDIX B)

- 6.1 The objective of the Plan is to provide a programme of work, sufficient to enable an informed annual opinion together with providing support to the Annual Governance Statement (AGS). The draft plan provides an acceptable minimum level of audit coverage capable of generating the requisite audit assurances to the organisation, whilst also being affordable.

- 6.2 The Plan for 2015 / 2016 has been developed using a risk-based approach. It has been formulated from reviews of the following:

- i) Corporate / service 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.

The audit plan does not include an audit of the new City Deal arrangement as this will be audited by the County Council's auditors.

- 6.3 The Plan has been broken down into a number of elements:

- a) Core Systems work;
- 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.

- 6.4 The Plan identifies days per assignment. We are proposing that those audits marked as "critical" on the final annual audit plan will be 100% completed within the year.

- 6.5 The Plan excludes details of special investigations or "consultancy" activity that the Council also calls upon the team to deliver, but a separate allocation has been set aside in 2015 / 2016. This is based on resources used in previous years.

- 6.6 If works identified in 6.6 above lead 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.
- 6.7 Outcomes from each audit will lead to the production of the annual audit opinion. This will then inform the AGS 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.
- 6.8 Once the Plan is approved, timings for each audit will be agreed with Directors / Heads of Service.

7 PERFORMANCE INDICATORS (APPENDIX C)

- 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 C** and are referred through Committee as part of the reporting process.

8 IMPLEMENTATION OF INTERNAL AUDIT ACTIONS (APPENDIX D)

- 8.1 Agreed Internal Audit actions arising from audit reports are recorded on the Council's risk register and progress with their implementation is monitored twice a year by the Strategic Leadership Team (SLT). At its meeting in June 2014, Members of Civic Affairs Committee expressed concern at the high number of overdue Internal Audit actions, particularly those that dated back to previous years' audit reports. It was therefore agreed that further updates on the outstanding and overdue actions would be brought to future meetings to provide Members with an up to date position.
- 8.2 Internal Audit last provided such an update in November 2014. **Appendix D** to this report identifies the position as reported in November 2014 (Table 1) and the current position (Table 2).
- 8.3 The figures show that there are currently **22** overdue Internal Audit actions (out of a total of 570 agreed actions), compared with **18** in September 2014 (out of a total of 495 agreed actions). Managers are continuing to address their overdue actions and Internal Audit will work closely with them to keep on top of the situation.
- 8.4 Follow-up audits will also be conducted in 2015/16 to establish progress with agreed Internal Audit actions where the original report received a 'no' or 'limited' assurance rating.

9 CONSULTATION

- 9.1 Directors and Heads of Service were consulted during February 2015 on the possible content for the 2015 / 2016 audit plan and their views have been taken into consideration when putting it together.
- 9.2 A copy of the audit plan has been sent to External Audit for their information.

10 IMPLICATIONS

(a) **Financial Implications**

None

(b) **Staffing Implications**

The audit plan reflects current available resources. Any significant change in resource or Council activities will be reported under separate cover to Members and their impact.

(c) **Legal Implications**

The Council has a legal obligation to maintain an adequate and effective system of internal audit, and the council has delegated this responsibility to this Committee. There are no adverse legal implications relating to the reporting progress.

(d) **Risk Implications**

In terms of risk management, the Plan and its outcomes are a key part of the Council's risk management and assurance framework. The Plan is based on risk assessments that include a review of the Council's risk register. Actions to mitigate risks are identified in audit reports and agreed with management and are followed up by Internal Audit to ensure implementation.

(e) **Equality and Poverty Implications**

None

(f) **Environmental Implications**

None

(g) **Community Safety**

None

BACKGROUND PAPERS:

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

Public Sector Internal Audit Standards
Cambridge City Council Risk Registers

APPENDICES:

A: Internal Audit Charter
B: Internal Audit Plan and Strategy 2015 / 2016
C: Performance Indicators
D: Implementation of Agreed Internal Audit Actions

To inspect these documents contact Steve Crabtree on extension 8181.

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