

CAMBRIDGE CITY COUNCIL INTERNAL AUDIT PLAN 2015 / 2016

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. An overview of risk management and governance processes and key financial controls is also a significant aspect of our work.
- 1.5 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 Shared management arrangements have been in place since January 2011 between Cambridge and Peterborough City Council and this was extended to include South Cambs in July 2013. The reduced provision has seen a commensurate reduction in cost. Activities being considered to improve services going forward include:
- Use of specialist audit IT software to look to enhance our audit processes;
 - Where appropriate, use assurance provided from other authorities on audit activities; and
 - The potential to expand the shared arrangements, subject to appropriate caveats in place to protect Cambridge services. As a minimum this will constitute a review of the existing arrangements.

3. AUDIT PLAN

- 3.1 The sources of information used in identifying the priorities put forward for audit coverage include the Council objectives; Medium Term Financial Strategy; Portfolio and Operational Plans; the Council's strategic and operational risk registers; and consultations with individual directors and their management teams.
- 3.2 The Plan for 2015 / 2016 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. Any substantial changes will be referred to the Chair of Civic Affairs should the need arise.
- 3.3 Resource requirements are reviewed each year as part of the audit planning process. Current plans are based upon 4.57 FTE; this includes one full time post which is currently vacant (interviews planned March 2015).
- 3.4 We have attempted to map the audit activities across a series of broad areas, these being:
- Core Systems.
 - Annual Governance and Assurance Framework
 - Corporate Cross Cutting Audits.
 - Projects and Contracts. On-going project management and challenge of key contracts.
 - Departmental

3.5 The overall allocation of time from the estimated 674 days available is as follows (compared with previous year):

Table 1: INTERNAL AUDIT ALLOCATIONS				
	2015 / 2016 Days	2015 / 2016 %	2014 / 2015 Days	2014 / 2015 %
Core Systems Assurance Work	32	4.7	36	5.3
Annual Governance and Assurance Framework	60	8.9	60	8.9
Corporate Cross Cutting Audits	28	4.2	62	9.1
Contracts / Projects	95	14.1	90	13.2
Department Specific	159	23.6	130	19.2
Other Resource Provisions	300	44.5	300	44.3
TOTAL RESOURCES ALLOCATED	674	100.0	678	100.0

3.6 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.

DRAFT INTERNAL AUDIT PLAN 2015/16

SERVICE / AREA FOR REVIEW	RISK REF	OUTLINE 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.					
Standards/Gifts & Hospitality/Ethics & Culture/Bribery Act		The Public Sector Internal Audit Standards require Internal Audit to evaluate the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities.			10
CCTV		Review arrangements for the procurement and installation of CCTV cameras across the authority to ensure that this has been done in line with service protocols and that they are covered by the shared service arrangement.			8
Implementation of key Council Strategies		Review of arrangements in place to ensure the delivery of key council strategies.			10
				TOTAL	28

SERVICE / AREA FOR REVIEW	RISK REF	AUDIT SCOPE	Critical		Audit Days
			Yes	Reason	
CONTRACTS AND PROJECTS					
The majority of projects included in this section of the plan come under the Business Transformation agenda. Internal Audit will provide ongoing input into these reviews to ensure they are properly managed and to ensure that effective contract and procurement arrangements are in place. Where appropriate gateway reviews can be undertaken at key points during the course of the project.					
Transforming how we deliver services	Various PO Projects	Ongoing communication with project lead for this strand of the Business Transformation agenda to provide audit input on key issues arising in specific projects.	Yes		15
Building Cleaning Contract – Post Implementation Review	Project BCL	Post implementation review of this key Council project with a view to ensuring that lessons learned are identified and shared across the authority.			5
Fleet Review (Refuse & Environment)	PO Fleet	Provide audit input to this review.			8
Banking Contract	Project BC	Provide audit input to this key Council project. 'Critical friend' role.			8
Redevelopment of Park Street Car Park (Specialist Services)	SS2	Provide audit input at key stages to this key re-development project.	Yes	High value project. High reputational risk.	8
Ditchburn Place Refurbishment (City Homes)		Major project – recommend gateway review at key point(s) during the course of the project.	Yes	High value project. High reputational risk.	10
Cultural Trust – Post Implementation Review	Project CT	Provide audit input to a review to identify key lessons learned and ensure these are shared across the authority.			5
Tourism – Destination Management Organisation (DMO)	PO Tourism	Provide audit input to this key Council project. 'Critical friend' role.	Yes	Key CCC project. High reputational risk.	10
Joint Waste Service/Relocation to Waterbeach (Refuse & Environment)	PO Waste	Major project – recommend gateway review at key point(s) during the course of the project.	Yes	Key CCC project. High reputational risk.	10
Community Infrastructure Levy (CIL) (Planning)	Project CIL	Provide audit input to this key Council project through attendance at project team meetings and possible gateway review (s) at key points during the project.	Yes	Key CCC project. High reputational risk.	10
Clay Farm – Community Centre (Strategic Housing)	Project CFCC	Ongoing review of progress in relation to expected deliverables from the project.	Yes	Key CCC project. High reputational risk.	6
TOTAL					95

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 / AREA FOR REVIEW	RISK REF	AUDIT SCOPE	Critical		Audit Days
			Yes	Reason	
CHIEF EXECUTIVE/CORPORATE STRATEGY					
Transparency Agenda	SLT3	Review compliance with the requirements of new transparency legislation.			10
Carbon Management Information	CorpS4 and SLT9	Review accuracy of information to be included in the 2014/15 Carbon Management report, as this will provide the baseline data for future years.	Yes	To provide assurance on baseline data	5
Member Training	CorpS6	Review of arrangements for providing training to new and existing members, including identification of training needs, recording and provision of training.			8
CUSTOMER AND COMMUNITY					
Former Tenant Arrears (City Homes)	CH2	A high level review of Former Tenant Arrears (FTAs) was undertaken in 2014/15 as part of the review of Rent Accounting processes. This identified a number of weaknesses with the FTAs process and it was therefore agreed with the Head of Housing that a more in-depth review will be undertaken in 2015/16.			8
Stores Review (Estates & Facilities)	E&F9	To undertake a review of procurement arrangements for materials for stores, examining pricing/ sourcing processes and testing to see whether the Council is achieving best value. The outcome from this audit will feed into the review of the Stores function to be undertaken by the Head of Estates & Facilities and will be scheduled for Q1.	Yes	To feed into Stores Review	8
Town Hall Lettings Scheme (Strategic Housing)		To review the management controls in place for this pilot Lettings scheme. To feed into the report to Committee on proposals for the future of the scheme.			8
ChYpPS Adventures (Communities, Arts and Recreation)		To provide audit input to this income generation scheme.			6
Management of Premises – Hostels and sheltered accommodation (City Homes)	CH14	Premises related risks associated with Hostels and sheltered accommodation identified as a risk on the risk register and area not reviewed previously by Audit. Review arrangements in place for ensuring premises are properly managed and in compliance with relevant legislation.			10
Cambridge BID (Revs & Bens)	R&B14	Review of billing and collection procedures and arrangements for paying over monies received.			8
HB – Risk Based Verification (RBV) (Revs & Bens)	R&B4	Review of effectiveness of Risk Based Verification in reducing HB fraud.			8

DEPARTMENT SPECIFIC REVIEWS					
SERVICE / AREA FOR REVIEW	RISK REF	AUDIT SCOPE	Critical		
			Yes	Reason	Audit Days
ENVIRONMENT					
Bereavement Services (Specialist Services)	SS3 & SS9	Review of implementation of on-line systems and Commemorations Service/Income generation.			8
Car Parks Management System (Specialist Services)	SS9	Evaluation of implementation of new car park management system at Grand Arcade. Identify lessons learned to feed into decision as to whether to roll out across other car parks.			10
Contaminated Land (Refuse & Environment)	R&E25	Review controls in place to manage the risks associated with contaminated land on growth sites – Area last reviewed by audit in 2008/09.			8
Streets & Open Spaces – Project Delivery	S&OS1	Review of a sample of projects to ensure proper arrangements in place to deliver the project. Also to follow up actions agreed at the time of the last audit in 2011/12.			10
Refuse and Environment – Managing Income	R&E1, 2, & 3	Review controls in place to manage risks on the risk register relating to reduction of income, i.e. dry recycling, recycling credits and commercial waste.			8
BUSINESS TRANSFORMATION					
Compliance with RIPA Legislation (Legal)	SLT3	To review processes in place to ensure compliance with RIPA legislation.			8
Recharges/ Central Support Costs (Finance)	FIN5 /11	Examine the basis and accuracy for recharging central support costs to ensure they are in line with best practice.			10
Procurement Cards (Support Services)	FIN2	To review processes for administering and managing expenditure made via procurement cards, including approval process and to examine the nature of this spend.			8
Commercial Property – Management of asbestos, legionella, Fire Risk Assessments (Property)	PROP5,6 & 9	Review of controls in place to manage key risks included on the risk register in relation to commercial property management.			10
				TOTAL	159

SERVICE / AREA FOR REVIEW	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 includes audit work that relates to the production of the Annual Governance Statement.					
Annual Governance Statement		Input to the draft AGS and action plan.	Yes	Corporate responsibility	8
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 Public Sector Internal Audit Standards.	Yes	Corporate responsibility	6
Prevention of Fraud and Corruption Policy and completion of Annual Fraud Survey		Review of Policy and reporting of fraud and whistle-blowing cases to Civic Affairs that have arisen during previous year. Completion of Annual Fraud Survey on behalf of authority.	Yes	Corporate responsibility	8
National Fraud Initiative		Review and follow up of match reports from 2014/15 exercise.	Yes	Corporate responsibility	30
				TOTAL	60

SERVICE / AREA FOR REVIEW	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 her 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	Yes	External Audit Assurance 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 any External Audit requirements identified.			
NDR		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. Test adequacy of input controls and include feeder system interfaces into the general ledger and reconciliation of control and suspense accounts.	Yes		12
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.			-
Accounts Receivable		Systems based approach considering key risk exposures. Include mapping of key control areas and coverage of External Audit requirements.			-

SERVICE / AREA FOR REVIEW	RISK REF	AUDIT SCOPE	Critical Service Review			
			Yes	Reason	Audit Days	
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	-	-	-	
BACS Payments		The BACS system processes £millions each year through Payroll, Creditors and Benefits. To test controls to ensure that payments made through BACS are accurately recorded and that appropriate segregation of duties is maintained.	Yes		8	
VAT		To provide assurance that VAT is correctly accounted for by the authority and on a timely basis.	-		-	
					TOTAL	32

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	COUNCIL OBJECTIVE	AUDIT SCOPE	
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 2014-15 audit plan.			
Carry Forward Activities	ALL	Completion of audits from 2014-15 IA plan.	150
Follow Up Provision	ALL	Follow up of actions agreed in 2014-15 audits.	25
Project Management/ Procurement/ Contract Management advice	ALL	Assist Procurement Team in the provision of ongoing advice and support to service areas involved in key projects and procurement exercises.	40
Fraud / Irregularity Contingency	ALL	Pro-active counter fraud-work, together with re-active work where suspected irregularities have been detected or reported via the whistleblowing route.	25
Requested Work Contingency	ALL	Allowance exists to provide flexibility within the audit plan for time spent on providing risk and control advice to officers, management /members and ad hoc requests and consultancy work.	30
Risk Management	ALL	Reviewing and monitoring of Council's risks and implementation of actions agreed to mitigate risks.	30
TOTAL			300