

CAMBRIDGE CITY COUNCIL

REPORT OF: Director of Business Transformation

TO: Civic Affairs Committee

17 February 2016

WARDS: All

INTERNAL AUDIT PLAN 2016 / 2017

1. INTRODUCTION

- 1.1 This is the draft Internal Audit Annual Plan and Strategy for 2016 / 2017 for consideration by the Civic Affairs Committee. The plan has been subject to consultation with all Directorates, the Chief Executive and a copy shared with our External Auditors, Ernst and Young.
- 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 Civic Affairs Committee is requested to examine the draft Internal Audit Plan for 2016 / 2017 and:
 - Approve the draft Audit Plan and Strategy for adoption; and
 - Note the internal documents on Internal Audit provision – the Audit Charter – as identified in accordance with the PSIAS.

3. BACKGROUND

- 3.1 This report provides an overview of the stages followed prior to the formulation of the Audit Plan for 2016 / 2017. 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 2016 / 2017.
- 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.
- 3.3 As at 28 January 2016, the service is fully staffed and the proposed audit plan for the year is based on the assumption that the level of resource remains the same.

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.

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 has been reviewed but 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 AND STRATEGY 2016 / 2017 (APPENDIX B)

6.1 The Internal Audit Strategy has the overarching purpose of establishing how the annual programme of works has been devised e.g. data captured and the risks applied. The PSIAS recommends Internal Audit undertake annual assessments of the provisions in these areas and this is set out in the document.

6.2 The objective of the Plan is to provide a programme of work, sufficient to enable an informed annual opinion together with providing support to 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.

6.3 The Plan for 2016 / 2017 has been developed using a risk-based approach. It has been formulated from reviews of the following:

- i) Corporate Plan;
- ii) Corporate / service risks and an assessment of mitigating controls;
- iii) Areas of significant change or concern within the council;
- iv) Key projects / partnerships being undertaken; and
- v) Discussions with Directors and Heads of Service.

- 6.4 The Plan has been broken down across the 7 key objectives identified within the Corporate Plan together with specific audits required to provide overarching assurance to meet the needs of the Council. An indicative number of days have been identified per assignment.
- 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 2016 / 2017. This is based on resources used in previous years.
- 6.6 If works identified in 6.5 above 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.
- 6.7 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.
- 6.8 Once the Plan is approved, timings for each audit will be agreed with Directors / Heads of Service.

7 CONSULTATION

- 7.1 On-going work planning is agreed with External Audit to ensure that the work avoids duplication. A copy of the audit plan has been sent to External Audit for their information. Directors were consulted during January 2016 on the possible content for the 2016 / 2017 audit plan and their views have been taken into consideration when putting the plan together.

8 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.

(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:

Risk-Based Internal Auditing – Working Standards and Procedures

Public Sector Internal Audit Standards

Cambridge City Council Risk Registers

APPENDICES:

A: Internal Audit Charter

B: Internal Audit Plan and Strategy 2016 / 2017

To inspect these documents contact Steve Crabtree on extension 8181.

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