

CAMBRIDGE CITY COUNCIL

REPORT OF: Strategic Director (Interim)

TO: Civic Affairs Committee

15 February 2017

WARDS: All

INTERNAL AUDIT PLAN 2017 / 2018

1. INTRODUCTION

- 1.1 This is the draft Internal Audit Annual Plan and Strategy for 2017 / 2018 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 associated documents have been created in line with best practice 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 2017 / 2018 and:
 - Approve the draft Audit Plan and Strategy for adoption; and
 - Note the internal documents on Internal Audit provision – the Audit Charter and the Code of Ethics – 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 2017 / 2018. 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 2017 / 2018.
- 3.2 Members' attention is also drawn to the fact that the Audit Charter and the Code of Ethics has been presented for approval. This sets out the original Terms of Reference for the service and is aligned against the PSIAS.

4. IN YEAR SERVICE DEVELOPMENTS

- 4.1 Cambridge City and Peterborough City Councils have worked in partnership since January 2011 for sharing Internal Audit management resources which

has delivered a number of financial benefits to each Council. This was further extended to include South Cambridgeshire District Council in July 2013.

- 4.2 As part of internal reviews in year, initial proposals were put forward to extend to include Huntingdonshire District Council under the 3C Shared Services. This was reported to Strategy and Resources Committee (10 October 2016). Peterborough City Council indicated at this point that they wished to conclude the current arrangements. During this committee cycle, Huntingdonshire District Council also deferred the decision to join the partnership.
- 4.3 Strategy and Resources Committee (23 January 2017) received a supplementary report for the development of a two way service between Cambridge City and South Cambridgeshire Councils only, which was agreed.
- 4.4 As at February 2017, Internal Audit is fully resourced, although it has recently received a resignation which will take effect in March 2017. Steps are in train to recruit into the post and to minimize impact on future audit plan days. A small adjustment has been reflected in the Audit Plan to mitigate.

5. THE AUDIT CHARTER (APPENDIX A)

5.1 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.

5.2 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.

5.3 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 the Civic Affairs Committee.

6. AUDIT: CODE OF ETHICS (APPENDIX B)

6.1 The Code of Ethics sets out the expectations 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) and mirrors the obligations in this area as per the PSIAS.

7. INTERNAL AUDIT PLAN AND STRATEGY 2017 / 2018 (APPENDIX C)

7.1 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 in the document.

- 7.2 The objective of the Plan is to provide a programme of work, sufficient to enable an informed annual opinion together with providing support to 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.
- 7.3 The Plan for 2017 / 2018 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.
- 7.4 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. 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. This is based on resources used in previous years. Overall, 690 days have been identified, an increase on previous years.
- 7.5 If works identified in 7.4 above leads to the potential for resources required exceeding the amount set-aside then the Internal Audit lead will establish the course of action to be taken in consultation with the Strategic Director (Interim), Head of Finance (as the Councils 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.
- 7.6 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.
- 7.7 Once the Plan is approved, timings for each audit will be agreed with Directors / Heads of Service.

8. CONSULTATION

- 8.1 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 December 2016 – January 2017 on the possible content for the Internal Audit plan and their views have been taken into consideration when putting the plan together.

9. IMPLICATIONS

- (a) **Financial Implications**
None

- (b) **Staffing Implications**
The audit plan reflects current available resources and factors in the immediate shortfall due to resignation and time lapse for successful recruitment. 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: Code of Ethics
C: Internal Audit Plan and Strategy 2017 / 2018

To inspect these documents contact Steve Crabtree on extension 8181.

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Date originated: 02 February 2017
Date of last revision: 02 February 2017