

CAMBRIDGE CITY COUNCIL**INTERNAL AUDIT STRATEGY 2011 / 2012****Introduction**

This document sets out the Internal Audit strategy, as required by The CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006 (the Code). It is intended to demonstrate how Internal Audit will support the overall aims and objectives of the Council by:

- Providing the Chief Executive, Section 151 Officer and Civic Affairs Committee with an overall opinion each year on the Council's control environment to support the Annual Governance Statement requirements;
- Preparing audit plans that give suitable priority to the Council's objectives and key risks and concentrate resources on areas that have been identified as being the most vulnerable;
- Providing suggested actions to line management at the conclusion of each piece of audit work that will assist in continuous service improvement and reduce the risks identified;
- Identifying the audit resources required to deliver an audit service that meets required professional standards;
- Providing regular reports to the Civic Affairs Committee; and
- Complying with professional standards.

The strategy will be reviewed on an annual basis to ensure its continued relevance, both in terms of supporting the council's aims and in achieving a professional, modern audit service.

Regulatory Framework

There are legislative requirements that relate to the provision of an internal audit within local authorities, namely:

- The Local Government Act 1972 (s151) requires that "every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs". In Cambridge City Council the responsible financial officer is the Director of Resources and one of the ways he exercises his responsibility for financial administration is through the work of internal audit.
- The Accounts and Audit Regulations 2003 (s6, amended 2006)¹, issued by the First Secretary of State under powers granted to him under Section 27 of the Audit Commission Act 1998, specify certain requirements for local authorities. In order to comply with these regulations the Council needs to maintain an adequate and effective system of internal control, in accordance with proper internal audit practices, these being set out in the CIPFA Code of Practice for Internal Audit in Local Government.

¹ The Department for Communities and Local Government have been consulting on these Regulations which have had a series of amendments since 2003. Closing date was 4 March 2011. New proposals reinforce audit requirements, but also reflect government proposals in relation to the Audit Commission.

Professional Standards and Ethics

Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is the primary public sector accountancy body in the United Kingdom. In 2006, CIPFA published a revised Code of Practice for Internal Audit in Local Government (CIPFA Code).

The (Shared) Head of Internal Audit will ensure that the standards contained within the Code are applied to the work of Internal Audit. Any standards that cannot be complied with in full shall be discussed with the s151 Officer and agreement reached as to the alternatives to be accepted. Substantial differences shall be reported to the Civic Affairs Committee.

External Audit conduct regular reviews of the work of Internal Audit in order to be able to place reliance on it to satisfy their needs in produced the Annual Audit Letter for reporting to Civic Affairs Committee. In addition, Internal Audit will conduct a periodic self-assessment during the intervening period to ensure continuing compliance with the Code.

Institute of Internal Auditors - UK (IIA - UK)

The IIA is an international association dedicated to the continuing professional development of the individual internal auditor and the internal auditing profession. The IIA has produced Standards for the Professional Practice of Internal Auditing. These standards are a means by which the conduct of any individual auditor and the operations of any internal auditing organisation may be evaluated and measured.

Ethics

The CIPFA Code of Practice and the IIA International Code of Ethics for Internal Audit set out minimum ethical standards for the performance and conduct of internal auditors. All internal audit staff are required to understand and comply with these standards of ethics, in addition to those required by professional institutes of which they are members.

The principles observed are Integrity; Objectivity; Competence; and Confidentiality.

Provision of the Internal Audit Service

In considering the options for the provision of internal audit, the Council currently delivers its service from an in-house team of staff. There are no vacant posts.

Internal Audit Manual

In order to deliver its role effectively, Internal Audit continues to review its Audit Manual. The manual sets out the processes for planning, implementing, checking and reviewing the way in which audit services are delivered. The objectives of the manual are to:

- State clearly the roles and responsibilities i.e. our Terms of Reference;
- Describe the organisational, managerial and planning arrangements in place;
- Explain the standard procedures to be followed and documentation to be completed;
- Consolidate all relevant information concerning the work of the service in order that a consistent approach can be achieved within a flexible framework;
- Prescribe how Internal Audit will manage its resources;
- Set out how Internal Audit will look for continuous improvement; and
- Provide a basis for the training and development of staff.

The Audit Manual has been produced after consideration of the guidelines recommended by CIPFA and the IIA.

Planning and Resources

It is important that the service keeps under review the resources required in order for it to fulfil its role in the medium to longer term. As such, an "Audit Universe" is maintained which predicts the likely areas for audit activity over the medium to longer term and compares this with the existing resources available.

In developing the Strategy and the Risk Profile it is important that audit resources are directed in line with the priorities of the Council taking into account an assessment of risk. In order to achieve this, a systematic risk assessment and planning methodology is used, as follows:

- A list of auditable areas, known as the Audit Universe is maintained on an ongoing basis. This is based on the audit activity undertaken during the year and the overall opinion of the control environment within the audited area.
- In addition to the above, during February each year a further review of the auditable areas is conducted based upon:
 - Consultation with Chief Officers and other senior managers, to identify key issues facing the council to ensure that key risks are prioritised;
 - A review of Portfolio Plans / Service and Business Plans;
 - Review and consideration of new council initiatives, government initiatives and legislation;
 - Review and consideration of strategic risks not identified separately above; and
 - Financial and Budgetary information.

The Audit Universe is then updated to reflect changes in the Council and methods of service delivery. To determine the priorities for the annual Audit Plan the following are reviewed:

- The need to be able to provide an annual audit opinion of the Council's key financial and non financial systems;
- Risk assessments which are maintained on an ongoing basis for all areas on the audit universe;
- Specific client requests; and
- The existing operational plan

The above methodology results in a plan that is supportive of Directors in delivering the strategic priorities and corporate improvement priorities of the Council and provides and overall view of the internal control environment, a key part of good Corporate Governance.

The proposed 2011 / 2012 Annual Plan has been compiled using the criteria detailed above along with a consideration of available resources. The plan shows the minimum amount of work that is required to provide assurance to the organisation.

Marketing of Internal Audit

To further develop the profile of audit services in line with current initiatives, Internal Audit will look to develop an overarching Marketing Strategy during 2011 / 2012. This will also involve Peterborough City Council (PCC) and will look to cover other public sector bodies and organisations. Any successes in obtaining additional works will need to be carefully managed so as not to be at the detriment of the core service delivery to Cambridge City. A separate strand will look at developing internal promotion of the service.

Performance Indicators

A range of performance indicators are maintained internally to monitor service performance. These cover areas such as Cost and Efficiency, Quality, Customer Satisfaction and Continuous Improvement. Performance against these areas will be reported to the Civic Affairs Committee periodically.

Traditionally, Internal Audit has undertaken CIPFA benchmarking, which compares the service with other local authorities. During 2011 / 2012, Internal Audit intends to widen the scope for benchmarking by exploring comparisons with both private and public sector organisations. This will hopefully highlight any improvements that can be made to service delivery that have not been previously considered and will also assist in developing marketing strategies.

Internal Audit will continue to liaise with the Audit Commission, the authority's external auditor by sharing best practice to enhance performance and efficiency throughout the year.

Training Strategy

Alongside the authority's Performance Review process, the service will establish training needs assessment for future service requirements. Joint arrangements will be explored so that officers from both Cambridge and Peterborough can be developed at the same time and also to look for efficiencies in terms of time and cost.

Reporting

Reporting will be prepared in order to give assurance (or otherwise) to Members that they can rely on the work of the service and the internal control framework in place which will contribute to the Annual Governance Statement.

In addition, Members have been provided with access to all audit reports through the secure intranet area.