

INTERNAL AUDIT: OPERATIONAL PLAN 2012 / 2013**1. Introduction**

This document sets out the division of responsibilities between managers and Internal Audit Services, and presents the Internal Audit Operational Plan for 2012 / 2013.

2. Division of Responsibilities

It is management's responsibility to manage the Council systems in a manner in which:

- Ensures the plans and intentions of the organisation are delivered, (including those outlined in plans, policies and procedures) and are in compliance with the laws / regulations under which the organisation operates;
- Ensures the reliability of data and information used either internally or reported externally;
- Safeguards the organisation's resources; and
- Promotes efficient and effective operations.

Controlling is an integral part of managing operations and as such internal auditors independently review how efficiently management discharges this aspect of its responsibilities by evaluating the effectiveness of systems and controls and providing objective analysis and constructive recommendations. Management retain full ownership and responsibility for the implementation of any agreed actions .

3. Development of the Internal Audit Operational Plan

In developing the Annual Plan, 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 assessment and planning methodology is used, as set out in the Audit Strategy.

The methodology results in a plan that is supportive of Directors in delivering the strategic priorities of the Council and provides a view of the overall internal control environment, a key part of Corporate Governance. This is split into three key elements:

- Assessing the present – fundamental assurance;
- Assessing the future; and
- Improving business performance and delivering future value.

Assessing the Present – Fundamental Assurance

Core systems assurance will continue to be a fundamental requirement at the Council. We consider that a key requirement will be to receive fundamental assurance reviews at the right time to ensure that external audit can place reliance on our work. This will cover areas such as business systems; projects and major contracts; financial systems; safeguarding assets; and corporate governance.

Assessing the Future

By adopting a risk based audit approach there will be clear linkage between the significant risks identified in the Council's Risk Registers and the work undertaken by internal audit in providing assurance against these. The definition of risk is "*anything that will prevent you from achieving your objectives*". As a result, the starting point for a risk based audit is an understanding of the Council's objectives. As well as looking at the risk management framework and governance procedures, we will also cover systems development; investment decisions; emerging risks and due diligence.

Delivering Value through Improved Performance

A significant element of the internal audit plan will remain focused on fundamental assurance. However, over time as risk management processes develop and the internal control environment strengthens, we would expect this proportion of the audit plan to reduce. This will enable us to concentrate more of our resources on assisting the Council in areas such as strategy, efficiency gains, process improvements and delivering savings.

4. Draft Operational Audit Plan

The plan is developed with the Corporate Objectives of the Council in mind. All of the reviews undertaken are underpinned by the driving principle to be "delivering value for money", but they also have an impact on the organisation's strategic vision. The plan highlights how our work links to the vision identified.

The number of planned audit days is based on 5.44 FTE audit staff. No allocation has been factored in for the vacant 0.4 FTE, but this will be reviewed early in the year. Any shortfall in resources will be managed by removing lower priority work from the plan and / or reducing the scope of some reviews. Civic Affairs Committee will be regularly updated on any significant amendments.

Those areas not included in the plan this year will be considered for review on a cyclical basis in future years. However, it is anticipated that audits of low priority areas will not occur unless a risk assessment results in an increased priority level.

The plan for 2012 / 2013 is not a static document. The Head of Internal Audit reserves the right to amend plans in line with emerging risks and changing priorities as they occur throughout the year, following consultation with the s151 officer. Any major changes in the

plan will be discussed with those charged with governance and reported to the Civic Affairs Committee. The following key points are of note:

Core Systems Assurance Work

Audits of the main financial systems of the Council are undertaken on a cyclical basis, in consultation with our External Auditors. The Audit Plan detailed below highlights **all** the core systems that will be reviewed over approximately a 3-year cycle - provided for information purposes only. We will adopt a key-control approach for these audits. The audit plan details for 2012 / 2013 that the team will carry out reviews of Housing Benefits (against an annual diagnostic tool), Council Tax and Treasury Management. We will co-ordinate our work with our External Auditors to ensure that reliance can be placed on the work provided by Internal Audit in accordance with their rolling programme.

Annual Governance and Assurance Framework

Each year the Council is obliged to issue a statement on the effectiveness of its governance arrangements. Internal Audit will undertake reviews to support this process covering areas such as risk management.

Corporate Cross Cutting Reviews

The plan has been developed to test the adequacy and effectiveness of the control environment put in place to mitigate various principal risks and also to provide the assurance required on key controls which impact on the whole Council. Examples of the audits planned this year include reviews of health and safety, fees and charges, climate change fund and gifts and hospitality.

Contracts and Projects

These areas have been identified as a continuing risk in light of their increasing number, their importance in relation to the Council's overall aims and objectives and their, at times, complex linkages and funding arrangements. Internal Audit will review specific projects. We will also carry out some themed audits, picking up on particular aspects of the project management process, such as the Gateway Review process and Post Implementation Reviews.

Contract activity will be based on the works channeled through the central procurement team and will look at the various stages of contract work (i.e. tendering arrangements, awarding of contracts, contract monitoring etc).

Department Specific Audits

These are audits agreed following discussions at each departmental management team and represent areas identified where management assurance is required, whether it is at a pre- or post-implementation stage.

Other Resource Provisions

Throughout the year audit activities will include reviews that have not been specified within the plan and may include management requests as a result of changing risks and special investigations. Contingency time is included for such events along with the provision for consultancy work that may be undertaken by the Head of Internal Audit or other members of the audit team. Other activities are also included, such as support to Civic Affairs (Audit Committee) and External Audit liaison.

5. Reporting Protocols

At the conclusion of each individual audit a Draft Report and proposed Action Plan will be forwarded to the appropriate manager within the client department. Once agreement has been reached a Final Report and Action Plan will be forwarded to the relevant Director. All Members will have access to Audit Reports through the secure Intranet site.

A progress report will be presented to Civic Affairs Committee indicating the level of achievement against agreed targets and any major findings arising from the audit work undertaken. An annual report will be prepared for Civic Affairs Committee in order to give assurance or otherwise to Members that they can rely on the internal control framework of the Council.

6. Detailed Plan

Documented below is the audit activity proposed, with its link to the strategic vision, where appropriate.

CAMBRIDGE CITY COUNCIL: INTERNAL AUDIT PLAN 2012 / 2013

VISION / OBJECTIVE

CAMBRIDGE – WHERE PEOPLE MATTER

- 1 A City which celebrates its diversity, unites in its priority for the disadvantaged and strives for shared community well being
- 2 A City whose citizens feel they can influence public decision making and are equally keen to pursue individual and community initiatives
- 3 A City where people behave with consideration for others and where harm and nuisance are confronted wherever possible without constraining the lives of all

CAMBRIDGE – A GOOD PLACE TO LIVE, LEARN AND WORK

- 4 A City which recognises and meets needs for housing of all kinds – close to jobs and neighbourhood facilities
- 5 A City which draws inspiration from its iconic historic centre and achieves a sense of place in all of its parts with generous urban open spaces and well designed buildings
- 6 A City with a thriving local economy that benefits the whole community and builds on its global pre-eminence in learning and discovery
- 7 A City where getting around is primarily by public transport, bike and on foot

CAMBRIDGE – CARING FOR THE PLANET

- 8 A City in the forefront of low carbon living and minimising its impact on the environment from waste and pollution

OBJECTIVES 1 – 8 UNDERPINNED BY:

- 9 A City seeking to achieve value for the public money the Council spends

Internal Audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment which encompasses the systems of governance, risk management and internal control, by evaluating its effectiveness in achieving the organisation's objectives. It examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, efficient and effective use of resources (*CIPFA Code of Practice for Internal Audit in Local Government 2006*).

SERVICE / SYSTEM	COUNCIL OBJECTIVE	AUDIT SCOPE	Critical		TOTAL
			Yes	Reason	
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 his 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	9	System parameter testing as part of the HB claim audit undertaken by External Audit.	Yes	External Audit reliance work	12
Council Tax	9	The audit will focus on controls in place to ensure the completeness, promptness, accuracy and validity of Council Tax transactions, including access restrictions, authorisations, accuracy checks on input, segregation of duties and error detection. Includes liaison with External Audit requirements and testing of IT system control.	Yes	External Audit reliance work	12
NNDR	9	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	9	System based approach considering key risk exposures. Included mapping of key control areas and liaison with External Audit requirements. Testing adequacy of input controls and including feeder system interfaces into the general ledger and reconciliation of control and suspense accounts. Review IT system controls.	-		-
Treasury Management	9	To review the processes and procedures in place for dealing with and recording short 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.	Yes	External Audit reliance work	8
Accounts Payable	9	Systems based approach considering key risk exposures. Include mapping of key control areas and liaison with External Audit requirements. Testing to provide assurance that accurate, timely payments are made which are only to bone fide creditors for goods and services provided for the benefit of the Council, including testing of authorisation controls. Review IT system controls.	-		-

SERVICE / SYSTEM	COUNCIL OBJECTIVE	AUDIT SCOPE	Critical		TOTAL
			Yes	Reason	
Payroll	9	Substantive "cradle to grave" approach, following through samples of payments for example, permanent and temporary changes to pay. Testing to include authorisation controls at budget manager level. Review IT system controls.	-		-
Accounts Receivable – Debt Recovery Process	9	Systems based approach considering key risk exposures. Include mapping of key control areas and liaison with External Audit requirements. Testing to provide assurance that all income due is identified, invoiced, collected and recorded accurately and timely, including checking of controls over income in a sample of budget areas. Review IT system controls.	-		-
Fixed Asset Register / Capital Accounting	9	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	9	The audit will review system access controls, debit creation, rent collection and arrears management	-		-
BACS Payments	9	The BACS system processes £millions each year through Payroll, Creditors etc. We will seek assurance that the controls including transfer of data from feeder systems are adequate. We will also ensure that payments made through BACS are accurately recorded on Oracle and that appropriate segregation of duties is maintained.	-		-
VAT	9	To provide assurance that VAT is correctly accounted for by the authority and on a timely basis.	-		-
TOTAL					32

N.B. Shaded areas will not be completed in this year, but will be reviewed in future years.

SERVICE / SYSTEM	COUNCIL OBJECTIVE	AUDIT SCOPE	Critical		TOTAL
			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 details audit work that specifically relates to the production of the Annual Governance Statement					
Annual Governance Statement	All	Review the process for completing the AGS and review the draft AGS and action plan.	Yes	Corporate responsibility	5
Annual Audit Opinion	All	Head of Internal Audit opinion on the state of governance and the internal control framework in place within Cambridge City Council.	Yes	Corporate responsibility	6
Internal Audit Effectiveness	9	Review of the Internal Audit service against best practice guidelines.	Yes	Corporate responsibility	5
National Fraud Initiative	All	Management of data download for 2012-13 exercise. Key contact role.	Yes	Corporate responsibility to protect finite resources	30
Prevention of Fraud and Corruption Policy	9	Review of Policy and reporting of cases to Committee that have arisen during previous year.	Yes	Corporate responsibility	4
Risk Management	All	Review of new system and the process for keeping the risk register up to date, identification of risks, methods for getting manager buy-in and for recording and updating actions.	Yes	Corporate responsibility. Carried forward from 2011-12.	10
TOTAL					60

SERVICE / SYSTEM	COUNCIL OBJECTIVE	AUDIT SCOPE	Critical		TOTAL
			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.					
Health & Safety	All	Review of Health & Safety considerations during the tendering process.	Yes	Annual Review	15
Data Protection Compliance	All	Review of: document retention periods for key documents; procedures for scanning, indexing & destroying documents and fair processing notifications included on application forms.			12
Implementation of the outcomes from the Business and Support Services Review (BSSR)	9	Ensure that agreed actions coming out of the BSSR have been fully implemented and that any savings identified have been realised.			15
Purchase Orders	9	Review the purchase order and commitment process.			10
Climate Change Fund	8	Review arrangements for measuring success of specific projects and how we quantify savings achieved.			10
Fees and Charges	9	Review of fees and charges across all portfolios / cost centres – setting of fees and collection arrangements.			15
Business Mileage	9	Examine use of private vehicles for business use. Ensure appropriate checks are carried out on insurance etc.			10
Corporate Change Process	All	Bureaucracy Busting element - Review of 'totality' of processes involved in e.g. capital appraisals to ensure proportionate to risk involved.			12
Devolution of decision making on developer contributions	9	Review the effectiveness of devolved financial decision making processes. Going forward ensure that suitable procedures are in place for allocating developer contributions to the right projects and that procedures are in place to ensure delivery of those projects.			12
Gifts & Hospitality	9	Review of gifts & hospitality registers across the authority to ensure the new template is being used effectively and that gifts and hospitality accepted are reasonable and within the guidance set out in the Code of Conduct for Employees.			10
TOTAL					121

SERVICE / SYSTEM	COUNCIL OBJECTIVE	AUDIT SCOPE	Critical		TOTAL
			Yes	Reason	
PROJECTS					
Dependent on risk, we review a sample of projects and contracts each year to test whether the council's governance arrangements are being followed and that contracts provide value for money					
Clay Farm – Community Centre	All	Verification of progress in relation to expected deliverables from the project.	Yes	Key CCC project. Reputational risk (High)	10
Clay Farm – land disposal	All	Verification of progress in relation to expected deliverables from the project.	Yes	Key CCC project. Reputational risk (High)	10
Route Optimisation	4, 9	Post-implementation review			10
Mercury Abatement	8, 9	Post-implementation review			10
500 House Building	4, 9	Verification of progress in relation to expected deliverables from the project.			10
Orchard Upgrade	9	Post-implementation review. (Carried over from 2011 / 2012)			10
Responsive Repairs Improvement Plan	4, 9	Review progress against plan objectives and contingency planning in case of failure.			12
HRA Self Financing	4, 9	Management of HRA under the new self-financing regime.	Yes	New financing regime. HRA management changes.	10
				TOTAL	82

SERVICE / SYSTEM	COUNCIL OBJECTIVE	AUDIT SCOPE	Critical		TOTAL
			Yes	Reason	
CONTRACTS					
Dependent on risk, we review a sample of projects and contracts each year to test whether the council's governance arrangements are being followed and that contracts provide value for money					
Planned Maintenance	4, 9	Review of contract management arrangements for all contractors covered by this key contract.	Yes	Contract difficulties experienced in 2011/ 2012. Reputational risk (High)	15
Homelessness Assessment Centre (Zion Baptist Church)	4, 9	Post-implementation review			10
Ditchburn Place: Care Contract	4, 9	Review implementation of new contract, including its financial viability.	Yes	Key new contract with significant financial implications.	10
				TOTAL	35

DEPARTMENT SPECIFIC REVIEWS					
SERVICE / SYSTEM	COUNCIL OBJECTIVE	AUDIT SCOPE	Critical		TOTAL
			Yes	Reason	
CHIEF EXECUTIVE					
Social Media	All	Review of the Council's use of social media and the policies set up to govern it.			10
Performance Management	All	Review of the Council's performance management arrangements, including monitoring and reporting of Performance Indicators and service planning arrangements.			12
				TOTAL	22

SERVICE / SYSTEM	COUNCIL OBJECTIVE	AUDIT SCOPE	Critical		TOTAL
			Yes	Reason	
CUSTOMER AND COMMUNITY SERVICES					
Welfare Reform Act	1, 4	Examine and review preparations for the implementation of the new Welfare Reform Act.	Yes	Major change to Housing Benefit legislation with significant knock on effects to other services.	15
Leaseholder Charges	4, 9	Review procedures for issuing Section 20 notices.			12
Voids Clearance Process	4	Examine the processes within City Homes for managing property clearance when a property becomes void.			8
Home Improvement Agency (HIA)	4, 9	Review the transfer and new working arrangements following creation of a shared service with Huntingdonshire and South Cambridgeshire District Councils.	Yes	Change in method of service delivery. Need to ensure Council's interests protected.	10
Right to Buy	4	Review procedures for managing right to buy properties.			10
Corn Exchange Box Office	6, 9	Review procedures in place to manage Box Office transactions.			12
Community Development – Asset Management	1, 2, 4	Examine controls in place for managing buildings and other assets and equipment for the various community centres.			12
Care Call System	4	Review of arrangements for managing the care call service.			10
				TOTAL	89

SERVICE / SYSTEM	COUNCIL OBJECTIVE	AUDIT SCOPE	Critical		TOTAL
			Yes	Reason	
ENVIRONMENT					
Public Art	5, 6, 9	Review of project management, procurement and contract management arrangements for public art.			10
Play Areas	5	Review management arrangements for city-owned play areas.			10
Leaseholder Charges	4, 9	Examine the viability of charges made to leasehold properties for grounds maintenance costs.			8
Crematorium / Commemoration Services	9	Carried over from 2011/12 following up agreed actions from 2010/11 review.			10
CCTV / Out of Hours Service	3, 9	Review of procedures following service restructure.			10
Ranger Data Collection	9	Review of data collection arrangements.			10
Officer Consultation on Planning Applications	5, 6, 9	Review processes for consulting officers in relation to planning applications.			10
Tree Management	5	Follow on from the work conducted in 2011-12 which focussed on trees owned by the public. Review of procedures for managing Council-owned trees and the policies and working practices for consulting and carrying out works on them.			10
TOTAL					78

SERVICE / SYSTEM	COUNCIL OBJECTIVE	AUDIT SCOPE	Critical		TOTAL
			Yes	Reason	
RESOURCES					
EDRMS	9	Review of progress with the agreed actions arising from the 2011-12 audit.			10
PCI DSS Compliance	All	Responsibility for completing this return transferred to the ICT Client team in 2011-12. Review process for completing returns to ensure timely and accurate completion.			10
Commercial Property Portfolio	9	Review arrangements for managing the Council's commercial property portfolio.			15
Implementation of the outcomes from the recent pay review	9	Ensure that agreed changes are implemented consistently and accurately across the authority.	Yes	Major review impacting on large number of employees.	10
IT Contract Management	9	Examine contract management arrangements for the IT contract with Serco.	Yes	Major CCC contract up for review in 2013.	15
TOTAL					60

SERVICE / SYSTEM	COUNCIL OBJECTIVE	AUDIT SCOPE	Critical		TOTAL
			Yes	Reason	
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 2011-12 audit plan.					
Carry Forward Activities	All	Completion of Internal Audit work carried forward from 2011-12.			40
Follow Up Provision	All	Follow up of actions agreed in 2011-12.			35
Project Management / Procurement / Contract Management advice	All	Assist Procurement Team in the provision of advice and support to service areas involved in key projects and procurement exercises.			30
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.			35
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.			80
Risk Management	All	Reviewing and monitoring of Council's risks and implementation of actions agreed to mitigate risks.			60
Committee Support	All	Production of reports and attendance at Council committees (Civic Affairs / Standards etc.)			30
TOTAL RESOURCES ALLOCATED				TOTAL	310

SUMMARY AUDIT PLAN			
CORE SYSTEMS ASSURANCE WORK			32
ANNUAL GOVERNANCE AND ASSURANCE FRAMEWORK			60
CORPORATE / CROSS CUTTING AUDITS			121
PROJECTS			82
CONTRACTS			35
DEPARTMENT SPECIFIC REVIEWS			
	CHIEF EXECUTIVE	22	
	CUSTOMER AND COMMUNITY SERVICES	89	
	ENVIRONMENT	78	
	RESOURCES	60	249
OTHER RESOURCE PROVISIONS			310
TOTAL RESOURCES ALLOCATED			889