

<p style="text-align: center;"><b>SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL</b></p> <p style="text-align: center;"><b>INTERNAL AUDIT PLAN AND STRATEGY 2017 / 2018</b></p>
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## 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 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 councils "*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 Audit team is bound by the requirements of these standards.
- 1.3 Internal Audit provides an independent, objective assurance and consulting service that adds value and improves the Council's control environment. It helps the Council deliver 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 of Internal Audit. This role requires the Head of Internal Audit to provide an annual Audit Opinion based on an objective assessment of the framework of governance, risk management and control. This opinion is provided to the Audit and Corporate Governance Committee and also feeds into the Annual Governance Statement. 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 2013 between South Cambridgeshire District Council (SCDC), Cambridge City Council (CCC) and Peterborough City Council (PCC). The reduced provision at senior level across all authorities has seen a commensurate reduction in cost - 23% reduction since 2013.
- 2.2 As part of internal reviews in year, initial proposals were put forward to extend to include Huntingdonshire District Council (HDC) under the 3C Shared Services. This was reported to Cabinet (15 September 2016). PCC indicated at this point that they wished to conclude the current arrangements. During this committee cycle, HDC also deferred the decision to join the partnership. Cabinet received a supplementary report (19 January 2017) for the development of a two way service between SCDC and CCC only, which was agreed. Existing staff at SCDC would TUPE across to CCC and deliver each audit plan together.
- 2.3 The Audit Plan reflects the priorities for SCDC but there are a number of areas interlinked with CCC which can be covered in partnership.

## **3. INTERNAL AUDIT PLAN**

- 3.1 The sources of information used in identifying the priorities put forward for audit coverage include:
- the Corporate Plan and Council objectives;
  - the Financial Strategy;
  - the Council's strategic and operational risk registers; and
  - Consultation with Directors and Heads of Service.
- 3.2 The Plan for 2017 / 2018 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 Audit and Corporate Governance Committee should the need arise.

- 3.3 Resource requirements are reviewed each year as part of the audit planning process. Any material changes as a result of the review of risks are discussed with the Executive Director (Corporate Services) as the Section 151 Officer. The audit team, as at February 2017 is made up of 1.20 FTE, which includes the 0.2 FTE for the Head of Internal Audit.
- 3.4 The overall allocation of time is 246 days, which compares favourably with last year (242 days).
- 3.5 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 (small) contingency reserve has been built in to assist in dealing with the any such matters to hopefully minimise any impact on the work plan itself.
- 3.6 Time allocations within the plan are based on previous year assessments, with any overall allocation for each key area. As each audit activity is fully scoped and agreed with the appropriate senior manager, there will be a call off arrangement and each job will then be monitored to that time allocation.
- 3.7 As in previous years, Internal Audit will continue to support the compliance culture within the Council, with the emphasis on improving service ownership of controls and management of risk and governance including fraud. There will continue to be liaison with the external auditors. Aside from core financial systems, future coverage will be prioritised towards partnership working with particular emphasis around the various shared services arrangements.
- 3.8 The Plan is grouped by audit coverage to the key objectives of the Council (**Table 1**). For each discrete audit area, a brief description of the scope for the work is provided together with the type of audit. Timing and detailed scopes for each audit will be agreed with the relevant Senior Manager prior to commencement of the fieldwork.
- 3.9 In addition, a number of audits are identified which aim to provide assurance that a number of corporate systems and processes are robust and protect the Council. A departure from the normal arrangements is a Council wide review of Organised Crime Procurement.

Following a pilot study by the Home Office, a detailed checklist and audit regime has been identified which local authorities are asked to consider. We see this as a best practice toolkit which will be used to benchmark the Council against. We will also look to develop our partnership arrangements with the local Constabulary to assist in this as well as other Cambridgeshire Councils.

- 3.10 Time has been incorporated into the audit plan for a number of fundamental system reviews. However, we may be to place reliance on the works being undertaken at CCC on the critical project to install the new Financial Management System. If we are able to use this works, we will have a number of audit days which we can reassign works to. As part of the review of the draft audit plan at EMT in February 2017, a number of reserve audits where identified.
- 3.11 Going forward, National Fraud Initiative works has been identified as an area outside of Internal Audit (Cabinet 19 January 2017; Internal Audit Shared Service Business Case). Those days have been reallocated to other audit activities.

<b>Table 1: INTERNAL AUDIT COVERAGE</b>				
	2017 / 2018 Days	%	2016 / 2017 Days	%
Living Well	12	5.0	-	0.0
Homes for Our Future	27	11.0	40	16.5
Connected Communities	15	6.0	-	0.0
An Innovative and Dynamic Organisation	36	14.6	37	15.3
Core System Assurance Work	36	14.6	48	19.8
Annual Governance and Assurance Work	70	28.5	77	31.9
Other Resource Provisions	50	20.3	40	16.5
<b>TOTAL RESOURCES ALLOCATED</b>	<b>246</b>	<b>100.0</b>	<b>242</b>	<b>100.0</b>