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5 January 2010

To: Chairman – Councillor Peter Topping
Vice-Chairman – Councillor Francis Burkitt
Members of the Corporate Governance Committee – Councillors John Batchelor,
Douglas de Lacey, Mervyn Loynes, David McCraith and John G Williams
Quorum: 3

Dear Councillor

You are invited to attend the next meeting of **CORPORATE GOVERNANCE COMMITTEE**, which will be held in **MEZZANINE, SECOND FLOOR** at South Cambridgeshire Hall on **WEDNESDAY, 12 JANUARY 2011 at 9.30 a.m.**

Members are respectfully reminded that when substituting on committees, subcommittees, and outside or joint bodies, Democratic Services must be advised of the substitution *in advance of* the meeting. It is not possible to accept a substitute once the meeting has started. Council Standing Order 4.3 refers.

Please note that a pre-meeting session for all Councillors on the Committee has been arranged for 9:30am.

Yours faithfully
JEAN HUNTER
Chief Executive

The Council is committed to improving, for all members of the community, access to its agendas and minutes. We try to take all circumstances into account but, if you have any specific needs, please let us know, and we will do what we can to help you.

AGENDA

5. Internal Audit Plan

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SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

Draft Internal Audit Plan/Strategy for Internal Audit 2011/12 to 2013/14 For
Member Consultation

FIRST DRAFT FOR CONSIDERATION ONLY

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1 INTRODUCTION

1.1 THE PURPOSE OF INTERNAL AUDIT

The purpose of internal audit is to provide the Council, through the Corporate Governance Committee, with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving the organisation's agreed objectives. This opinion forms part of the framework of assurances that the Council receives and should be used to help inform the Annual Governance Statement. Internal Audit also has an independent and objective consultancy role to help line managers improve risk management, governance and control.

Our strategy for 2010/11 was approved by the Corporate Governance Committee in March 2010. The purpose of this document is to provide an update for 2011/12 – 2013/14 for discussion.

2 THE UPDATED INTERNAL AUDIT PLAN

2.1 The strategy was approved by the Corporate Governance Committee in March 2010. The purpose of this document is to provide Members with a draft of our Internal Audit Plan/Strategy for the period 2011/12 – 2013/14 and to obtain Members views on any issues which may be considered for inclusion within the Plan. A final version of the 2011/12 Annual Plan and 2011/12 – 2013/14 Strategy will then be presented to the Corporate Governance Committee in early 2011 for final approval.

2.2 HOW THE INTERNAL AUDIT PLAN/STRATEGY WAS DEVELOPED

South Cambridgeshire District Council's objectives are the starting point in the development of the strategy for internal audit. It is also key that the risks to the achievement of those objectives are understood. The plan is based on the existing risk register, discussions with key staff, and the internal audit strategy in place.

To update the strategy for internal audit, we have considered the following:

- The core objectives of the organisation and the specific risks associated with those objectives;
- The content of risk registers and assurance frameworks to understand the risks faced, and the controls that the organisation places reliance on to manage those risks;
- Areas of concern or requests for coverage from management and the Audit and Governance Committee;
- Areas where the Audit Commission will wish to place reliance on the testing performed by internal audit;
- Other sources of assurance available to the organisation;
- Any recent significant changes within the organisation and its operations;
- Regulatory requirements for internal audit coverage;
- Emerging issues, including any additional risks that do not appear on the risk profile but may merit internal audit coverage;
- The timing for each internal audit review to maximise the benefit of assurance provided; and
- Results of previous internal audit coverage.

APPENDIX C: UPDATED STRATEGY FOR INTERNAL AUDIT 2011/12 – 2013/14

RISK BASED COVERAGE

Risks	Auditable Area	Objective Type ¹	Source	2010/11	2011/12	2012/13	2013/14
Aims Approaches Actions – A.v & A.C							
Risks concerning the financial projections include: <ul style="list-style-type: none"> - Not achieving delivery of savings to meet targets. - The RSG settlement is tighter or better than expected. - Pay/inflation exceed assumption. - Employer's pension contributions increase. - Impact of successful equal pay claims exceed reserves. - Changes in demand in areas lead to pressure demands on budgets. - Unforeseen redundancy costs. 	Medium Term Financial Strategy (MTFS) Financial Planning and Budgetary Control	Strategic Reporting &	Strategic Risk Register (STR8 & 1)	✓		✓	

¹ Ref: COSO ERM Framework

Aims Approaches Actions - C.i, C.ii.2, E.iii, E.iv.

<p>Lack of development progress leading to the Council having to meet the shortfall in the short term from developments in existing villages and head off speculative major planning applications outside the strategy</p>	<p>Growth</p>	<p>Strategic & Operational</p>	<p>Strategic Risk Register (STR5)</p>			<p>✓</p>
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Aims Approaches Actions – A.C.

<p>- Reduction in supporting people funding leading to loss of staff an changes to delivery structure resulting in customer dissatisfaction or concerns amongst vulnerable adults. - Loss of control over budget when informal ring fencing removed leading to further cuts not anticipated that may result in service not being sustainable and may have to be outsourced.</p>	<p>Supported Housing</p>	<p>Strategic & Operational</p>	<p>Strategic Risk Register (STR 12)</p>		<p>✓ 6 days</p>	
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Aims Approaches Actions – All							
- Restructuring and threat of redundancy causes increased stress resulting in increased sickness absence and reduced productivity.	HR		Strategic & Operational	Strategic Risk Register (STR 6)		✓ 6 days	

COVERAGE FOR EXTERNAL AUDIT RELIANCE OR TO MEET REGULATORY REQUIREMENTS

Systems	Source of Requirement	2010/11	2011/12	2012/13	2013/14
Corporate Governance	Annual Review of the Authority's Governance processes.	✓	✓ 8 days	✓	✓
Risk Management	Annual Review of the Authority's Risk Management processes.	✓	✓ 8 days	✓	✓
Income & Debtors	To ensure all funds due to the Authority are promptly recognised and invoiced for. To confirm there is an adequate and effective debt control process to minimise outstanding debt.	✓	✓ 7 days	✓	✓
General Ledger	The accuracy and integrity of the general ledger is pivotal in the production of the Authority's accounts.	✓	✓ 7 days	✓	✓
Creditors	Promptness and process of input, approval and payment of supplier invoices to ensure charges made on the Authority are valid and authorised.	✓	✓ 7 days	✓	✓
Cash, Banking & Treasury Management	To ensure the Authority's bank accounts and cash are adequately controlled and monitored. To ensure that investment opportunities are clearly identified and managed to maximise security where appropriate.	✓	✓ 7 days	✓	✓
Payroll (including Expenses & Pensions)	To ensure the Authority is compliant with statutory legislation and that all payroll, pension and expense payments are correctly authorised.	✓	✓ 11 days	✓	✓
Capital Expenditure and Asset Management	This review will focus on the Capital Accounting and expenditure arrangements and will also examine the controls in place to update and manage the asset register and inventories.	✓	✓ 7 days	✓	✓

Systems	Source of Requirement	2010/11	2011/12	2012/13	2013/14
Procurement	To review the procurement/tendering process used by the Authority to ensure integrity and compliance with legislation.	✓	The audit for 2011/12 will be combined with that on Contract Management	✓	✓
NNDR	To ensure that commercial premises are correctly charged for based on reconciliations between the Authority's records and Valuation Office listings.	✓	7 days	✓	✓
Council Tax	To ensure domestic properties are correctly charged for based on the CT band settings and reconciliations between the Authority and Valuation Office listings.	✓	7 days	✓	✓
Housing Benefits	To ensure that benefits are accessible, correctly calculated, paid promptly, adequately monitored and accurately recorded with other related areas.	✓	7 days	✓	✓
Housing Rents	To ensure that housing rents are appropriately set, collected and that rent arrears are chase in line with the Councils Policy.	✓	7 days	✓	✓
Top up testing	To meet External Audit requirements	✓	8 days	✓	✓
Reconciliation testing	To meet External Audit requirements	✓	4 days	✓	✓

ADVISORY INPUT AND OTHER INTERNAL AUDIT COVERAGE

Internal Coverage	Audit	Source / Rationale	2010/11	2011/12	2012/13	2013/14
Safeguarding		An annual review to ensure the Authority are completing and can support the self-assessment Checklist on 'The Implementation of the Key Safeguarding Employment Standards'.	✓	5 days	✓	✓
Project Management		An advisory review, exact scope to be determined but could include: <ol style="list-style-type: none"> 1. A review of the Project Management methodology and compliance 2. Project Management training 3. Project Management Budget monitoring, risk register, issue logs, progress reporting 4. Project governance arrangements 		7 days		

Internal Coverage	Audit	Source / Rationale	2010/11	2011/12	2012/13	2013/14
Partnerships		A review of the Authority's partnership arrangements to ensure that the Authority adequately identifies and manages the partnerships they are engaged in.		✓ 6 days		
Health and Safety		To establish that processes are in place to ensure compliance with Health & Safety legislation and that new legislation is acted upon promptly.	✓			✓
Human Resources		One of the key platforms to the effective delivery of the Authority's objectives is through its human resource.	✓	See risk based audit for 2011/12	✓	✓
Performance Management		Adequacy of performance management integral part of governance arrangements.	✓	✓ 8 days	✓	✓
Taxation		To ensure the Authority is correctly identifying VAT, NI and PAYE amounts to be paid promptly and that the payments are reconciled and authorised.		✓ 8 days		
Insurance		To ensure that the Authority has appropriate insurance policies in place, that these are regularly reviewed and claims are appropriately dealt with.			✓	
Environmental Health		To assist in ensuring an effective Environmental Health service which meets its targets and delivers a customer driven service. This could include emergency planning issues.	✓	✓ 8 days	✓	✓
Housing Maintenance – Planned & Cyclical		Housing stock which is not subject to a good maintenance programme may deteriorate and remedial action may be far more expensive.	✓	✓ 8 days	✓	✓
Housing Repairs	Responsive	Responsive Repairs for the Authority are performed by two contractors, the Direct Labour Organisation (DLO) who are the in-house team for South Cambridgeshire District Council, and Cambridge City Services, the maintenance team for Cambridge City Council. This review could include the recording and allocation of repairs, the utilisation of the DLO and the stocks and stores of the DLO. This is a key client facing service.	✓	Delay until 2012/13 due to major changes in 11/12	✓	✓
Asset Management (Housing)		To ensure that the Authority is maintaining the standards of its housing stock. The audit will review the stock conditions survey and link to compliance with the Decent Homes Standards.	✓		✓	
Housing Allocations and Voids		To ensure that housing stock is allocated promptly to the right applicants through the choice based letting system.	✓	✓ 8 days	✓	✓

Internal Coverage	Audit	Source / Rationale	2010/11	2011/12	2012/13	2013/14
Customer Services		Customer Service arrangements is a key area for the Authority. This review could include customer compliments and complaints or customer first response. The audit on 2011/12 will include the Contact Centre			✓	
Contact Centre		The first point of contact for the public in reaching the Authority is through calls placed to the Contact Centre run in partnership with Cambridge County Council. As such this is a key client facing service. Audit planned for 2010/11 has been moved to 2011/12 and will be combined with that on Customer services				✓
Contract Services		To ensure that contract service delivery is effectively measured and managed through appropriate contract management. To include in 2011/12 procurement of contracts		✓ 10 days		
Planning		To establish that the Authority has processes in place to ensure that they are up to date with current legislation and that it is applied where appropriate. To ensure planning applications are processed promptly and delays are identified and dealt with. To ensure a customer driven service is in place.	✓		✓	
Section 106		Section 106 planning gain is an important element of any development and maximum benefit should be achieved.	✓		✓	
ICT Review		An Audit Needs Assessment will be undertaken to assess the proposed Computer Audit work.	✓	✓ 10 days	✓	✓
Proactive Fraud work		CIPFA's updated Red Book 2, Managing the Risk of Fraud, was published in November 2008. A high level review of the organisation against the Red Book 2 will be undertaken.		✓ 8 days	✓	✓
Annual Governance Statement		To ensure that the Annual Governance Statement is an accurate reflection of priority areas.	✓	✓ 13 days	✓	✓
Contingency		To be utilised as required on one of the following areas: 1. Arts / Community Grants 2. Lean Thinking and "Over Control" 3. Housing Strategy		✓ 10 days		
Follow Up		To meet the IIA Standards and to provide management with ongoing assurance regarding implementation of recommendations.	✓	✓ 7 days	✓	✓

Internal Coverage	Audit	Source / Rationale	2010/11	2011/12	2012/13	2013/14
Audit Management		This will include: <ul style="list-style-type: none"> ▪ Annual planning ▪ Preparation for, and attendance at, Corporate Governance Committee meetings ▪ Regular liaison and progress updates ▪ Liaison with external audit ▪ Preparation of the annual internal audit opinion 	✓	✓ 20 days	✓	✓

- **The planned internal days for 2010/11 as agreed by Committee was 260. It is expected that only 254 days will actually be worked and a 6 day correction will be made to the 2011/12 fee.**
- **Included in the 254 days there were 12 days additional work as required by the Audit Commission for top up testing and reconciliation work as part of the managed audit programme for 2010/11.**
- **4 of the above 12 days are a direct saving on the external audit fee.**
- **In addition, the internal audit plan for 2011/12 is for 240 days although an additional 10 days have been identified as contingency to cover any unforeseen event arising during the year.**
- **The benefit to the Council in the provision of internal audit for the year 2011/12 will therefore be in the order of some 24 days or approximately 10% of audit time.**
- **The projected composite day rate for internal audit for 2011/12 is £319.**