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**SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL**

**CORPORATE GOVERNANCE COMMITTEE**

**21 MARCH 2014**

**INTERNAL AUDIT PLAN FOR 2014 / 2015**

**RECOMMENDATION:**

**That Corporate Governance Committee endorse:**

- a) The Strategic Audit Plan and the Annual Plan 2014/2015**
- b) The Audit Charter**
- c) The Internal Audit Code of Ethics; and**
- d) The services performance indicators**

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## 1. INTRODUCTION

- 1.1 This is the Internal Audit Annual Plan and Strategy for 2014 / 2015 for consideration by the Corporate Governance Committee. The plan has been subject to consultation with all Directorates, the Executive Management Team and a copy of the plan has been shared with External Audit.
- 1.2 Internal Plans and the associated documents have been established in accordance with best practice as laid down in the Public Sector Internal Audit Standards (PSIAS).
- 1.3 This report provides an overview of the stages followed prior to the formulation of the Annual Audit Plan for 2014 / 2015. The Annual Audit Plan will then serve as the work programme for Internal Audit and provide the basis upon which the Head of Internal Audit (HoIA) will subsequently give Audit Opinions on South Cambridgeshire District Council's (SCDC) system of internal control, and risk management and corporate governance arrangements for 2014 / 2015.
- 1.4 Members' attention is also drawn to the fact that the Audit Charter has been presented for approval. This sets out the Terms of Reference for the service and is aligned against the Public Sector Internal Audit Standards (PSIAS). The foundations of these standards however are not so fundamentally different to those requirements formerly specified in the CIPFA Code of Practice for Internal Audit, although the structure of the Charter must follow a prescribed format which defines the purpose, authority and responsibility of the Internal Audit activity, and clear definitions need to be given of those governance elements fulfilling responsibilities of the 'board' and 'senior management'.
- 1.5 In accordance with legislative, regulatory and best practice requirements, SCDC has made arrangements for a continuous internal audit to examine the accounting, financial and other operations of the organisation.
- 1.6 A number of key supporting papers have also been developed – e.g. Audit Charter (how we work), Code of Ethics (clarity on officer conduct) and Performance Indicators (how we monitor service delivery). In conjunction with these documents, an insight into future audit input envisaged is set out in the Strategy alongside a more detailed analysis of audit assignments lined up for the next financial year.

## 2. THE AUDIT CHARTER

- 2.1 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, leading to improved organisational processes and operations; and
  - Establish the basis for the evaluation of internal audit performance and to drive improvement planning.
- 2.2 As part of evidencing that these requirements are being adhered to, there is a duty on the Internal Audit Service to have an Audit Charter which demonstrates how these elements are being handled and managed. The attached Charter covers off the above requirements, acknowledging too that some additional appendices have been needed to give further clarity on important issues such as the Code of Ethics and the Performance Indicators adopted by the Internal Audit function.

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2.3 Finally, there is an obligation under the mandatory standards to review and re-present the Audit Charter to Corporate Governance Committee annually. The Charter has to be re-evaluated to confirm its ongoing validity and completeness, and thereafter, the documentation requires the scrutiny and endorsement of senior management and the Committee. The Audit Charter can be found attached at **APPENDIX 1**.

### **3. CODE OF ETHICS**

3.1 The Code of Ethics sets out the expected behaviours of Internal Audit staff in relation to service delivery and is attached for information at **APPENDIX 2**. The basis of standards of conduct mirrors the obligations as per the PSIAS. Aside from the Code of Ethics, the HoIA in the role of the Chief Audit Executive will also be cognisant of and comply with requirements laid down in CIPFA's Statement on the Role of the Head of Internal Audit, and it is further acknowledged that all Internal Audit staff will operate in accordance with their own professional bodies' Code of Ethics, as well as any organisational Codes of Ethics or Conduct relating to their employer.

### **4. INTERNAL AUDIT PLAN AND STRATEGY 2014 / 2015 (APPENDIX 3)**

4.1 The Internal Audit Strategy has the overarching purpose of establishing how the annual programme of audit assignments has been devised, in terms of the process followed when undertaking the annual audit needs assessment, the risk factors applied and how this information is then used to populate the Annual Audit Plans. The PSIAS recommends Internal Audit undertake annual assessments of the provisions in these areas and this is set out in the document.

4.2 The overarching objective of the Audit Plan is to provide a comprehensive programme of review work, sufficient to enable an informed annual opinion and to develop the organisation's Annual Governance Statement. We have produced an Audit Plan which satisfies the obligations of the PSIAS, and provides an acceptable minimum level of audit coverage capable of generating the requisite audit assurances to the organisation, whilst also being affordable. There are activities identified within the plan where assurance will be obtained from our shared service partners who are the lead authority for certain services. Furthermore, the plan is mapped against the Councils' Corporate Plan to highlight that all key objectives are being reviewed.

4.3 The Internal Audit Plan for 2014/2015 has been developed using a risk-based approach. The plan has been formulated from reviews of the following:

- i) Corporate and service level risks and an assessment of mitigating controls;
- ii) Areas of significant change or concern within the council;
- iii) Key projects / partnerships being undertaken; and
- iv) Discussions with Directors and Heads of Service during the year.

4.4 The Plan has been broken down into a number of elements:

- a) Core Systems Assurance work. This work covers the Council's key financial systems and provides External Audit with assurance on their control;
- b) Annual Governance and Assurance work;
- c) Corporate / Cross Cutting audits;
- d) Departmental specific audits; and
- e) Other resource allocations.

4.5 A small contingency is set aside for special investigation work. If there are any significant additional requests required by Members or officers which leads to the

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potential for resources required exceeding the amount set-aside, then the shared HoIA will establish the course of action to be taken in consultation with the Executive Director (Corporate Services). In the event of this occurring, a separate report will be produced to inform all Members of the Committee.

- 4.6 The results of the work set out in the Internal Audit plan will be the production of the annual opinion by the HoIA for this Committee. This opinion will then inform the Annual Governance Statement which is signed off by the Leader of the Council and the Chief Executive and accompanies the Statement of Accounts, usually to the June committee cycle.
- 4.7 Specific timings for individual audits are still to be agreed with Directors / Heads of Service. The audit plan will then be published on the Council's intranet to enable Officers and Members to be aware of audit timings and advise Internal Audit, at an early stage, if the timetable needs adjusting.

## **5 PERFORMANCE INDICATORS**

- 5.1 As part of the ongoing appraisal of the service, various indicators have been set to ensure delivery against best practice and also to monitor individual and service performance. These are set out in **APPENDIX 4** and are referred through Committee as part of the reporting process.

## **6. CONSULTATION**

- 6.1 Ongoing work planning is agreed with External Audit, and reviewed throughout the year to ensure that the work of Internal Audit and External Audit is co-ordinated. A copy of the audit plan has been sent to External Audit for their information. Directors were consulted during February 2014 on the possible content for the 2014 / 2015 audit plan and their views have been taken into consideration when putting the plan together.

Report Author:	Steve Crabtree
Position:	Shared Head of Internal Audit (for Peterborough UA / Cambridge City / South Cambridgeshire Councils)
Contact:	Peterborough Office: 01733 384557 Cambridge Office: 01223 458181 South Cambridgeshire Office: 01954 713452