

<p style="text-align: center;">SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL</p> <p style="text-align: center;">INTERNAL AUDIT PLAN AND STRATEGY 2016 / 2017</p>
--

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 2011 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 council's "*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 Council's Internal Audit team are bound by the mandatory requirements of these standards.
- 1.3 Internal audit is defined as an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish 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 for Internal Audit. This role requires the Head of Internal Audit (HoIA) to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control. This audit opinion is provided to the 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 July 2013 and covers South Cambridgeshire District Council, Cambridge City Council and Peterborough City Council. The reduced provision at a senior level across all authorities has allowed for a number opportunities to share best practice between organisations. Activities being considered to improve services going forward include:
- Where appropriate, use assurance provided from other authorities on shared audit activities;
 - Potential to expand the arrangements with other Councils or organisations; and
 - Exchange auditors for specific jobs to develop employees in different organisations.

3. AUDIT PLANS

3.1 With a shared audit management, there is a potential for a dilution of resources. Every effort is made to look at minimising this. In order for the service to deliver and enhance its provision, the following actions are used:

- Robust quality control of the works conducted;
- Regular training needs assessments to ensure appropriate skills are available;
- Efficient audit processes are utilised;
- Development of audit software;
- Shared resources and knowledge; and
- Use of assurance from other providers.

3.2 The following sources of information have been used in identifying the priorities put forward for audit coverage:

- Council objectives;
- Financial Strategy;
- The Council's strategic and operational risk registers; and
- Consultations with Directors and their respective management teams.

3.3 Resource Requirements

3.3.1 Resource requirements are reviewed each year as part of the audit planning process and are discussed with the Executive Director (Corporate Services) as the Section 151 Officer. The current plans are based upon 1.20 FTE, i.e. a Senior Auditor full time and the Shared Head of Internal Audit at 0.20 FTE. Availability is based on the assumption that the current internal audit structure will remain essentially unaltered and intact throughout the year

3.3.2 The resource availability summarised in **Table 1** sets out the requirement of 240 chargeable days, including contingency.

Table 1: AVAILABLE RESOURCES			
	Days		
Maximum Available Resources	261	53	314
Less: Non Chargeable Elements			
Leave / Bank Holidays / Sickness	-40	-9	-49
Training	-10	-1	-11
Staffing Related (1:1 / Appraisals / Admin)	-8	-4	-12
TOTAL RESOURCES ALLOCATED	203	39	242

3.4 Allocations

3.4.1 We have mapped the audit activities across the 4 objectives of the Council as set out in the Corporate Plan 2016 – 2021 (approved by the Council 25 February 2016). Not all objectives are covered in any one year, however it should be noted, that a number of the audits identified could be allocated to more than one objective.

AH: Affordable Homes
 CORP: Corporate Services
 HES: Health and Environmental Services
 PNC: Planning and New Communities

3.4.2 Separately identified are ongoing assurance works which are routinely undertaken each year e.g. key financial systems; works associated with annual assurance requirements; and follow ups of previous audits. The table below provides an overview of the breakdown of audit team for 2016 / 2017. A more detailed breakdown of planned audit work is given on the pages that follow.

3.4.3 The overall allocation of time from the estimated 242 days available is as follows:

Table 2: INTERNAL AUDIT		
	Days	%
Living Well	0	0.00
Homes for Our Future	40	16.5
Connected Communities	0	0.00
An Innovative and Dynamic Organisation	37	15.3
Core System Assurance Work	48	19.8
Annual Governance and Assurance Work	77	31.9
Other Resource Provisions	40	16.5
TOTAL RESOURCES ALLOCATED	242	100.00

3.4.4 A number of audits have been identified where we will seek for assurance from other providers e.g. Payroll Services from Cambridge City Council and they have been incorporated on their audit plans.

3.4.5 As part of our planning process, a number of audits where identified which have been deferred to future years due to either service or legislative changes.

AUDIT ACTIVITY	DEPARTMENT	AUDIT TYPE	SCOPE	DAYS
HOMES FOR OUR FUTURE: Secure the delivery of a wide range of housing to meet the need of existing and future communities				
Ermine Street Housing	AH	Systems	Review of the financial modelling and the governance arrangements	10
Responsive Repairs	AH	Systems	Follow up of previous audit and its outcomes. In addition, the Council is reviewing its existing partnering contract and the review will cover these proposals.	10
Planning	PNC	Systems	The department has been undertaking a series of reviews to enable successful delivery of the growth agenda. The existing performance indicators are based on the original Best Value Indicators. The review will compare the indicators with other organisations and provide suggestions for improvement.	10
Homelessness	AH	Systems	Risk Register high risk. Focus will look at the processes in place to reduce the need for bed and breakfast accommodation	10
				40

AUDIT ACTIVITY	DEPARTMENT	AUDIT TYPE	SCOPE	DAYS
AN INNOVATIVE AND DYNAMIC ORGANISATION: Adopt a more commercial and business-like approach to ensure we can continue to deliver the best possible services at the lowest possible cost				
Banking Contract	CORP	Post implementation	Re-let from April 2016 as part of a joint exercise between Cambridge City Council and Northampton Borough Council. Following transfer to HSBC the review will look to establish whether or not the desired outcomes have been achieved	7
Procurement and Commissioning	CORP	Compliance	Contracts review to verify that the Council is complying with the new Public Contract Regulations 2015	10
Shared Services	HES	Project	Waste Service. Review the arrangements for cash collection for trade waste and the services ability for income commercialisation	10
Asset Management	CORP	Systems	Reconciliation of land assets between various data systems	10
				37

CORE SYSTEMS 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 their statement included in the Councils Annual Statement of Accounts. The External Auditor also places reliance on the work undertaken by Internal Audit on key systems. Systems are reviewed on a rolling cycle to ensure that all are covered.

Accounts Receivable	CORP	Follow Up	Follow up of previous audit and its outcomes	4
Benefits	CORP	Follow Up	Follow up of previous audit and its outcomes	4
Budgetary Control	CORP	Systems	Review the effectiveness of cost centre management	12
Business Rates	CORP	Systems	Review the processes in place for the calculation, billing and collection of national non-domestic rates	10
Council Tax	CORP	Systems	Review the processes in place for the calculation, billing and collection of council tax	10
Housing Rents	CORP	Follow Up	Follow up of previous audit and its outcomes	4
VAT	CORP	Follow Up	Follow up of previous audit and its outcomes	4
				48

In line with the agreed strategy, not all fundamental systems are reviewed every year but over a 3 year cycle in order to provide audit coverage across all aspects of the business. Audits not planned for 2016 / 2017:

- Accounts Payable; Cash and Bank; Main Accounting and Treasury Management
- Payroll (assurance will be provided on this service by Cambridge City Council)

ANNUAL GOVERNANCE AND ASSURANCE WORK

Each year the Council is obliged to issue a statement on the effectiveness of its governance arrangements. This section includes audit work that relates to the production of the Annual Governance Statement

Annual Audit Opinion	N/A	Assurance	Head of Internal Audit opinion on the state of governance and the internal control framework in place within South Cambridgeshire District Council	2
Internal Audit Effectiveness	N/A	Assurance	Review of the Internal Audit service against the Public Sector Internal Audit Standards	2
Fraud and Corruption	HES	Assurance	Review of new arrangements proposed for the integration of fraud investigation within enforcement	10
Annual Governance Statement	N/A	Assurance	Verification of processes for the collection of data to produce the Annual Governance Statement	1
National Fraud Initiative	N/A	–	Ongoing investigations into anomalies identified through the previous data matching exercise. Coordination and preparation for the next data download for submission to the Cabinet Office in October 2016	20
Human Resources	Various	Systems	Flexible working arrangements As part of the delivery of efficiencies, new ways of working are being explored. The review will look into arrangements / policies for managing flexible working and that services are operating to safe practices.	10
	HES	Risk	Safeguarding of children and vulnerable adults including DBS checks. Best practice links will be drawn from others e.g. County.	8
	HES	Risk	Review will look at the arrangements in place verification checks in relation to driver competencies.	8
Performance Management	Various	Follow Up	Review 2015 / 2016 outcomes	4

ANNUAL GOVERNANCE AND ASSURANCE WORK (continued)

Project Management	Various	Project	Review of progression on delivery of key projects: <ul style="list-style-type: none">- HRA Business Plan (following removal of the re-build programme)- Housing Development Agency	12
--------------------	---------	---------	---	----

OTHER RESOURCE PROVISIONS

Throughout the year, audit activities will include reviews that have not been specified within the Audit Plan, including management requests as a result of changing risks; following up agreed audit actions and completion of audit works from 2015 / 2016 Audit Plan

Carry Forward Activities	Various	–	A number of audits roll forward either as a result of starting late in 2015 / 2016 or being rolled forward due to activities taking precedence e.g. special investigations	15
Contingency: Advice	Various	Advice	Internal Audit act as a focal point to assist officers across the Council in providing advice / support in relation to projects; contracts; and general controls.	10
Reviews / Management	–		Undertake reviews of works / quality checks to ensure meet required standards and production of committee papers	15
				40