

APPENDIX 1**PETERBOROUGH CITY COUNCIL****INTERNAL AUDIT OPERATIONAL PLAN 2012 / 2013****1 Introduction**

- 1.1 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

- 2.1 It is management's responsibility to manage the systems of the Council 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 organisations resources; and
- Promotes efficient and effective operations.

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

3 Development of the Internal Audit Plan

- 3.1 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.

- 3.2 The methodology results in a plan that is supportive of Directors in delivering the strategic priorities and corporate improvement priorities of the Council and provides a view of the overall internal control environment, a key part of Corporate Governance. All of the reviews undertaken are underpinned by the driving principle of *delivering value for money*.

4 Audit Resources

- 4.1 As at March 2012, our current establishment level is 7.3 full time equivalents (fte), which is comparable with last year. Actual resource levels are lower due to vacancy, a recent resignation (February 2012) and an individual on maternity leave (return date due June 2012). The Chief Internal Auditors role continues as part of the shared services arrangement with Cambridge City Council, resulting in 50% of time made available within each authority. The amount of time within each authority may be reduced further during the year if other authorities join as part of the shared service arrangement.
- 4.2 Going forward resources will improve slightly with one officer returning from maternity leave on a part time basis increasing staffing levels but with the vacancies unfilled there will be a resource level of 4.25 FTE for 2012 / 2013. At this level, the plan provides for a minimum service in line with statutory requirements. Any shortfall in this resource level will be managed by reducing the scope in some areas, as there is limited scope to remove audits completely from the plan.
- 4.3 For comparison, the plan also shows the additional work that could be carried out if the vacancies are filled from July 2012. This work includes some critical areas of the business which internal audit considers appropriate to be undertaken along with other management reviews that have been requested.
- 4.4 It is understood at the time of this report that it may be possible to recruit in the near future with a further review during the year when the impact of services such as Adult Social Care transferring into the business and the increased amount of grant activity becomes clearer. If recruitment is not possible to cover the current vacancies the plan will be prioritised to best meet business needs.

5 Draft Audit Plan Overview

- 5.1 The table below summarises the planned allocation of productive days for 2012 / 2013.

INTERNAL AUDIT: ANNUAL PLAN 2012 / 2013	Audit Days	
	Vacancies unfilled	Vacancy filled
Systems Activity	58	96
Annual Governance and Assurance Framework	124	124
Strategic and Operational Risks	100	425
External Work	40	70
Corporate Support	240	270
TOTAL PLANNED AUDIT DAYS	572	985

- 5.2 It can be seen from the table above that the plan shows the main audit areas by categories rather than directorates. This is to better demonstrate the coverage and impact of the audit activities across the organisation. The individual audit reviews and service areas are analysed in greater detail in section 8 of this document.

- 5.3 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.
- 5.4 The plan for 2012 / 2013 is not a static document. The Chief Internal Auditor 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 Audit Committee.

6 Key Points

6.1 External Works

The plan shows that we carry out work for external bodies, which generates income. For 2012 / 2013 this work consists of a provision for audit services to Vivacity. We are also planning to market our services externally, in order that we may generate income for the authority.

6.2 Core Systems Assurance Work

Audits of all the main financial systems of the Council are undertaken on a cyclical basis as in consultation with external audit. We will adopt a key-control approach for these audits, but will review each of them in more depth over a three year period. We will co-ordinate our work with that of the external auditor (PwC) to ensure that reliance can be placed on the work provided by Internal Audit in accordance with PwC's three year rolling programme.

6.3 Annual Governance

Each year the Council is obliged to issue a statement on the effectiveness of its governance arrangements. Internal Audit will continue to undertake reviews to support this process covering areas such as governance arrangements for partnerships, project management and information governance.

6.4 Strategic and Operational Risks

Our plan has been developed to test the adequacy and effectiveness of the control environment put in place to mitigate the council's principal risks and to provide the assurance required on key controls. The impact of our reduced resource levels is greatest in this area of the plan.

6.5 Anti-Fraud and Corruption Arrangements

The roles and responsibilities for fraud investigations continue to operate in line with the Memorandum of Understanding between Internal Audit and the Governance Team. Internal Audit evaluates the control weaknesses that have allowed a fraud to take place or remain undetected, and provides recommendations to improve fraud prevention and detection. Internal Audit's role may also include involvement in major fraud investigations.

6.6 Contingency

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. The contingency provision included within the plan for such events has been significantly reduced in line with lower resource levels. In this time of

change, it is not expected that the number of management requests will diminish, therefore we will introduce a prioritization process and deal with them accordingly.

7 Reporting Protocols

- 7.1 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 Chief Officer. In accordance with our reporting arrangements, all audit reports are brought to the attention of the Leader of the Council, Chief Executive, Executive Director Resources, Cabinet Member for Resources and Chair of Audit Committee.
- 7.2 A half yearly progress report will be presented to the Audit Committee indicating the level of achievement against agreed targets and any major findings arising from the audit work undertaken. All audit reports with 'NO' or 'LIMITED' assurance will be shared with the Audit Committee in the form of an Executive Summary as part of this process.
- 7.3 An annual report will be prepared for Audit Committee in order to give assurance or otherwise to Members that they can rely on the internal control framework of the Council.

8 Detailed Plan

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

PETERBOROUGH CITY COUNCIL: INTERNAL AUDIT PLAN 2012 / 2013

VISION FOR THE CITY

STRATEGIC PRIORITIES	
1	Creating the UK's Environment Capital
2	Creating strong and supportive communities
3	Delivering substantial and truly sustainable growth
4	Creating opportunities – tackling inequalities
5	Providing value for money underpins all of our activities

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*).

PLAN WITHOUT VACANCY FILLED

SERVICE / SYSTEM	COUNCIL OBJECTIVE	AUDIT SCOPE	Critical		Directorate
			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. These therefore feature in the plan every year.					
Housing Benefit	5	A review of key controls, in accordance with PwC requirements.	Yes	External Audit reliance work	SERCO
Council Tax	5	A review of key controls, in accordance with PwC requirements	Yes	External Audit reliance work	SERCO
NNDR	5	A review of key controls, in accordance with PwC requirements.	Yes	External Audit reliance work	SERCO
Accounts Payable	5	Systems based approach considering key risk exposures. Testing to provide assurance that all payments are valid, accurate, and timely.	Yes	Major changes to system	SERCO
Payroll	5	A review of key controls, in accordance with PwC requirements.	Yes	External Audit reliance work	SERCO
Budgetary Control	5	Review of the control arrangements within Adult Social Care.	Yes	New service transferring into the Council	Strategic Resources

SERVICE / SYSTEM	COUNCIL OBJECTIVE	AUDIT SCOPE	Critical		Directorate
			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, as well as areas that constitute key aspects of corporate governance, which are reviewed in line with risk levels.					
Assurance Framework and Annual Governance Statement Review	ALL	Process and framework to feed into work on Annual Governance Statement, including the review recommendations made by Audit Commission in their annual letter and verify implementation (progress).	Yes	Corporate responsibility	Corporate
Annual Audit Opinion	ALL	Head of Internal Audit opinion on the state of governance and the internal control framework in place within Peterborough City Council.	Yes	Corporate responsibility	Corporate
Annual Audit Plan	ALL	A determination of the annual audit plan based on our own systematic risk assessment. This includes a review of corporate risk registers and the Medium Term Financial Plan, as well as consultation with Directors and Heads of Service.	Yes	Corporate responsibility	Corporate
Internal Audit Effectiveness	5	Review of the internal audit service against best practice guidelines.	Yes	Corporate responsibility	Corporate
Anti-fraud Culture	ALL	Investigation of matches from NFI. Evaluation of control weaknesses that have allowed a fraud to take place or remain undetected, and providing recommendations to improve fraud prevention and detection, in line with our Memorandum of Understanding with the Governance Team.	Yes	Corporate responsibility to protect finite resources	Corporate
Information Governance	ALL	Information sharing review in conjunction with the Strategic Governance Board to include the implications for the organisations resulting from case law rulings.	Yes	Corporate responsibility to protect finite resources	Corporate
Project Governance	ALL	To provide assurance that the Council's projects are managed in accordance with best practice. We will review projects across several portfolios. This will include, where appropriate, post-implementation reviews in order to evaluate whether benefits have been realised.	Yes	Ensure finite resources are appropriate managed	Corporate

SERVICE / SYSTEM	COUNCIL OBJECTIVE	AUDIT SCOPE	Critical		Directorate
			Yes	Reason	
STRATEGIC and OPERATIONAL RISKS					
Internal Audit provides support to Council and Directorate objectives by testing the effectiveness of controls designed to mitigate identified risks.					
Risk Management and Business Continuity	ALL	Review the effectiveness of processes in place as a result of organisational and responsibility changes for risk management and business continuity	Yes	Ensure Council position is protected	Corporate
Adult Social Care Database	ALL	Review the controls and implementation of the new Adult Social Care data base acting as a critical friend in relation to controls and governance arrangements.		Service and new system transferring into the Council	Adult Social Care
Schools	2 , 4, 5	The Schools Financial Value Standard (SFVS) has been introduced as a replacement to the previous FMSiS accreditation assessment. Chief Financial Officers will be required make a statement that they have a system of audit in place which gives them adequate assurance over schools' standards of financial management and the regularity and propriety of their spending. Reviews of School processes to be reviewed in accordance with risk assessment priorities Limited coverage of two schools	Yes	Ensure finite resources are appropriate managed	Children's Services
Partnership Performance Arrangements	ALL	Review the processes in place with regards to performance indicator monitoring arrangements in relation to Enterprise to include the appropriateness and data quality.	Yes	Ensure Council position is protected	Strategic Resources
Partnership Management	ALL	A review of client management arrangements in place for SERCO ICT and Manor Drive service delivery.	Yes	Ensure Council position is protected	Strategic Resources

SERVICE / SYSTEM	COUNCIL OBJECTIVE	AUDIT SCOPE	Critical		Directorate
			Yes	Reason	
EXTERNAL WORK Work which generates an income for the Council.					
Vivacity	-	Work agreed as part of a service level agreement	Yes	Contractual requirement	External

OTHER RESOURCE PROVISIONS (CORPORATE SUPPORT)					
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. In addition there will be a number of follow ups of previous audit activities. Finally, a number of jobs will overlap between financial years and require some time to complete.					
Carry Forward Activities	ALL		Yes		Corporate
Follow Up Provision	ALL		Yes		Corporate
Fraud / Irregularity Contingency	ALL	Time is included within the plan for undertaking proactive counter fraud-work, together with reactive work where suspected irregularities have been detected.	Yes		Corporate
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 and members; and ad hoc requests and consultancy work	Yes		Corporate
Grant Claim Certification	5	Teachers Pension Arrangements, ZECOS, CTIE, Disabled Facilities Grant, DFT (Local Plan Integrated Transport), DFT (Local Transport Plan Highways)	Yes		Corporate
Committee Support	-	Production of reports and attendance at Council committees and boards (for example the Strategic Governance Board).	Yes		Corporate

TOTAL RESOURCES ALLOCATED WITHOUT VACANCIES FILLED

ADDITIONAL WORK WITH VACANCY FILLED

SERVICE / SYSTEM	COUNCIL OBJECTIVE	AUDIT SCOPE	Critical		Directorate
			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. These therefore feature in the plan every year.					
Main Accounting System	5	A review of key controls to include feeder system input and reconciliations.	Yes	Ensure finite resources are appropriate managed	Strategic Resources
Fixed Asset Accounting	5	To identify the controls in operation for the identification of assets, disposal and arrangements for inclusion on the fixed asset register, to include appropriate accounting processes.	Yes	Ensure finite resources are appropriate managed	Strategic Resources
Purchasing Cards	5	Systems based approach considering key risk exposures. Testing to provide assurance that all payments are valid and accurate.		Ensure finite resources are appropriate managed	Corporate
Budgetary Control	5	A review of the budgetary control arrangements within the organisation.	Yes	Ensure finite resources are appropriate managed	Corporate

SERVICE / SYSTEM	COUNCIL OBJECTIVE	AUDIT SCOPE	Critical		Directorate
			Yes	Reason	
STRATEGIC and OPERATIONAL RISKS					
Internal Audit provides support to Council and Directorate objectives by testing the effectiveness of controls designed to mitigate identified risks.					
Localism Bill	ALL	A review of the impact on service delivery as a result of this new legislation, particularly in relation to financial control and governance.	Yes	Service delivery and financial control implications	Corporate
Project delivery	ALL	Acting as a critical friend in current projects to review service delivery arrangements	Yes	Service delivery, financial and reputational risks	Corporate
Carbon Management	1, 5	Data quality review prior to the submission of information regarding the Carbon Reduction commitment and carbon trading return. Environment Agency requirements are that the data is audited	Yes	Ensure finite resources are appropriate managed	Operations
Contracting	5	To review specific aspects of the contracting process across a variety of contracts. This will include the process for dealing with conflicts of interest and also authorisation controls.		Ensure finite resources are appropriate managed	Corporate
Schools	2, 4, 5	Reviews of School processes to be reviewed in accordance with risk assessment priorities Extend coverage by a further four schools	Yes	Ensure finite resources are appropriate managed	Children's Services
ASC Performance Management	ALL	Review the performance management processes in operation with regards to Finance and Activity monitoring	Yes	New service transferring to the council and Management request	Adult Social Care
ASC Risk Management and Business Continuity	ALL	Review of the risk management processes in place to align with organisational changes.	Yes	New service transferring to the council and Management request	Adult Social Care
ASC Policies and Procedures	ALL	Compliance with policies and procedures.	Yes	New service transferring to the council and Management request	Adult Social Care

SERVICE / SYSTEM	COUNCIL OBJECTIVE	AUDIT SCOPE	Critical		Directorate
			Yes	Reason	
STRATEGIC and OPERATIONAL RISKS					
Internal Audit provides support to Council and Directorate objectives by testing the effectiveness of controls designed to mitigate identified risks.					
ASC Integrated Community Equipment Store		Review the use of the Integrated Community Store with regards to stock control and returns		New service transferring to the council and Management request	Adult Social Care
Public Health	ALL	Reviewing the performance indicator framework in place regarding performance to include data integrity.	Yes	New service transferring to the council and Management request	Operations
Welfare Reform	ALL	Establish and review arrangements for the implementation of the new Welfare Reform Act		Changes in Legislation	Corporate
Integrated Case Management System / RAISE		To review the access arrangements within the Childrens Services new Integrated Case Management System to ensure appropriate data security and management of conflicts of interests. This will also encompass the arrangements to retain data within Raise covering a similar scope of data security.		Ensure finite resources are appropriate managed	Children's Servoces
Car Loans	5	To review the arrangements and policies in relation to staff car loans.		Management request	Strategic Resources
Oracle system / R12 upgrade	5	Review of the Oracle system upgrade programmed during the year. Act as a critical friend with regards to system controls.		Management request	Serco
Private, Voluntary and Independent Financing	ALL	A process review in relation to Nursery Education Funding resulting from organisational responsibility and process changes.		Change of management responsibility and management request	Children's Services
CRB	ALL	Compliance with CRB checking processes		Management request	Corporate
IT Licensing	5	Compliance with license requirements.		Ensure finite resources are appropriate managed	SERCO

SERVICE / SYSTEM	COUNCIL OBJECTIVE	AUDIT SCOPE	Critical		Directorate
			Yes	Reason	
STRATEGIC and OPERATIONAL RISKS					
Internal Audit provides support to Council and Directorate objectives by testing the effectiveness of controls designed to mitigate identified risks.					
IT Security	ALL	To look system access controls, particularly in relation to authorisation rights and control processes regarding leavers and document retention.		Information governance	Corporate
Internet Usage	5	An analysis of staff internet usage to ensure that it is being used appropriately within working hours.		Ensure finite resources are appropriate managed	Corporate
Transparency Agenda	ALL	Compliance with the requirements of the Transparency Agenda and data integrity		Corporate responsibility	Corporate
Learning / Disability Partnership	2,4,5	This service has transferred back to the Council from the PCT. The audit will encompass a process review to ensure the framework in place is appropriate to ensure we are delivering the requirements of the section 75 agreement.	Yes	New service and management request	Adult Social Care
ERDM	1,5	To review compliance with procedures and policies to ensure business efficiencies are achieved.		Management request	Corporate
Managing Attendance	ALL	Review and compliance with the corporate policy		Ensure finite resources are appropriate managed	Corporate
Co-commissioning arrangements with the Voluntary Sector	ALL	To review the processes in relation to the awarding of grants or commission of grant funded activity in line with the Localism Act.		Process change and management request	Operations
Telecom charges	ALL	To confirm appropriate processes are in place to avoid duplicate payments and appropriate use of mobile phone.		Ensure finite resources are appropriate managed	Corporate
EXTERNAL WORK					
Work which generates an income for the Council.					
Other	-	Contingency for external work which may be won during the course of the year.	Yes	Business need	External

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