

REPORT TO	DATE OF MEETING
Governance Committee	29/4/10

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SUBJECT	PORTFOLIO	AUTHOR	ITEM
Internal Audit Plan 2010/2011	N/A	G. Barclay & C. Ware	

SUMMARY AND LINK TO CORPORATE PRIORITIES

This report explains the content of the Internal Audit work programme for the next financial year. It has been determined following a detailed risk assessment and consultation exercise. The Internal Audit Plan is the vehicle by which audit workload is identified and prioritised.

The main purposes of the report are to:

- Remind members of the respective roles of managers and Internal Audit to maintain a sound system of governance and internal control within the Council;
- Summarise and explain the basis of the Annual Internal Audit Plan for 2010/11 and the priority areas to be reviewed during the year;
- Seek the Committee’s approval of the Audit Plan.

In addition to being a statutory requirement, Internal Audit has a pivotal role to play in ensuring a strong system of governance and internal control and in so doing contributes to making South Ribble an “efficient, effective and exceptional Council”

RECOMMENDATIONS

That the Committee approve the 2010/11 Internal Audit Annual Plan

DETAILS AND REASONING

The System of Governance & Internal Control

As the phrase implies, corporate governance deals with issues of probity and ethics but its scope is much wider. The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) have issued guidance on Corporate Governance in Local Authorities. This requires councils to conduct a self-assessment of their compliance with a set of key governance principles and publish an Annual Governance Statement (AGS) alongside the annual accounts advising of any significant non-compliance issues and plans to address them.

Although they are separate processes, there is considerable similarity between the areas covered by the internal CIPFA SOLACE governance self-assessment and the external inspection process incorporating Use of Resources and the Comprehensive Area Assessment (CAA).

The Role of Management & Members

The prime responsibility for implementing a sound system of governance and internal control lies with the Council's senior management. Indeed CIPFA SOLACE requires the Leader and Chief Executive to sign the AGS on behalf of the Council. To facilitate this, the Corporate Governance Officer Steering Group conducts the annual corporate governance self-assessment:

This establishes whether there are any significant governance issues to be addressed and these are disclosed in the AGS together with planned actions to address them. The AGS also includes any significant issues that are identified in Service Assurance Statements, which have been introduced to evaluate service level compliance with key corporate policies, systems and procedures.

As this Committee is responsible for overview and scrutiny of governance, Members will soon receive a separate report seeking approval of the 2009/10 AGS, prior to its publication.

The vast majority of the actions arising from the AGS and the external audit and inspection process are fed into the relevant Service Plans.

However, in certain instances, Internal Audit is the best vehicle for addressing the issues that have been identified and as such the AGS and Use of Resources in particular have become important drivers of Internal Audit's workload.

The Role of Internal Audit

In addition to being a statutory requirement, Internal Audit has a pivotal role to play in ensuring a strong system of governance and internal control within the Council. Internal Audit is an independent appraisal function, whose prime objective is to evaluate and report on the adequacy of the Council's system of governance and internal control. This is largely achieved through an annual programme of reviews, following a detailed assessment of audit need.

Internal Audit Plan

The 2010/11 Internal Audit Plan is shown at the Appendix. It illustrates the individual areas requiring audit input together with an assessment of the auditor days required. The Plan has been constructed following a rigorous risk assessment and consultation exercise involving Senior Management Team and the Audit Commission. The remainder of this report explains the Plan content in more detail.

Audit Areas

Corporate Governance

The Internal Audit Service provides extensive proactive support in this area which includes:

- overseeing the production of the Annual Governance Statement and Service Assurance Statements;
- input to the Use of Resources self-assessment process prior to the Audit Commission's formal inspection;
- effectiveness and / or compliance reviews of important corporate policies and procedures;
- conducting checks on the collation of evidence to support specific National Indicators (NIs).

Anti-Fraud & Corruption

Internal Audit is the Council's local co-ordinator / contact for the Audit Commission's National Fraud Initiative (NFI), which enables specific data on the authority's computer systems to be collated and "matched" with similar data from other councils / public bodies, in order to identify any potential irregularities. These are then investigated by Internal Audit or the Benefit Enquiry Unit.

On a local level, we shall continue to develop a suite of computerised interrogations of the Council's systems, to identify any incidence of potential fraud or error.

In order to raise officers' and members' awareness of fraud we will be publishing periodic fraud bulletins to bring any current issues or scams to their attention.

Key Business Systems

This area of the Plan is dedicated to reviewing the key corporate systems and processes which impact on the Council's overall strategic performance.

Computer Audit

This element of the Audit Plan is to enable us to review any significant risks, particularly emerging issues in the area of Information and Communications Technology (ICT). The specific areas for review under this heading are still being finalised following a joint risk assessment involving Information Services, Internal Audit and computer audit specialists from LCC.

Financial Systems

This section covers our responsibility to provide assurance that effective controls are in place within the Council's financial systems. However, it relates only to those financial systems which remain the responsibility of South Ribble Borough Council to administer. The systems which now fall under the jurisdiction of the shared services arrangement with Chorley Borough Council are described below.

Key Operations

In addition to corporate level systems, we also review any material systems operating within Services, where they impact heavily on the achievement of service objectives and/or are susceptible to fraud or error. These systems are reviewed on a periodic basis according to the degree of risk they pose.

General Areas

This aspect of the Audit Plan is to enable us to:

- provide ongoing advice on control matters to managers;
- respond to requests for investigations or unplanned reviews;
- follow-up management actions made in earlier audit reports;
- provide internal control related advice to project teams;
- prepare reports for and attendance at the Governance Committee.

Shared Services

This section covers our responsibility to provide assurance that effective controls remain in place within the financial systems and the activities within the Assurance Service both operated by the shared services arrangement with Chorley Borough Council.

Audit Resources

The Internal Audit Plan for 2010/11 is based on a resource of **485 audit days**. This is the number of chargeable days available within the existing budget (after deducting annual leave and other non-chargeable time). It comprises a mix of in-house and bought-in resources from Lancashire Audit Services (Lancashire County Council) in order to provide access to specialist audit services like computer audit and greater flexibility.

This compares with a total of 550 days for South Ribble in 2009/10. This efficiency measure has become possible due to overall reductions in time allocated to, for example, Corporate Governance, as a result of shared working with Chorley Council.

The total chargeable days are to be allocated as follows:

	Days
Corporate Governance	58
Anti-Fraud & Corruption	57
Key Business Systems	35
Computer Audit	30
Financial Systems	60
Key Operations	120
General Areas	125
South Ribble Total	485
Shared Services	155

WIDER IMPLICATIONS

In the preparation of this report, consideration has been given to the impact of its proposals in all the areas listed below, and the table shows any implications in respect of each of these. The risk assessment which has been carried out forms part of the background papers to the report.

FINANCIAL	The financial implications arising from this report are contained within the Business Improvement Plan and Budget Report to the Shared Services Joint Committee on 18 th January 2010.
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LEGAL	<p>The Accounts and Audit Regulations 2003 require the Council to conduct a review of the effectiveness of its internal control system and to publish an annual statement on the adequacy of such a system, (the Annual Governance Statement, (AGS)).</p> <p>There is a requirement for Internal Audit to comply with the CIPFA Code of Practice for Internal Audit in Local Government (2006).</p> <p>The Accounts and Audit (Amendment) Regulations 2006, require an annual review of the effectiveness of Internal Audit.</p>
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RISK	<p>A Risk Assessment has been carried out which concluded that adequate controls are in place to mitigate any risks identified.</p> <p>The Corporate Risk Register has been referenced during the consultation process.</p>
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OTHER (see below)			
<i>Asset Management</i>	<i>Corporate Plans and Policies</i>	<i>Crime and Disorder</i>	<i>Efficiency Savings/Value for Money</i>
<i>Equality, Diversity and Community Cohesion</i>	<i>Freedom of Information/ Data Protection</i>	<i>Health and Safety</i>	<i>Health Inequalities</i>
<i>Human Rights Act 1998</i>	<i>Implementing Electronic Government</i>	<i>Staffing, Training and Development</i>	<i>Sustainability</i>

BACKGROUND DOCUMENTS

Accounts and Audit Regulations 2003
 Accounts and Audit (Amendment) Regulations 2006
 CIPFA Code of Practice for Internal Audit in Local Government (2006)
 Corporate Risk Register
 Risk Assessment relating to the implications in respect of this report.

APPENDIX - INTERNAL AUDIT PLAN 2010/11

Audit Areas	Days	Input Required
SHARED SERVICES		
Main Accounting / General Ledger	20	System review
Capital	20	System review
Cash and Bank	20	System review
Creditors	20	System review
Payroll	20	Review of In-House Arrangements
Treasury Management	15	System review
Emergency Planning / Business Continuity	20	Review of New Arrangements
Project Support / General Controls Advice	20	Consultancy Support
SUB-TOTAL	155	
SOUTH RIBBLE BOROUGH COUNCIL		
CORPORATE GOVERNANCE		
External Inspection (CAA, Use of Resources)	15	Corporate Support including the Annual Governance Statement
Service Assurance Statements	18	Collation and analysis of Service Assurance Statements
Data Quality (including Key Partnerships)	25	Quality Control Support
ANTI-FRAUD & CORRUPTION		
National Fraud Initiative	30	Co-ordination & Investigation
Systems Interrogations	10	Development & Application of Strategy
Anti Fraud & Corruption / Fraud Awareness / Bulletins	17	For Members and Officers
KEY BUSINESS SYSTEMS		
External / Partnership funding (LSP)	15	Compliance with criteria for funding
Procurement	20	Compliance with Standing Orders
COMPUTER AUDIT		
To be confirmed	30	
FINANCIAL SYSTEMS		
Key Systems Review (ISA)	40	All Non-Shared Key Financial Systems
Asset Management / Estates	20	System review
KEY OPERATIONS		
Regeneration / Leyland Board	15	Governance issues
Regeneration of Leyland (external funding)	20	Compliance with criteria for funding
Refuse Collection / Recycling Contract	15	Compliance with Contract
Sanctuary Scheme / Homelessness	15	External funding
Planning Control	15	Compliance with new regulations
Transport	20	Fleet management and efficiencies
Land Charges	20	Full System review
GENERAL AREAS		
Irregularities (Contingency)	20	Special Investigations
Post Audit Reviews	20	Confirmation that agreed actions have been implemented
Residual Work from 2009/10	23	C/o from 2009-10
Unplanned Reviews (Contingency)	20	In-Year requests for Audit Input
Project Support	20	As required
Audit Committee Reporting & Training	22	Progress Meetings
TOTAL	485	