

REPORT TO	DATE OF MEETING
Governance Committee	28th June 2011

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SUBJECT	PORTFOLIO	AUTHOR	ITEM
Internal Audit Plan 2011/12	N/A	G. Barclay & C. Ware	10

SUMMARY AND LINK TO CORPORATE PRIORITIES

This report explains the content of the Internal Audit work programme for the 2011/12 financial year which 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 2011/12 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 approves the 2011/12 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.

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 conduct 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 evaluate service level compliance with key corporate policies, systems and procedures.

As this Committee is responsible for overview and scrutiny of governance, Members will be aware that there is another report on this agenda which seeks approval of the 2010/11 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 is one of the 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

Members will recall that we have previously consulted the Governance Committee, the Audit Committee at Chorley Council and External Audit on proposals to reduce Internal Audit inputs from 2011/12 following the Comprehensive Spending Review (CSR) and the abolition of Comprehensive Area Assessment and Use of Resources inspections.

Members will also recall that at the December meeting of the Governance Committee we submitted a report which gave a breakdown of the proposed changes in audit inputs across all the Audit Plans, as follows:

AUDIT PLAN	2010/11 (Days)	2011/12 (Days)
Chorley	485	335
South Ribble	485	335
Shared Services	155	245
Totals	1125	915

The overall reductions therefore amount to 210 days or 18.7%. Members should note that the 150 days reduction in South Ribble's Audit Plan (485 to 335) is partly due to the factors noted above but is also due to the transfer to Shared Services, of the Revenues and Benefits functions and aspects of the Finance function, from both councils, which sees a corresponding increase of 90 days (155 to 245).

The reductions have been achieved by not filling vacancies in Internal Audit which have existed since the formation of the Shared Services Partnership. A conscious decision was made not to fill these vacancies and to use the savings to buy Internal Audit resources from Lancashire County Council. This facility will now largely be withdrawn with the exception of a small element of budget which will continue to be used to buy in specialist ICT audit support.

The 2011/12 Internal Audit Plan is shown at the **Appendix**. The Plan is based on the reduced audit days and has been constructed following a detailed risk assessment which considers: changes in staffing; systems; actions within the AGS; the corporate risk register; length of time since the last review and consultation with the Senior Management Team.

The Internal Audit Plan is usually approved by members prior to the start of each new financial year but due to the budgetary and organisational changes that were still under consideration in March it was agreed that this year's Plan would be submitted to the June meeting for approval.

To facilitate this, at the February meeting of the Governance Committee the members approved a short-term Plan covering the first 3 months of the new financial year. This has now been incorporated within the full year Plan shown at the Appendix.

The remainder of this report explains the Plan content in more detail.

Audit Areas

Shared Services

This section covers our responsibilities to provide assurance that effective controls remain in place within the Shared Financial and Assurance Services and the new Shared Revenues and Benefits arrangements with Chorley Borough Council.

Corporate, Anti Fraud & Corruption and Fraud Awareness

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

- overseeing the production of the Annual Governance Statement and Service Assurance Statements;
- effectiveness and / or compliance reviews of corporate policies and procedures;
- acting as the Council's local co-ordinator for the Audit Commission's National Fraud Initiative. This enables specific data 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;
- provision of anti - fraud training for officers and members;
- raising awareness of fraud / scams by publishing fraud bulletins on Connect and Member Connect;
- development of a suite of computerised interrogations of the Council's systems, to identify any incidence of potential fraud or error.

Corporate Governance

Two reviews have been identified within this service:

- the preparation for and compliance with the Bribery Act 2010, which is to come into force in July 2011;
- a review of the administration of the licensing function (taxi and premises licences).

Policy, Scrutiny, Community Engagement and Human Resources

This element of the Audit Plan consists of proactive work and one review:

- although Data Quality is no longer reviewed by the Audit Commission, it is still important that the Council's data is accurate and up to date. Internal Audit will include this in the scope of relevant reviews. In addition, time has been allocated for Internal Audit to provide proactive support with the revised performance management arrangements;
- Internal Audit will be represented on a Task and Finish Group for Partnerships
- the review of Project Management will consider the application of the new Project Management Framework.

Business Transformation and Information, Technology and Communication (ITC)

There are two reviews to be undertaken within the ITC service:

- a review of the Council's response to the network penetration test carried out in December 2010;
- the review will assess the effectiveness of the new application system for Freedom of Information requests.

Regeneration and Healthy Communities

Internal Audit will provide input to a Regeneration project

Neighbourhoods

The following two reviews have been identified within the Neighbourhoods Service:

- review of the enforcement of fixed penalty notices;
- a review of the maintenance and inspection regimes for the Council's buildings, parks and footpaths.

Planning, Housing and Asset Management / Property Services

The two reviews highlighted for this Service are both within Asset Management / Property Services:

- in relation to the Civic Suite Project, Internal Audit will participate in a post contract review and evaluation of the project. In addition, we will undertake an audit of the final account;
- Internal Audit will have a representative on the Project Team to review the operation of leased property income.

General Areas

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

- provide ongoing advice on control matters to all officers;
- follow-up management actions made in earlier audit reports;
- complete work outstanding from the 2010/11 Internal Audit Plan;
- respond to requests for investigations or unplanned reviews;
- participate in the Member Induction Programme and
- to prepare reports for and attend the Governance Committee.

Audit Resources

The Internal Audit Plan for 2011/12 is based on a resource of **335 audit days for South Ribble and 245 days for the Shared Service**. This is the number of chargeable days available within the existing budget (after deducting annual leave and other non-chargeable time). It comprises of a mix of in-house and bought-in resources from Lancashire Audit Services (Lancashire County Council) in order to provide access to specialist computer audit service.

This compares with a total of **485 days** for South Ribble in 2010/11. Members will recall that a report was brought to this Committee setting out the rationale for the reduction in available days.

The total chargeable days are to be allocated as follows:

	Days
Corporate / Anti-Fraud & Corruption	75
Corporate Governance	30
Policy / Scrutiny / Community Engagement & Human Resources	25
Business Transformation & ITC	35
Regeneration & Healthy Communities	10
Neighbourhoods	30
Planning / Housing / Asset Management	20
General Areas	110
South Ribble Total	335
Shared Services	245

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 Cabinets of both host authorities have already approved the budgets which underpin the Internal Audit Plans for 2011/12.
LEGAL	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)). There is a requirement for Internal Audit to comply with the CIPFA Code of Practice for Internal Audit in Local Government (2006). The Accounts and Audit (Amendment) Regulations 2006, require an annual review of the effectiveness of Internal Audit.
RISK	A Risk Assessment has been carried out which concluded that adequate controls are in place to mitigate any risks identified.
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)

Risk Assessment relating to the implications in respect of this report.

APPENDIX - INTERNAL AUDIT PLAN 2011/12

SERVICE AREA	DAYS	COMMENTS / RATIONALE
SHARED SERVICES		
FINANCE		
Main Accounting System	20	New Financial System
Creditors	20	New Financial System
Payroll	20	High expenditure
Treasury Management	15	High risk area
Cash & Bank / Cheque Control	20	Changes in staffing / income stream
Travel & Subsistence	15	Changes in staffing
REVENUES & BENEFITS		
Council Tax	15	Changes in staffing
National Non Domestic Rates	15	Changes in staffing
Housing & Council Tax Benefits	20	Changes in staffing
Debtors	20	Changes in staffing
ASSURANCE		
Emergency Planning	10	Deferred from 10/11
Business Continuity	10	Deferred from 10/11
GENERAL		
Residual Work from 2010/11	20	To be completed in quarter 1
Post Audit Reviews	15	Follow up of agreed Management Actions
Unplanned Reviews / Contingency	10	To respond to requests from Management
SUB-TOTAL	245	
SOUTH RIBBLE		
CORPORATE AREAS		
Annual Governance Statement	15	Annual requirement
Anti-Fraud & Corruption / Awareness	15	Annual requirement
NFI	30	Annual requirement
System Interrogations	10	Efficiency / fraud detection
Financial Regulations	5	Support review of constitution 2011/12
CORPORATE GOVERNANCE		
Bribery Act / Registers of Disclosures	10	Preparation for / compliance with the Act
Licensing	20	Staffing changes & new system
POLICY, SCRUTINY, COMMUNITY ENGAGEMENT & HR		
Performance Management / PI's	5	Proactive support with revised arrangements
Partnerships	5	Input to Task & Finish Group
Project Management	15	Application of revised Framework
BUSINESS TRANSFORMATION & ITC		
Government Connect	15	Penetration testing / retain connection
Data Protection/ Freedom of Information	20	Review following new FOI application system
REGENERATION & HEALTHY COMMUNITIES		
Regeneration Projects	10	Project team support
NEIGHBOURHOODS		
Neighbourhood Management	10	Review of enforcement (penalty notices etc)
Maintenance / Inspection Regimes	20	Buildings / parks / footpaths
PLANNING / HOUSING / PROPERTY		
Asset Management - Civic Suite Project	10	Post contract review & audit of final account
Commercial Properties / Estates	10	Project team to review leased property income
GENERAL AREAS		
Irregularities (Contingency)	20	Investigation of potential irregularities
Post Audit Reviews	15	Follow up of management actions
Residual Work from 2010/11	10	Finalising 2010/11 work
Unplanned Reviews (Contingency)	45	Contingency for in-year developments
Governance Committee	20	Reporting to Governance Committee
TOTAL (SRBC)	335	