

REPORT TO	DATE OF MEETING
Governance Committee	25th April 2012

Report template revised June 2008



SUBJECT	PORTFOLIO	AUTHOR	ITEM
Internal Audit Plan 2012 / 2013	N/A	G. Barclay & C. Ware	5

SUMMARY AND LINK TO CORPORATE PRIORITIES

This report explains the content of the Internal Audit work programme for the 2012/13 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 2012/13 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 2012/13 Internal Audit Plan.

DETAILS AND REASONING

The Role of Management and Internal Audit

The prime responsibility for implementing a strong system of governance and internal control within the Council lies primarily with the Senior Management Team (SMT). Directors and Heads of Service need to ensure that they maintain effective control procedures not least because services and business systems are subject to on-going change.

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. In the main this is achieved through an annual programme of reviews, following a detailed risk assessment of audit need.

The 2012/13 Internal Audit Plan contains the programme of reviews for the financial year and is shown at the **Appendix**. The Plan has been constructed following a risk assessment which considers a range of risk factors, such as items in the Corporate Risk register, significant changes in staffing, systems and procedures and the length of time since an area was last audited. There has been extensive consultation within each Service Group and with SMT.

In addition to the work programme for South Ribble and the Shared Service, Members will recall that Internal Audit has agreed to provide an Internal Audit Service to St. Catherine's Hospice. The proposed reviews are also included within the appendix.

The following paragraphs summarise the individual audit areas that will be subject to audit coverage in 2012/13.

Audit Areas

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;
- provision of anti - fraud training for officers and members;
- raising awareness of fraud / scams by publishing fraud bulletins on Connect and Cllr Connect;
- 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;
- development of a suite of computerised interrogations of the Council's systems, to identify any incidence of potential fraud or error;
- effectiveness and / or compliance reviews of corporate policies and procedures; and
- project team membership for two projects in the Corporate Plan.

Corporate Governance

Two reviews have been identified within this service:

- to verify the integrity of performance data and
- compliance with the Equality Act.

Business Transformation (Information, Technology and Communication (ITC) & Programme Office)

There are two reviews to be undertaken within the ITC service and one within the Programme Office:

- a review of the Active Directory Infrastructure will be undertaken by Lancashire Audit Services;
- a further review will be undertaken by the in-house audit service, however, the area for review is still to be agreed; and
- the review within the Programme Office is to verify compliance with the Project Management Framework.

Regeneration and Healthy Communities

There are three reviews to be undertaken within this Service Group:

- a review of the governance arrangements for My Neighbourhoods;
- compliance with the Leisure Contract; and
- a review of the processes and procedures within Catering Services.

Planning, Housing and Asset Management / Property Services

There are four reviews within this Service Group;

- to verify the effectiveness of the new provider for Home Improvements / Disabled Facility Grants;
- a review of the adequacy of the governance arrangements for the newly introduced Community Infrastructure Levy;
- Project Team membership for the Wesley Street Project; and
- a review of the Window Replacement Contract.

Human Resources

Two reviews have been agreed with the Head of Human Resources, although both will cover all Service Groups:

- to verify compliance with individual employees' Statement of Particulars for payment of overtime; and
- compliance with Wintime, the council's Flexi Time system.

General Areas

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

- respond to requests for investigations;
- follow-up management actions made in earlier audit reports;
- complete work outstanding from 2011/12;
- respond to requests from Management for unplanned reviews; and
- to prepare reports for and attend the Governance Committee.

Shared Services

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

External Contract (St. Catherine's Hospice)

There are two areas for review:

- to verify that all income is collected, recorded, held securely and banked in full; and
- the adequacy of the arrangements for the effective and efficient running of the Hospice's shops.

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 2012/13. Income of approximately £7K from the external contract will contribute to the Shared Services costs.		
LEGAL	Internal Audit is a statutory function under Section 151 of the Local Government Act 1971. There is also a requirement for Internal Audit to comply with the CIPFA Code of Practice for Internal Audit in Local Government (2006).		
RISK	A detailed Risk Assessment has been carried out which forms the basis of the audit assignments included in the 2012/13 Audit Plan.		
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 2011
 CIPFA Code of Practice for Internal Audit in Local Government (2006)
 Risk Assessment.

APPENDIX - INTERNAL AUDIT PLAN 2012/13

WORK AREA	DAYS	COMMENTS / RATIONALE
SOUTH RIBBLE		
CORPORATE AREAS		
Annual Governance Statement	15	Annual requirement
Anti-Fraud & Corruption	10	Annual requirement
NFI	30	Annual requirement
System Interrogations	10	Efficiency / fraud detection
Corporate Inventories (ITC)	10	Compliance review
Corporate Projects	10	Input to corporate projects
CORPORATE GOVERNANCE		
Scrutiny & Performance		
Data Quality	5	Integrity of data
Equality	10	Compliance review
BUSINESS TRANSFORMATION		
Information Management		
Active Directory Infrastructure Review (LCC)	15	Compliance review
In-house review yet to be agreed	15	To be agreed
Programme Office		
Project Management Framework	10	Compliance review
REGENERATION & HEALTHY COMMUNITIES		
Community Works		
My Neighbourhoods	15	Review of governance arrangements
Public Health		
Indoor Leisure Contract	10	Key Partnership
Catering Services	10	Compliance review
PLANNING & HOUSING		
Housing		
Home Improvements	15	Compliance review
Planning		
Community Infrastructure Levy	10	Advise on all governance arrangements
Wesley Street Mill Project	10	Input to Project Team
Property		
Window Replacement Project	10	Compliance review
HUMAN RESOURCES		
Overtime Payments	15	Compliance review
Flexi Time System	15	Compliance review
GENERAL AREAS		
Irregularities (Contingency)	15	To respond to allegations of irregularity
Post Audit Reviews	10	To verify that Management Actions have been implemented
Residual Work from 2011/12	10	To be completed in quarter 1
Unplanned Reviews (Contingency)	15	To respond to requests from management

Governance Committee	25	To prepare reports and attend Governance Committee meetings
TOTAL	325	
WORK AREA	DAYS	COMMENTS / RATIONALE
SHARED SERVICES		
Finance		
Main Accounting System	15	Key Financial System
Creditors	15	Key Financial System
Payroll	20	High expenditure / new systems
Treasury Management	15	High risk area
Cash & Bank / Cheque Control	20	Key Financial System
Revenues & Benefits		
Council Tax	15	Key Financial System
Non Domestic Rates	15	Key Financial System
Housing & Council Tax Benefits	15	Key Financial System
Debtors	20	Key Financial System
General		
Residual Work from 2011/12	15	To be completed in quarter 1
Post Audit Reviews	10	To verify that the agreed Management Actions have been implemented
Contingency	10	To respond to requests from management
TOTAL	185	

WORK AREA	DAYS	COMMENTS / RATIONALE
EXTERNAL CONTRACT		
St. Catherine's Hospice		
Income	10	Key Financial System
Hospice Shops	20	Verify effectiveness of procedures and processes for the operation of the Hospice shops.
TOTAL	30	