

REPORT TO	DATE OF MEETING
Governance Committee	29th April 2013

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SUBJECT	PORTFOLIO	AUTHOR	ITEM
Internal Audit Plan 2013-14	N/A	G. Barclay & D. Highton	6

SUMMARY AND LINK TO CORPORATE PRIORITIES

This report explains the content of the Internal Audit work programme for the 2013/14 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 2013/14 and the priority areas to be reviewed during the year;
- Seek the Committee's approval of the Audit Plan.
- Seek the Committee's approval to revised changes in Internal Audit Key performance Indicators (KPI's) following initial recommendations made at the January meeting.

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 2013/14 Internal Audit Plan;
- approves the revised changes to Internal Audit KPI's.

DETAILS AND REASONING

The Role of Management and Internal Audit

The 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 core 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.

Audit Plan

The 2013/14 Internal Audit Plan contains the proposed programme of reviews for the new 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 also extensive consultation within each Service Group and with SMT.

The following paragraphs summarise the individual audit areas that will be subject to audit coverage in 2013/14.

Corporate

- Undertaking corporate and service level governance reviews in support of the Annual Governance Statement.
- Raising awareness of fraud by publishing bulletins on employees' and members' intranets.
- Co-ordinating the Council's input to the Audit Commission's National Fraud Initiative (NFI) which enables specific data on the Council's computer systems to be collated and matched with similar data from other councils / public bodies, in order to identify any potential irregularities.
- Developing of a suite of computerised interrogations of the Council's systems, to identify any instances of fraud or error.

Corporate Governance

Scrutiny and Performance

- Verification of the integrity of the performance management data collected.
- A review of compliance with the revised Performance Management Framework.

Business Transformation and ICT

Revenues and Benefits

- A review of the key financial systems within Revenues and Benefits.

ICT

- A review of Disaster Recovery arrangements.
- A review of the overall management arrangements for Software Licences.

Regeneration and Healthy Communities.

Community Works

- A review of the governance arrangements for the My Neighbourhoods Forums.
- A review of compliance with the Health and Safety Framework.

Neighbourhoods

- Project team membership in preparation for the next Refuse Collection and Recycling Contract.

Planning and Housing

Housing

- A review to verify the effectiveness of the provider for Disabled Facility Grants following the first 12 months of the contract.

Planning

- Project team membership for the implementation and on-going monitoring of the Community Infrastructure Levy (CIL).
- Continuing membership of the Wesley Street Development Project.

Human Resources and Communication

- Membership of the project team for the proposed new Payroll System.
- A review of compliance with the revised Absence Management Procedures.

General Areas

- Undertaking investigations
- Following-up management actions agreed in earlier audit reports;
- Completing any residual work from 2012/13;
- Responding to requests from Management for unplanned reviews; and
- Preparing reports for and attending the Governance Committee.

Shared Services

- A series of review to provide assurance that effective controls remain in place within the Shared Financial Services.

External Contract (St. Catherine's Hospice)

- Reviews to be confirmed at a later date.

Internal Audit Key Performance Indicators (KPI's)

At the January meeting of the Governance Committee meeting some members expressed concerns over the proposal to remove the KPI's covering the implementation of audit recommendations.

The original case stated for removing these KPI's was as follows:

- (a) they do not actually measure Internal Audit performance as the responsibility for implementing agreed actions lies with service managers;
- (b) managers are directly accountable to the Governance Committee for any unreasonable non-implementations & so the audit reporting process itself ensures that any issues are addressed as matter of course;
- (c) the target of 100% for "implementation on time" will almost always not be achieved in practice for a variety of reasons;
- (d) the rolling nature of the audit process makes quarterly measurement both spurious and time consuming.

It is however acknowledged that members would value some assurance on the degree of co-operation that Internal Audit receives from management and it is also accepted that whilst eventual implementation is not an issue, slippage with target dates sometimes can be and there may be scope to secure some improvement in this area.

It is therefore proposed that these KPI's are retained but reported annually and compared to previous years to demonstrate continuous improvement. The Internal Audit Annual Report for 2012/13 will therefore contain this information for the current year and this will set the benchmark for future years and will replace the current practice of reporting on a quarterly basis against a target of 100%.

This revised proposal has also been discussed with the Director of Governance as a pragmatic way forward. As previously stated any in-year concerns will always be reported to the Committee as a matter of course.

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 2013/14.
LEGAL	The Internal Audit function is a statutory function derived from Section 151 of the Local Government Act 1972 and section 5 of the Accounts and Audit Regulations 2006
RISK	A detailed Risk Assessment has been carried out which forms the basis of the audit assignments included in the 2013/14 Audit Plan.

<i>OTHER (see below)</i>			
<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

CIPFA Code of Practice for Internal Audit in Local Government (2006)
Risk Assessment.

APPENDIX - INTERNAL AUDIT PLAN 2013/14

SOUTH RIBBLE COUNCIL	DAYS	COMMENTS / RATIONALE
CORPORATE AREAS		
Annual Governance Statement	15	Annual requirement
Anti-Fraud & Corruption	15	Annual requirement
NFI	20	Participation in national exercise
System Interrogations	10	Efficiency / fraud detection
CORPORATE GOVERNANCE		
Scrutiny and Performance		
Data Quality	5	Review of the integrity of selected data
Performance Management Framework	10	Compliance review of the revised Framework
BUSINESS TRANSFORMATION AND ICT		
Revenues and Benefits		
Council Tax	30	Key Financial System
Non Domestic Rates		Key Financial System
Housing & Council Tax Benefits		Key Financial System
Debtors		Key Financial System
ICT		
Disaster Recovery	15	Review of arrangements
Software Licences	20	Review of arrangements
REGENERATION AND HEALTHY COMMUNITIES		
Community Works		
My Neighbourhood Forums	20	Review of governance arrangements
Health and Safety	15	Compliance with the Framework
NEIGHBOURHOODS		
Refuse Collection and Recycling Contract	10	Project team membership
PLANNING AND HOUSING		
Housing		
Disabled Facilities Grant	15	Review of the effectiveness of provider
Planning		
CIL (with Chorley & Preston)	10	Project team membership and on-going monitoring
Wesley Street Mill	15	Project team membership
HUMAN RESOURCES AND COMMUNICATION		
New Payroll System	15	Review of overall arrangements
Absence Management	20	Compliance review
GENERAL AREAS		
Irregularities (Contingency)	20	To respond to allegations of fraud and irregularity
Post Audit Reviews	10	Verification that Management actions are implemented
Residual Work from 2012/13	15	To be completed in quarter 1
Unplanned Reviews	20	To respond to any requests from management
Governance Committee	20	To prepare reports and attend Governance Committee
TOTAL	345	

SHARED FINANCIAL SERVICES	DAYS	COMMENTS / RATIONALE
Main Accounting System	15	Key Financial System
Creditors	15	Key Financial System
Payroll	20	Key Financial Systems
Treasury Management	15	Key Financial Systems
Cash & Bank / Cheque Control	20	Key Financial System / Change of Banker
Residual Work from 2012/13	20	To be completed in quarter 1
Post Audit Reviews	10	Verification that Management actions are implemented
Contingency	20	To respond to any requests from management
TOTAL	135	
ST CATHERINE'S HOSPICE		
Reviews to be decided	30	
TOTAL	30	