

REPORT TO	DATE OF MEETING
Governance Committee	23rd April 2014

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SUBJECT	PORTFOLIO	AUTHOR	ITEM
Internal Audit Plan 2014-15	N/A	G. Barclay & D. Highton	7

SUMMARY AND LINK TO CORPORATE PRIORITIES

This report explains the content of the Internal Audit work programme for the 2014/15 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 2014/15 and the revised controls assurance rating system.
- 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 2014/15 Internal Audit Plan;
- notes the revised controls assurance rating system.

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 2014/15 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 2014/15.

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 information within the Corporate Plan.

Business Transformation and ICT

Revenues and Benefits

- Membership of the Welfare Reform Project Team.
- A review of the key financial systems within Revenues and Benefits.

Homelessness

- A review to verify the fulfilment of the Council's statutory obligations.

ICT

- Review to be decided at a later date.

Regeneration and Healthy Communities.

Leisure and Sports Development

- Review of the overall arrangements for Sports Development incorporating compliance with funding conditions and safeguarding.

Housing

- Review of the arrangements for Housing Grants.
- Review of Empty Homes policy including enforcement action and cost recovery.

Planning and Building Control

- Review of Planning / Building Control arrangements.
- On-going membership of the project team for the Community Infrastructure Levy.

Neighbourhoods

Waste and Transport

- Continued involvement in the project team for the Refuse Collection and Recycling Contract.

Public Health

- Post implementation review of licencing fees including scrap metal dealers.

Property Services

- A review of the effectiveness of the planned and reactive maintenance programmes.
- System review to ensure that income from Commercial Properties is maximised.

General Areas

- Undertaking investigations
- Following-up management actions agreed in earlier audit reports;
- Completing any residual work from 2013/14;
- Responding to requests from Management for unplanned reviews; and
- Preparing reports for and attending the Governance Committee.

Shared Financial Services

- A series of reviews to provide assurance that effective controls remain in place within the Council's key financial systems.

Controls Assurance Ratings

Following every audit we allocate a rating to show the degree of assurance that we are able to give management regarding the levels of internal control present in each system reviewed, as follows:

Limited	The Authority cannot place sufficient reliance on the controls. Substantive control weaknesses exist.
Adequate	The Authority can place only partial reliance on the controls. Some control issues need to be resolved.
Substantial	The Authority can place sufficient reliance on the controls. Only minor control weaknesses exist.

We have been mindful for some time that this does not put each system into context to show its relative risk to the overall effective governance of the organisation. In other words some systems are more important than others. To rectify this from 2014/15 we will be allocating controls assurance ratings from the following scoring matrix:

AUDIT SCORING MATRIX

Control Ratings	Limited	4	7	9
	Adequate	2	5	8
	Substantial	1	3	6
		Low	Medium	High

Risk Ratings

The relative risk of each system (high/medium/low) reflects the **impact** that it would have on the organisation in financial or reputational terms if it was to fail. The risk ratings for all the audits planned in 2014-15 have been agreed by SMT are shown at **Appendix 1**. Members should note that these ratings do not take account of the **likelihood** of failure at this stage and there will be scope to vary ratings in depending on the outcome of future audit work in those areas/systems.

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 2014/15.		
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 2014/15 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

Risk Assessment.

APPENDIX - INTERNAL AUDIT PLAN 2014/15

SOUTH RIBBLE COUNCIL	RISK	QTR	DAYS	COMMENTS / RATIONALE
CORPORATE AREAS				
Annual Governance Statement	N/A	1	20	Annual Requirement
Anti-Fraud & Corruption	N/A	ALL	15	Annual Requirement
NFI	N/A	ALL	30	Participation in National Exercise
System Interrogations	N/A	ALL	10	Efficiency / Fraud Detection
CORPORATE GOVERNANCE				
Scrutiny and Performance				
Data Quality	HIGH	1	10	Review of Performance Information
BUSINESS TRANSFORMATION AND ICT				
Revenues and Benefits				
Welfare Reform	HIGH	ALL	10	Project Team Membership
Council Tax	HIGH	3	30	Key Financial System
Non Domestic Rates	HIGH	3		Key Financial System
Housing & Council Tax Benefits	HIGH	3		Key Financial System
Debtors	HIGH	3		Key Financial System
Homelessness				
Homelessness	MED	2	10	Compliance Review of Statutory Obligations
ICT				
Review to be decided		3	15	To be decided
REGENERATION AND HEALTHY COMMUNITIES				
Leisure and Sports Development				
Sports Development	MED	2	5	Review of Overall Arrangements
Housing				
Housing Grants	HIGH	2	20	Review of Housing Grants
Empty Homes	MED	3	15	Compliance with Policy
Planning and Building Control				
Planning / Building Control	MED	3	15	System Review
Community Infrastructure Levy	HIGH	ALL	10	Project Team Membership
NEIGHBOURHOODS				
Waste and Transport				
Refuse Collection and Recycling Contract	HIGH	ALL	10	Project Team Membership
Public Health				
Licensing	MED	2	15	Post Implementation Review
Property Services				
Asset Management	MED	1	15	Planned and Reactive Maintenance
Commercial Properties	MED	2	15	System Review
GENERAL AREAS				
Irregularities (Contingency)	N/A	ANY	20	To Respond to Allegations of Fraud and Irregularity
Post Audit Reviews	N/A	ALL	10	Confirmation of Implementation of Agreed Actions
Residual Work from 2013/14	N/A	1	15	To be Completed in Quarter 1
Unplanned Reviews	N/A	ANY	20	Requests from Management
Governance Committee	N/A	ALL	20	Quarterly Meetings

TOTAL			355	
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SHARED FINANCIAL SERVICES	RISK	QTR	DAY	COMMENTS / RATIONALE
Main Accounting System	HIGH	4	95	Reviews to be Agreed in Conjunction with the External Auditors – Grant Thornton
Creditors	HIGH	4		
Payroll	HIGH	4		
Treasury Management	HIGH	4		
Cash & Bank	HIGH	4		
Residual Work from 2012/13	N/A	1	20	To be Completed in Quarter 1
Post Audit Reviews	N/A	ALL	10	Confirmation of Implementation of Agreed Actions
Contingency	N/A	ANY	20	Requests from Management
TOTAL			145	