

15 March 2011

Dear Councillor

AUDIT COMMITTEE - THURSDAY, 17TH MARCH 2011

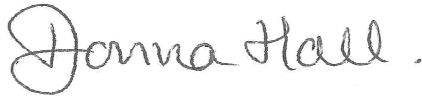
I am now able to enclose, for consideration at the above meeting of the Audit Committee, the following reports that were unavailable when the agenda was printed.

Agenda No Item

6. **Internal Audit Plan 2011/12 (Pages 23 - 28)**

To receive and consider the report of the Head of Shared Assurance Services (enclosed).

Yours sincerely



Donna Hall CBE
Chief Executive

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આ માહિતીનો અનુવાદ આપની પોતાની ભાષામાં કરી શકાય છે. આ સેવા સરળતાથી મેળવવા માટે કૃપા કરી, આ નંબર પર ફોન કરો: 01257 515822

ان معلومات کا ترجمہ آپکی اپنی زبان میں بھی کیا جاسکتا ہے۔ یہ خدمت استعمال کرنے کیلئے براہ مہربانی اس نمبر پر ٹیلیفون
کیجئے: 01257 515823



| Report of | Meeting | Date |
|-----------------------------------|-----------------|----------|
| Head of Shared Assurance Services | Audit Committee | 17/03/11 |

INTERNAL AUDIT PLAN 2011/12

PURPOSE OF REPORT

1. 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.
2. To summarise and explain the basis of the Internal Audit Annual Plan for 2011/12 and the priority areas to be reviewed during the new financial year.
3. To seek the Audit Committee’s approval of the 2011/2012 Internal Audit Plan.

RECOMMENDATIONS

4. That the Audit Committee approves the 2011/12 Internal Audit Plan, subject to the corresponding budgetary provisions being approved by the Executive Cabinet.

ALTERNATIVE OPTIONS CONSIDERED & REJECTED

5. The Internal Audit Plan contained within this report has been constructed following a risk assessment and consultation exercise.

CORPORATE PRIORITIES

6. This report relates to the following strategic objectives

| | | | |
|---|--|--|---|
| Strong Family Support | | Education and Jobs | |
| Being Healthy | | Pride in Quality Homes and Clean Neighborhoods | |
| Safe Respectful Communities | | Quality Community Services and Spaces | |
| Vibrant Local Economy | | Thriving Town Centre, Local Attractions and Villages | |
| A Council that is a consistently Top Performing Organisation and Delivers Excellent Value for Money | | | x |

BACKGROUND - THE SYSTEM OF GOVERNANCE & INTERNAL CONTROL

7. 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

8. **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 following senior officers conduct the annual corporate governance self-assessment:
 - Director of Transformation (S151 Officer)
 - Director of Partnerships, Planning & Policy
 - Head of Governance (Monitoring Officer)
 - Head of Shared Assurance Services
9. 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.
10. As the Audit Committee is responsible for overview and scrutiny of governance, the Committee will soon receive a separate report seeking approval of the 2010/11 AGS, prior to its publication.
11. The vast majority of the actions arising from the AGS and the external audit process are fed into the Business Improvement Plans of the services concerned. However in certain instances, Internal Audit is the best vehicle for addressing the issues that have been identified and as such the AGS has become an important driver of Internal Audit's workload.

THE ROLE OF INTERNAL AUDIT

12. 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 2011/12

13. Members will recall that we have previously consulted the Audit Committee, the Governance Committee at South Ribble Borough Council and External Audit on proposals to reduce Internal Audit inputs from 2011/12. The abolition of Comprehensive Area Assessment and Use of Resources inspections together with the recent Comprehensive Spending Review are now forcing most Councils, including Chorley to revert to carrying out "core" audit work focussing mainly on key financial systems.

14. Members will also recall that at the January meeting of the Audit 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 |

15. The proposed overall reductions therefore amount to 210 days or 18.7%. Members should note that the 150 days reduction in Chorley'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).
16. The reductions will be 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 be withdrawn with the exception of a small element of budget which will continue to be used to buy in specialist ICT audit support.
17. The Shared Services Joint Committee has subsequently recommended that the proposals be approved by the Cabinets of both authorities. The Cabinet of South Ribble Borough Council approved the proposals on 16th February 2011. A further report will also be submitted to the Executive Cabinet of Chorley Council on 31st March 2011.
18. 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 Strategy Group.

AUDIT AREAS

Shared Services

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

Corporate Areas

20. The Internal Audit Service provides extensive proactive support in the following areas:-
- overseeing the production of the Annual Governance Statement and Service Assurance Statements;
 - raising officers' awareness of fraud by publishing regular fraud bulletins on the intranet to bring any current issues or scams to their attention;
 - co-ordinating 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. These are then investigated by Internal Audit or the Benefits Enquiry Unit;
 - Developing a suite of computerised interrogations of the Council's systems to identify any instances of fraud or error;

- Effectiveness and/or compliance reviews of important corporate policies and procedures.

Partnerships, Planning and Policy

21. A review of any material systems operating within the Partnership, Planning and Policy Directorate, where they impact heavily on the achievement of service objectives and/or are susceptible to fraud or error.

Transformation

22. A review of any material systems operating within the Transformation Directorate, where they impact heavily on the achievement of service objectives and/or are susceptible to fraud or error. This element of the plan includes Computer Audit which enables us to review any significant risks, particularly emerging issues in the area of Information and Communications Technology (ICT).

People and Places

23. A review of any material systems operating within the People and Places Directorate, where they impact heavily on the achievement of service objectives and/or are susceptible to fraud or error

General Areas

24. 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 residual work outstanding from 2010/11
 - respond to requests from Management for unplanned reviews
 - prepare reports for and attend the Audit Committee

IMPLICATIONS OF REPORT

25. The matters raised in the report are cross cutting and impact upon the authority as a whole.

GARRY BARCLAY
 HEAD OF SHARED ASSURANCE SERVICES

| Background Papers | | | |
|---|-------------|---------------------------|---------------------------------|
| Document | Date | File | Place of Inspection |
| Accounts & Audit Regulations | 2006 | Shared Assurance Services | Civic Centre South Ribble BC |
| Code of Practice for Internal Audit in Local Government in the United Kingdom | 2006 | | |

| Report Authors | Ext | Date | Doc ID |
|-----------------------------|------------------------------|-------------|--|
| Garry Barclay Clare Ware | 01772 625272 01772 625249 | March 2011 | CBC Internal Audit Plan 2011/12.doc |

APPENDIX - INTERNAL AUDIT PLAN 2011/12

| WORK 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 streams |
| Travel & Subsistence | 15 | Changes in staffing |
| Revenues & Benefits | | |
| Council Tax | 15 | Changes in staffing |
| 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 | To verify that agreed management actions have been implemented and are working effectively. |
| Unplanned Reviews / Fraud (Contingency) | 10 | To respond to requests from management. |
| TOTAL | 245 | |
| CHORLEY | | |
| Corporate | | |
| Annual Governance Statement | 15 | Annual requirement |
| Anti-Fraud & Corruption | 15 | Annual requirement |
| National Fraud Initiative (NFI) | 30 | Participation in national exercise |
| System Interrogations | 10 | Efficiency / fraud detection |
| Partnerships, Planning & Policy | | |
| Policy | | |
| Performance Management / PI's / Data Quality | 15 | Review of selected PIs (Corporate Strategy). Compliance with new Performance Management Framework. |
| Planning | | |
| Building Control | 10 | Last review 07/08 & income stream |
| Land Charges | 10 | Last review 07/08 & income stream |
| TRANSFORMATION | | |
| Human Resources | | |
| Health & Safety | 10 | No review since appointment of new provider. |

| | | |
|--|------------|--|
| ICT Government Connect (penetration testing) | 15 | Compliance with Government Connect requirements (deferred from 10/11) |
| Property Estates Maintenance / Inspection Regimes | 15 20 | Deferred from 10/11 Income stream Deferred from 10/11 |
| People & Places | | |
| Licensing: Taxi, Personal Alcohol, Premises | 15 | Last reviewed 07/08. Staffing changes due to restructure. Licensing services transferred to One Stop Shop |
| Car Parks | 10 | Income stream |
| Indoor / Outdoor Leisure Contract | 10 | Several changes in managerial responsibility / new Head of Service. High value contract. |
| Astley Hall | 15 | New Head of Service / Manager. Compliance with & effectiveness of new processes and procedures |
| Transport / Neighbourhood Assets | 20 | New Head of Service. Significant issues identified in last review. |
| General Areas | | |
| Irregularities (Contingency) | 20 | To respond to allegations of fraud & irregularity |
| Post Audit Reviews | 15 | To verify that agreed management actions have been implemented and are working effectively. |
| Residual Work from 2010/11 | 25 | To be completed in quarter 1 |
| Unplanned Reviews (Contingency) | 20 | To respond to requests from management. |
| Audit Committee Reporting & Training | 20 | To prepare reports and attend Audit Committee. To provide training as part of the Member Induction Programme. |
| TOTAL | 335 | |