

Report of	Meeting	Date
Head of Shared Assurance Services	Audit Committee	18/3/10

INTERNAL AUDIT PLAN 2010/11

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 2010/11 and the priority areas to be reviewed during the new financial year.
3. To seek the Audit Committee's approval of the Audit Plan.

RECOMMENDATIONS

4. That the Audit Committee approves the 2010/11 Internal Audit Plan.

EXECUTIVE SUMMARY OF REPORT

5. This report explains the content of the Internal Audit work programme for the next financial year, which has been determined following a detailed risk assessment and consultation exercise.

CORPORATE PRIORITIES

6. This report relates to the following strategic objectives

Strengthen Chorley's economic position in the central Lancashire sub region		Develop local solutions to climate change	
Improving equality of opportunity and life chance		Develop the character and feel of Chorley as a great place to live	
Involving people in their Communities		Ensure Chorley is a consistently top performing organisation	✓

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.
8. Although they are separate processes, there is considerable similarity between the areas covered by the internal CIPFA SOLACE governance self-assessment and the external inspection process incorporating Use of Resources and Comprehensive Area Assessments.

THE ROLE OF MANAGEMENT & MEMBERS

9. **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:
 - Head of Governance (Monitoring Officer)
 - Director of Transformation (S151 Officer)
 - Director of Partnerships, Planning & Policy
 - Head of Shared Assurance Services
10. 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 have been introduced to evaluate service level compliance with key corporate policies, systems and procedures.
11. As the Audit Committee is responsible for overview and scrutiny of governance, the Committee will soon receive a separate report seeking approval of the 2009/10 AGS, prior to its publication.
12. The vast majority of the actions arising from the AGS and the external audit and inspection 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 and Use of Resources in particular, have become important drivers of Internal Audit's workload.

THE ROLE OF INTERNAL AUDIT

13. 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

14. The 2010/11 Internal Audit Plan is shown at the **Appendix**. It illustrates the individual areas requiring audit input next year together with an assessment of the auditor days required. The Plan has been constructed following a rigorous risk assessment and consultation exercise involving Corporate Directors, Heads of Service and the Audit Commission. The remainder of this report explains the Plan content in more detail.

AUDIT AREAS

Corporate Governance

15. The Internal Audit Service provides extensive proactive support in this area and includes:
 - overseeing the production of the Annual Governance Statement and Service Assurance Statements;
 - input to the Use of Resources self-assessment process prior to the Audit Commission's formal inspection;
 - effectiveness and / or compliance reviews of important corporate policies and procedures;
 - helping to develop the Council's data quality arrangements and conducting checks on specific National Indicators (NIs).

Anti-Fraud & Corruption

16. Internal Audit is the Council's local co-ordinator / contact for 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 Benefit Enquiry Unit.
17. On a local level, we are also developing a suite of computerised interrogations of the Council's systems to identify any incidence of fraud or error.
18. In order to raise officers' awareness of fraud, we also publish regular fraud bulletins on the Intranet to bring any current issues or scams to their attention.

Key Business Systems

19. This area of the Plan is dedicated to reviewing the key corporate systems and processes which impact on the Council's overall strategic performance.

Computer Audit

20. This element of the Audit Plan is to enable us to review any significant risks, particularly emerging issues in the area of Information and Communications Technology (ICT). The specific areas for review under this heading are still being finalised.

Financial Systems

21. This section covers our responsibility to provide assurance that effective financial controls are in place within the Council. This section relates only to those financial systems which remain the responsibility of Chorley Council to administer. The systems which now fall under the jurisdiction of the new shared services arrangement with South Ribble Borough Council are described below.

Key Operations

22. In addition to corporate level systems we also review any material systems operating within Directorates, where they impact heavily on the achievement of service objectives and/or are susceptible to fraud or error. These systems are reviewed on a periodic basis according to the degree of risk they pose.

General Areas

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

- provide ongoing advice to managers on control matters;
- respond to requests for investigations or unplanned reviews;
- follow-up management actions made in earlier audit reports;
- provide internal control related advice to project teams;
- prepare reports for and attend the Audit Committee.

SHARED SERVICES

24. This section covers our responsibility to provide assurance that effective controls remain in place within the financial systems and the activities within the Assurance Service, both now operated by the new shared services arrangement with South Ribble Borough Council.

AUDIT RESOURCES

25. The Internal Audit Plan for 2010/11 is based on a resource of **485 audit days**. This is the number of chargeable days available within the existing budget (after deducting for annual leave and other non-chargeable time) and comprises of a mix of in-house and bought-in resources from Lancashire Audit Services (Lancashire County Council). The total chargeable days are to be allocated as follows:

	Days
Corporate Governance	77
Anti-Fraud & Corruption	45
Key Business Systems	30
Computer Audit	30
Financial Systems	75
Key Operations	90
General Areas	138
Chorley Total	485
Shared Services	155

IMPLICATIONS OF REPORT

26 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	04/03/10	Internal Audit Plan 2010/11.doc

APPENDIX - INTERNAL AUDIT PLAN 2010/11

Audit Areas	Days	Input Required
CHORLEY		
CORPORATE GOVERNANCE		
External Inspection (CAA, Use of Resources)	20	Corporate Support including the Annual Governance Statement
Service Assurance Statements	12	Collation of Service Assurance Statements
Efficiencies	20	Review of Efficiencies Made
Data Quality (National Indicators)	10	Quality Control Support
Contract Standing Orders	15	Compliance with Contract Standing Orders
ANTI-FRAUD & CORRUPTION		
National Fraud Initiative	30	Co-Ordination & Investigation
Systems Interrogations	10	Development & Application of Strategy
Fraud Awareness / Bulletins	5	For Members and Officers
KEY BUSINESS SYSTEMS		
Maintenance Inspection Regimes	30	Tree Risks / New Regulations
COMPUTER AUDIT		
Government Connect (Version 4.1)	15	Compliance with Version 4.1 of Government Connect
ICT Framework (to be confirmed)	15	Compliance with Framework
FINANCIAL SYSTEMS		
Key Systems Review (ISA)	40	All Non-Shared Key Financial Systems
Asset Management	20	Value for Money Review
Estates	15	Full System Review (Valuations & Collection)
KEY OPERATIONS		
Refuse Collection / Recycling Contract	15	Compliance with Contract
Housing (Home Improvement Agency)	20	Consultancy and Review of Grants
Housing (Low Cost Housing)	20	Compliance with Policy
Review of Planning Processes	15	Management of Play and Recreation Fund
Review of Neighbourhood Working	20	Review of New Arrangements
GENERAL AREAS		
Irregularities (Contingency)	20	Special Investigations
Post Audit Reviews	30	Confirmation that Agreed Actions have been Implemented
Residual Work from 2009/10	28	Finalisation of Reports Issued in 2009/10
Unplanned Reviews (Contingency)	20	In-Year requests for Audit Input
Project Support (Contingency)	15	As required
Audit Committee Reporting & Training	25	Quarterly Meetings
SUB-TOTAL	485	
SHARED SERVICES		
Main Accounting / General Ledger	20	System Review
Capital	20	System Review
Cash and Bank	20	System Review
Creditors	20	System Review
Payroll	20	Review of In-House Arrangements
Treasury Management	15	System Review
Emergency Planning / Business Continuity	20	Review of New Arrangements
Project Support / General Controls Advice	20	Consultancy Support
SUB-TOTAL	155	