Chorley Council

Report of	Meeting	Date
Head of Shared Assurance Services	**Governance Committee**	**13thMarch 2014**

INTERNAL AUDIT PLAN 2014/15

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 2014/15 and the revised controls assurance rating system.

3.   To seek the Governance Committee's approval of the 2014/15 Internal Audit Plan.

RECOMMENDATION

4.   That the Committee approves the 2014/15 Internal Audit Plan.

EXECUTIVE SUMMARY OF REPORT

5.   The 2014/15 Internal Audit Plan has been compiled in consultation with Strategy Group and following a detailed risk assessment of audit needs.

Confidential report Please bold as appropriate	Yes	**No**

CORPORATE PRIORITIES

6.   This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all		A strong local economy	
Clean, safe and healthy communities		An ambitious council that does more to meet the needs of residents and the local area	**X**

BACKGROUND - THE ROLE OF MANAGEMENT AND INTERNAL AUDIT

7.   The responsibility for implementing a strong system of governance and internal control within the Council lies primarily with management. 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.

8.   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.

AUDIT PLAN

9.   The 2014/15 Internal Audit Plan contains the programme of reviews for the next financial year and is shown at **Appendix 1**. 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 also been extensive consultation within each service and by Strategy Group which has taken an overview of audit requirements.

10.   The following paragraphs summarise the individual audit areas that will be subject to audit coverage in 2014/15.

11.   **Corporate**
- Undertaking corporate and service level governance reviews in support of the Annual Governance Statement.
- Raising Officers' and Members' awareness of fraud by publishing regular fraud bulletins.
- 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 a suite of computerised interrogations of the Council's systems to identify any instances of fraud or error.

12.   **Partnerships, Planning & Housing**

Planning:
- Review of cash receipting and income coding for Planning
- Continued involvement in the project team for the Community Infrastructure Levy.

Economic Development:
- Review of the administrative arrangements for awarding town centre grants.

13.   **Chief Executives / Transformation**

Policy:
- Verification of the integrity of performance management data.

Governance:
- Review of the 2014 election arrangements for postal voting and proofing.

ICT:
- Review of the monitoring and management arrangements following the outsourcing of the Council's network.

- Compliance with Data Protection legislation.

Revenues and Benefits / Customer Services / Transactional Services
- Involvement in the project team for the migration of services to Transactional Services.
- Post implementation review of the newly migrated services to Transactional Services.

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

Human Resources:

- A review of compliance with the Health and Safety Framework.

Finance:
- Membership on the project team for the proposed new payroll system.

14. **People & Places**

Health, Environment and Neighbourhoods:
- Review of the overall arrangements for Sports Development incorporating compliance with funding conditions and safeguarding.
- Post implementation review of licensing fees including scrap metal dealers .

Streetscene
- Review of the systems in place for the accounting for and recording of plant and equipment.
- Review of the effectiveness of the mobile technology in use within Streetscene.

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

16. **Shared Services**
- A series of reviews to provide assurance that effective controls remain in place within Shared Financial Services.

17. **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		Low	Medium	High
	Limited	4	7	9
	Adequate	2	5	8
	Substantial	1	3	6

Risk Ratings

18. The relative risk of each system (high/medium/low) is inherently known and reflects the impact that it would have on the organisation in financial and/or reputational terms if it was to fail.

19. The inherent risk ratings for all the audits planned in 2014-15 are therefore already shown at **Appendix 1.** These ratings are based on our own assessment but they have also been agreed by Strategy Group.

IMPLICATIONS OF REPORT

20. This report has implications for all service areas within the Council.

COMMENTS OF THE STATUTORY FINANCE OFFICER

21. No comment.

COMMENTS OF THE MONITORING OFFICER

22. No comment

Garry Barclay
Head of Shared Assurance Services

BACKGROUND PAPERS

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
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APPENDIX - INTERNAL AUDIT PLAN 2014/15

CHORLEY 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
PARTNERSHIPS, HOUSING AND PLANNING				
Planning				
Planning Income	MED	2	5	System Review
Community Infrastructure Levy	N/A	ALL	10	Continued Project Team Involvement
Economic Development				
Town Centre Grants	MED	2	15	Administrative Arrangements
TRANSFORMATION				
Policy				
Performance Management	HIGH	1	10	Review of the Integrity of Data
Governance				
Elections	HIGH	3	10	Review of 2014 Processes
ICT				
Outsourcing of the Network	HIGH	4	15	Monitoring and Management Arrangements
Data Protection	MED	1	15	Compliance with Legislation
Revenues & Benefits / Customer Services / Transactional				
Transactional Services	HIGH	ALL	10	Project Team Involvement
Transactional Services	HIGH	4	10	Review of the Newly Migrated Services
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
Human Resources				
Health and Safety	HIGH	1	10	Compliance with the Framework
Finance				
New Payroll System	HIGH	ALL	10	Project Team Involvement
PEOPLE & PLACES				
Health, Environment and Neighbourhoods				
Sports Development	MED	2	10	Review of the Overall Arrangements
Licensing	MED	3	10	Post Implementation Review
Streetscene				
Plant and Equipment	MED	2	15	System Review
Mobile Technology	MED	3	15	Review of Technology in Use
GENERAL AREAS				
Irregularities (Contingency)	N/A	ALL	15	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	ALL	20	Requests from Management
Governance Committee	N/A	ALL	20	Quarterly Meetings
TOTAL			**355**	

SHARED FINANCIAL SERVICES	RISK	QTR	DAYS	COMMENTS / RATIONALE
Main Accounting System	HIGH	4		
Creditors	HIGH	4		
Payroll	HIGH	4	95	Reviews to be Agreed in Conjunction with the External Auditors – Grant Thornton
Treasury Management	HIGH	4		
Cash & Bank / Cheque Control	HIGH	4		
Residual Work from 2013/14	N/A	1	20	To be Completed in Quarter 1
Post Audit Reviews	N/A	ALL	10	Verification that Management Actions are Implemented
Contingency	N/A	ALL	20	Requests from Management
TOTAL			145	