

Report of	Meeting	Date
Head of Shared Assurance Services	Governance Committee	9 th March 2016

INTERNAL AUDIT PLAN 2016/17

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 seek the Governance Committee's approval of the 2016/17 Internal Audit Plan.

RECOMMENDATION

3. That the Committee approves the 2016/17 Internal Audit Plan.

EXECUTIVE SUMMARY OF REPORT

4. The 2016/17 Internal Audit Plan has been compiled in consultation with Directors and Heads of Service following a detailed risk assessment.

Confidential report Please bold as appropriate	Yes	No

CORPORATE PRIORITIES

5. 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

6. 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.
7. 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.

AUDIT PLAN

8. The 2016/17 Internal Audit Plan contains the programme of reviews for the next financial year and is shown at **Appendix 1**. This has been constructed following an assessment of audit need by considering a range of factors, such as significant changes in staffing, systems and procedures, the length of time since an area was last audited and items in the Corporate Risk Register. There has also been extensive consultation within each service and by Strategy Group which has taken an overview of audit requirements.

9. The following paragraphs summarise the individual areas that will be subject to audit coverage in 2016/17.

10. **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 Cabinet Office 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.

11. **Chief Executive**

Policy and Communications:

- Verification of the integrity of performance data.
- A review of compliance with the Project Management Toolkit.
- A review of compliance with policies and procedures for managing internally managed events.

Human Resources and Organisational Development:

- This review will focus on compliance with Health & Safety regulations in specific high risk areas.

Finance:

- Membership of the project team for the proposed new payroll arrangements.

12. **Customer & Advice Services**

Housing:

- A system review of Disabled Facilities Grants / Integrated Home Improvement Service.

ICT:

- This review will incorporate compliance with the outsourced network contract and review the infrastructure security arrangements.

Customer:

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

13. **Public Protection, Streetscene & Community**

Health, Environment and Neighbourhoods:

- A review of the Council's safeguarding arrangements including Disclosure and Barring Service checks.
- This work will review the Council's arrangements under the new "Prevent" duty to prevent / address radicalisation in communities.

Leisure and Streetscene:

- A full system review of the stores at Bengal Street Depot.
- A review of the monitoring of fuel consumption following the introduction of the new fuel management system.
- A review of compliance with the Indoor Leisure Contract.

Planning

- Following the work undertaken in 2015, a full system review of Section 106 monies and Community Infrastructure Levy will be undertaken.
- A system review of Development Control.

14. **General Areas**

- Undertaking investigations.
- Following up management actions agreed in earlier audit reports.
- Completing any residual work outstanding from 2015/16.
- Responding to requests from Management for unplanned reviews.
- Preparing reports for and attending the Governance Committee.

15. **Shared Services**

- We undertake a review of the Key Financial Systems annually however during 2015/16, we have changed our approach to the testing of the key controls within the financial systems. A cyclical approach has been adopted with specific controls targeted for in-depth compliance testing. This will continue for the 2016/17 Internal Audit Plan.

RISK RATINGS

16. Appendix 1 shows the risk rating that has been applied to each review included in the 2016/17 Internal Audit Plan. Each review is considered against a range of risks and the impact that it would have if the system was to fail. An overall risk score is allocated to the review and this determines the risk rating. **Appendix 2** shows how the risk scores / ratings have been derived.
17. The 2016/17 Internal Audit Plans therefore contain 24 reviews, of which 13 are Critical systems and the remaining 11 are classed as Major systems.

AUDIT DAYS

18. The Internal Audit Plan for 2016/17 is based on a resource of **345 audit days for Chorley Council and 145 days for the Shared Service**. This is the number of chargeable days available within the existing budget (after deducting annual leave and other non-chargeable time). It comprises of a mix of in-house and bought-in resources from Lancashire Audit Services (Lancashire County Council) in order to provide access to specialist computer audit service.

IMPLICATIONS OF REPORT

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

Garry Barclay
Head of Shared Assurance Services

BACKGROUND PAPERS

Internal Audit Risk Assessment

Report Author	Ext	Date	Doc ID
Garry Barclay Dawn Highton	01772 625272 01257 515468	March 2016	2016 / 2017 Internal Audit Plan

APPENDIX ONE - INTERNAL AUDIT PLAN 2016/17

CHORLEY COUNCIL	RISK RATING	AUDIT DAYS
CORPORATE AREAS		
Annual Governance Statement	N/A	20
Anti-Fraud & Corruption	N/A	15
National Fraud Initiative	N/A	20
CHIEF EXECUTIVE		
Policy & Communications		
Performance Information	CRITICAL	15
Project Management	MAJOR	10
Events Management (Internal)	MAJOR	15
HR & OD		
Health & Safety	CRITICAL	15
Finance		
New Payroll System / Arrangements	N/A	10
CUSTOMER & ADVICE SERVICES		
Housing		
Integrated Home Improvement Service / Disabled Facilities Grants	MAJOR	15
ICT		
Outsourcing of network	CRITICAL	15
Customer		
Land Charges	MAJOR	10
Council Tax	CRITICAL	35
Non Domestic Rates	CRITICAL	
Housing Benefits	CRITICAL	
Debtors	CRITICAL	
PUBLIC PROTECTION, STREETSCENE & COMMUNITY		
Health, Environment and Neighbourhoods		
Safeguarding – Adults & Children	MAJOR	15
Counter Terrorism “Prevent” Duty	MAJOR	15
Streetscene & Leisure		
Stores	MAJOR	5
Fuel Consumption	MAJOR	5
Indoor Leisure Contract	MAJOR	10
Planning		
Section 106 Agreements	MAJOR	10
Community Infrastructure Levy	CRITICAL	10
Development Control	MAJOR	15
GENERAL AREAS		
Irregularities (Contingency)	N/A	10
Post Audit Reviews	N/A	10
Residual Work from 2015/16	N/A	15
Unplanned Reviews	N/A	10
Governance Committee	N/A	20
TOTAL		345

SHARED SERVICES	RISK	DAYS
SHARED FINANCIAL SERVICES		
Main Accounting System	CRITICAL	95
Creditors	CRITICAL	
Payroll	CRITICAL	
Treasury Management	CRITICAL	
Cash & Bank	CRITICAL	
GENERAL AREAS		
Joint Committee Accounts	N/A	5
Residual Work from 2015/16	N/A	15
Post Audit Reviews	N/A	10
Contingency	N/A	20
TOTAL		145

APPENDIX TWO – RISK RATINGS

CHORLEY COUNCIL	S	F	P	I	RY	RN	O	E	F	Score	Rating
CHIEF EXECUTIVE											
Policy & Communications											
Performance Information	●	●	●	●	●	●	●	●		8	Critical
Project Management	●	●	●	●		●	●			6	Major
Events Management (Internal)	●	●	●			●				4	Major
HR & OD											
Health & Safety		●	●	●	●	●	●	●		7	Critical
CUSTOMER & ADVICE SERVICES											
Housing											
Integrated Home Improvement Service / Disabled Facilities Grants		●	●	●	●	●			●	6	Major
ICT											
Outsourcing of network	●	●	●	●	●	●	●			7	Critical
Customer											
Land Charges		●		●	●	●				4	Major
Council Tax										7	Critical
Non Domestic Rates										7	Critical
Housing Benefits		●	●	●	●	●	●		●	7	Critical
Debtors										7	Critical
PUBLIC PROTECTION, STREETSCENE & COMMUNITY											
Health, Environment and Neighbourhoods											
Safeguarding – Adults & Children			●	●	●	●	●			5	Major
Counter Terrorism “Prevent” Duty			●	●	●	●	●			5	Major
Streetscene & Leisure											
Stores		●	●	●			●		●	5	Major
Fuel Consumption		●	●	●			●		●	5	Major
Indoor Leisure Contract	●	●	●			●	●			5	Major
Planning											
Section 106 Agreements		●	●	●	●	●		●		6	Major
Community Infrastructure Levy		●	●	●	●	●	●	●	●	8	Critical
Development Control			●	●	●	●	●	●		6	Major

SHARED SERVICES	S	F	P	I	RY	RN	O	E	F	Score	Rating
SHARED FINANCIAL SERVICES											
Main Accounting System		•	•	•	•	•	•		•	7	Critical
Creditors		•	•	•	•	•	•		•	7	Critical
Payroll		•	•	•	•	•	•		•	7	Critical
Treasury Management		•	•	•	•	•	•		•	7	Critical
Cash & Bank		•	•	•	•	•	•		•	7	Critical

RISK RATING KEY

S	STRATEGIC	Risks that relate to doing the wrong things
F	FINANCIAL	Risks that relate to losing monetary resources or incurring unacceptable liabilities
P	PEOPLE	Risks associated with service stakeholders
I	INFORMATION	Risks relating to loss or inaccuracy of data, systems, procedures or documents
RY	REGULATORY	Risks associated with current or potential changes in national or European law
RN	REPUTATION	Risks relating to the status or image of the service
O	OPERATIONAL / VOLUME	Risks that relate to doing the right things in the wrong way / Significant number of transactions
E	ENVIRONMENTAL	Risks that relate to environmental considerations, locally and further afield
F	FRAUD	Risks that consider the Council's exposure to the risk of fraud

Score	Rating
1 - 3	MINOR
4 - 6	MAJOR
7 - 9	CRITICAL