

| Report of | Meeting | Date |
|-----------------------------------|-----------------|---------|
| Head of Shared Assurance Services | Audit Committee | 19/3/09 |

INTERNAL AUDIT PLAN 2009/10

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 2009/10 and the priority areas to be reviewed during the new financial year.
3. To seek the Audit Committee's approval of the Audit Plan and its subsequent adoption by the Executive Cabinet.

RECOMMENDATIONS

4. That the Audit Committee approves the 2009/10 Internal Audit Plan and recommends its adoption by the Executive Cabinet.

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 Audit Commission consider the following to be key elements of the Council's system of governance for Use of Resources purposes:

| Managing finances | Governing the business | Managing resources |
|---|---|------------------------|
| 1.1 Financial planning & financial health | 2.1 Commissioning & procurement | 3.1 Natural resources |
| 1.2 Understanding costs & performance | 2.2 Data Quality & use of information | 3.2 Asset management |
| 1.3 Financial monitoring & reporting | 2.3 Good governance & ethical behaviour | 3.3 Workforce planning |
| | 2.4 Risk management & internal control | |

8. Underpinning each of these “key lines of enquiry” is the need for councils to deliver **value for money** services to local citizens. All these themes, together with **managing performance**, comprise the organisational / council level assessment element of the new Comprehensive Area Assessment (CAA) regime.
9. The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) have also 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.
10. Although they are separate processes, there is considerable similarity between the areas covered by external audit and inspection, incorporating Use of Resources / CAA and the internal CIPFA SOLACE governance self-assessment.

THE ROLE OF MANAGEMENT & MEMBERS

11. **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:
- Corporate Director - Governance (Monitoring Officer)
 - Assistant Chief Executive - Business Transformation & Improvement (S151 Officer)
 - Assistant Chief Executive - Policy & Performance
 - Head of Shared Assurance Services
12. 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 Directorate Assurance Statements, which have been introduced to evaluate directorate level compliance with key corporate policies, systems and procedures.

13. As the Audit Committee is now responsible for overview and scrutiny of governance, the Committee will soon receive a separate report seeking approval of the 2008/9 AGS, prior to its publication.
14. 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 directorates 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 workload.

THE ROLE OF INTERNAL AUDIT

15. 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

16. The 2009/10 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 Senior Management Team and the Audit Commission. The remainder of this report explains the Plan content in more detail.

AUDIT AREAS

Corporate Governance

17. The Internal Audit Service provides extensive proactive support in this area and includes:
 - overseeing the production of the Annual Governance Statement and Directorate 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

18. 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 authority'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.
19. 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.
20. 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

21. 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

22. 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, but are likely to include a review of the Council's ability to comply with the new national Data Handling Guidelines.

Financial Systems

23. 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

24. 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

25. This aspect of the Audit Plan is to enable us to:
- provide ongoing advice on control matters to managers;
 - respond to requests for investigations or unplanned reviews;
 - follow-up recommendations made in earlier audit reports;
 - provide internal control related advice to project teams;
 - prepare reports for the Audit Committee.

SHARED SERVICES

26. This section covers our responsibility to provide assurance that effective controls remain in place within the financial systems now operated by the new shared services arrangement with South Ribble Borough Council. Given that many of the previously separate processes will be merged, it is our intention to undertake full system reviews and controls evaluations in these areas in 2009/10.

AUDIT RESOURCES

27. The Internal Audit Plan for 2009/10 is based on a resource of **550 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 | 125 |
| Anti-Fraud & Corruption | 70 |
| Key Business Systems | 30 |
| Computer Audit | 35 |
| Financial Systems | 60 |
| Key Operations | 110 |
| General Areas | 120 |
| Chorley Total | 550 |
| Shared Services | 130 |

PERFORMANCE

29. In order to secure continuous improvement in the way that Internal Audit delivers its core services it is essential that appropriate performance measures are identified, against which challenging targets can be set and regularly monitored. The following performance indicators have recently been compiled, which are based on the work of the National Audit Office (Value For Money in Public Sector Corporate Services – A Joint Project by the UK Public Sector Audit Agencies (2007)). The indicator set was also put together following service user and staff consultation and also draws upon existing measures used.

| Performance Indicator | 2008/9 Benchmark | 2009/10 Target |
|---|---------------------------------------|---------------------------------------|
| % of Audit Time Utilised | 100 | 100 |
| % of Planned Time Used | 88 | 90 |
| % Audit Plan Completed | 92 | 92 |
| Percentage of Management Actions Agreed | 97 | 97 |
| % of Agreed Management Actions Implemented | Priority 1 100 Priority 2 80 | Priority 1 100 Priority 2 80 |
| % of Agreed Management Actions Implemented Within Agreed Timescales | Priority 1 100 Priority 2 80 | Priority 1 100 Priority 2 80 |
| % Overall Customer Satisfaction | 95 | 96 |

30. Regular reports on progress against these performance targets will be presented to the Audit Committee at the appropriate intervals during 2009/10.

IMPLICATIONS OF REPORT

31 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 | 18/02/09 | Internal Audit Plan 2009-10.doc |

APPENDIX - INTERNAL AUDIT PLAN 2009/10

| Audit Areas | Days | Input Required |
|---|------------|--|
| CHORLEY | | |
| CORPORATE GOVERNANCE | | |
| External Inspection (CAA, UofR) | 20 | Corporate Support |
| Governance Assurance Statements | 20 | AGS & Directorate Statements |
| Corporate Policies (<i>Partnership Framework</i>) | 15 | Compliance with Governance Arrangements |
| Corporate Policies (<i>Whistleblowing</i>) | 15 | Review Effectiveness of Revised Policy |
| Corporate Policies (<i>Sustainability</i>) | 15 | Compliance Review |
| Data Quality (inc. Partnerships) | 40 | Quality Control Support |
| ANTI-FRAUD & CORRUPTION | | |
| NFI | 30 | Co-ordination & Investigation |
| Anti-Fraud & Corruption Policies | 15 | Update re "Red Book" & Restructures |
| System Interrogations | 20 | Development & Application of Strategy |
| Fraud Awareness / Bulletins | 5 | For Members and Officers |
| KEY BUSINESS SYSTEMS | | |
| Contract Standing Orders | 15 | Compliance with SO's & Review of Waivers |
| Equality & Diversity | 15 | Compliance with Standard |
| COMPUTER AUDIT | | |
| Various Areas | 35 | Risk Analysis in Progress |
| FINANCIAL SYSTEMS | | |
| Key Systems Review (ISA) | 30 | All Non-Shared Key Financial Systems |
| Asset Management | 15 | Full System Review |
| Estates | 15 | Full System Review (Valuations & Collection) |
| KEY OPERATIONS | | |
| Transport | 20 | Full System Review |
| Leisure Contract | 15 | Compliance with Contract |
| Neighbourhoods Assets | 15 | Control over Tools & Equipment |
| Refuse Collection / Recycling Contract | 15 | Compliance with Contract |
| Car Parking (old & new arrangements) | 10 | New -In Conjunction with South Ribble.Old - CBC only |
| CRB Checks | 5 | Compliance Review |
| Markets | 15 | Allocation of Stalls / Income Review |
| Homelessness | 15 | Review of Cash Control / Inventories |
| GENERAL AREAS | | |
| Irregularities (Contingency) | 20 | Special Investigations |
| Post Audit Reviews | 25 | Reviews of Agreed Actions Implemented |
| Residual Work from 2008/9 | 15 | inc.S106 Agreements |
| Unplanned Reviews (Contingency) | 20 | In-Year Requests for Audit Input |
| Project Support | 15 | inc. New CRM System / Team Lancashire |
| Audit Committee Reporting & Training | 25 | Quarterly Meetings |
| SUB-TOTAL | 550 | |
| SHARED SERVICES | | |
| Main Accounting / General Ledger | 20 | Full system review |
| Capital | 20 | Full system review |
| Cash and Bank | 20 | Full system review |
| Creditors | 20 | Full system review |
| Treasury Management | 15 | Full system review |
| Risk Management Framework | 10 | Review of New Arrangements |
| General Controls Advice | 25 | Consultancy Support |
| SUB-TOTAL | 130 | |