



**AGENDA ITEM: 9**

**AUDIT AND GOVERNANCE COMMITTEE:**

**26 March 2013**

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**Report of: Borough Treasurer**

**Relevant Managing Director: People and Places**

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**SUBJECT: INTERNAL AUDIT PLAN 2013-14**

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Wards affected: Borough wide

**1.0 PURPOSE OF THE REPORT**

1.1 To provide Members with the background to the preparation of the 2013/14 Internal Audit Plan and present it for approval.

**2.0 RECOMMENDATION**

2.1 That the attached Internal Audit Plan be approved.

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**3.0 BACKGROUND**

3.1 The United Kingdom Public Sector Internal Audit Standards (PSIAS) require the Audit Manager to prepare a risk based Audit Plan.

3.2 The planned work provides assurance on the control environment to management and this Committee, supports the process for preparing the Annual Governance Statement and underpins the Audit Manager's Annual Report.

3.3 In preparing the Plan the Audit Manager takes account of the adequacy of the Council's systems of risk management, performance management and other assurance processes. The Audit Manager also reviews the risks the organisation faces and its changing priorities in order to plan Internal Audit's approach to significant local and national issues and risks. This Annual Plan and the risk assessments on which it is based are subject to consultation with heads of service and other key stakeholders.

3.4 This Committee's terms of reference require it to approve, but not direct the plan.

#### **4.0 ISSUES INFLUENCING THE INTERNAL AUDIT WORK PROGRAMME**

4.1 The Council has revised its priorities to take account of changing public expectations and the current economic climate.

4.2 The redirection of resources to align with new priorities and the revisions to the governance framework necessary to take account of new service delivery arrangements are being managed through work streams contained in the Council's Business Plan, the masthead initiative through which change is being managed.

4.3 Significant and rapid change impacts on controls and the risk profile of the Council. The speed with which these changes are taking effect means that there are issues arising which can only be addressed as the plan progresses.

4.4 Internal Audit do not just police compliance with existing structures and processes but support improvement and efficiency and promote adequate governance arrangements during times of change.

4.5 Any failure to secure adequate governance arrangements as projects progress could lead to:

- Less robust risk management and a corresponding dilution of control over operational contributions to the Council's objectives
- Failure to maintain expected service standards following implementation
- Failure to realise projected savings from the Business Plan

4.6 The breadth, scale and speed of these changes underscores the need for independent assurance in relation to the control environment. These areas will continue to be Internal Audit's primary focus over the life of this annual plan.

#### **5.0 INTERNAL AUDIT WORK PROGRAMME KEY THEMES**

5.1 The complete 2013/14 Plan is produced as an appendix to this report but its key themes are summarised below.

##### **5.2 Financial Audits**

Key financial systems are central to the work of internal audit and the implementation of the new revenues, benefits and payroll software will all require review over the life of this plan.

##### **5.3 Service Delivery**

The broad spread of services provided by the Council is covered in its entirety over several annual plans. The broad objective of the majority of this work is to ensure that services make an effective contribution to the Council's objectives and are delivered in ways which secure value for money.

#### 5.4 Contract

The plan includes reviews of the operation of controls on procurement, a key thread given the significant level of resources expended on activity secured through contracts.

#### 5.5 Corporate Management and Performance Improvement

Corporate systems provide the means to monitor activity at an authority wide level and underpin services by providing expert support in specialist disciplines. Work in this area is mainly intended to provide assurance that the data in corporate systems is fit for purpose and that services are complying with the corporate policy framework and non service specific statutory requirements.

#### 5.6 Corporate Governance

The effectiveness of governance and risk management processes is fundamental to internal audit activity and time is included for monitoring key systems and new developments in this area. This plan includes time for review of the practical arrangements for the implementation of the recently approved Data Protection Policy and Senior Information Risk Officer arrangements.

#### 5.7 Corporate anti Fraud initiatives.

In addition to their day to day role in promoting systems which are resistant to fraud this area of the plan provides a resource used by internal audit to co-ordinate various pro-active intelligence operations targeting fraudulent activity against the public purse.

### **6.0 FUTURE DELIVERY OF THE INTERNAL AUDIT SERVICE**

6.1 The Council has a statutory duty to maintain an adequate and effective system of internal audit of its accounting records and system of internal control.

6.2 The future arrangements for the delivery of the internal audit service are being considered through the major service review process. Temporary arrangements are in place to maintain staffing levels pending the outcome of that review and it is not anticipated that these will substantially affect the delivery of the plan in this financial year. Any proposed changes will be reported back to this committee in due course.

### **7.0 CONCLUSIONS**

7.1 In order to ensure it has exercised appropriate control during the progress of its business plan the Council will need assurance on its governance arrangements. The Internal Audit Service are a key source of assurance for management and this Committee.

7.2 The Audit Manager has prepared the 2013/2014 Internal Audit Plan, attached as appendix one to this report, in accordance with proper practices and is of the opinion that the coverage proposed will provide adequate assurance to the authority in accordance with current legislation based on the best information available at the time it was prepared.

## **8.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY**

8.1 There are no significant sustainability impacts associated with this report and, in particular, no significant impact on crime and disorder. The report has no significant links with the Sustainable Community Strategy.

## **9.0 FINANCIAL AND RESOURCE IMPLICATIONS**

9.1 The PSIAS requires the Audit Manager to prepare the plan based on the Council's activities and the scale and breadth of potential audit areas and secure sufficient resources to ensure it can be delivered.

9.2 The Audit Manager considers he has sufficient resources at his disposal to deliver an effective audit service in 2013/2014 based on current risk assessments.

9.3 The resources required to deliver the proposed plan are contained in existing budget provisions.

## **10.0 RISK ASSESSMENT**

10.1 Production and approval of the Annual Audit Plan is part of the framework required to maintain an adequate internal audit of the Council's accounting records and system of internal control. Failure to maintain it would put the Council in breach of one of its statutory duties.

10.2 The Council's Business Plan is its key strategy for service delivery into the future and it is essential that risks to its achievement are managed effectively. Change will continue to impact on current risk management, governance and control frameworks and the work proposed in this plan is designed to provide assurance on the revisions to controls being developed and implemented through this period of change.

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### **Background Documents**

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this Report.

### **Equality Impact Assessment**

The decision does not have any direct impact on members of the public, employees, elected members and / or stakeholders. Therefore no Equality Impact Assessment is required.

## **Appendices**

1. Internal Audit Plan 2013-2014

**Planned Audit Activity (Days)** 542**Financial Audits – Probity, Income & Collection Improvement**

Treasury Management	10
Rents	15
Benefits	20
Council Tax	20
NNDR	15
Debtors	15
Creditors	25
Icon cash and income collection systems	10
OCL and Wigan Payroll	25
Arrears management	20
Accounting controls	20
Market	15

**Service Delivery – Economy, Efficiency & Effectiveness Improvement**

Refuse and recyclables	15
Planning Policy	20
Community Safety – CCTV	5
Private Sector Housing	15
Property services (non housing)	15
Economic Development	15
Furnished tenancies	15

**Contract & Procurement Improvement & Compliance**

Contract	30
Matrix	10
Council Stock Maintenance	25

**Corporate Management & Performance Improvement**

Performance indicators	15
Complaints system	10
H.R.	20
ICT	20
Time recording systems	5
Corporate Health and Safety	10
Asset Management (non SAMP items)	15
QL system	10

**Corporate Governance**

Annual Governance Statement	2
Risk Management	10
Data protection / SIRO arrangements	20

**Corporate Anti Fraud Initiatives**

Money laundering	5
Anti fraud work	5
NFI	20