

Audit Committee

Agenda and Reports

For consideration on

Thursday, 15th January 2009

In Committee Room 1, Town Hall, Chorley

At 2.30 pm



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8 January 2008

Dear Councillor

AUDIT COMMITTEE - THURSDAY, 15TH JANUARY 2009

You are invited to attend a meeting of the Audit Committee to be held in Committee Room 1, Town Hall, Chorley on Thursday, 15th January 2009 commencing at 2.30 pm.

AGENDA

1. **Apologies for absence**

2. **Declarations of Any Interests**

Members are reminded of their responsibility to declare any personal interest in respect of matters contained in this agenda. If the interest arises **only** as result of your membership of another public body or one to which you have been appointed by the Council then you only need to declare it if you intend to speak.

If the personal interest is a prejudicial interest, you must withdraw from the meeting. Normally you should leave the room before the business starts to be discussed. You do, however, have the same right to speak as a member of the public and may remain in the room to enable you to exercise that right and then leave immediately. In either case you must not seek to improperly influence a decision on the matter.

3. **Minutes (Pages 1 - 4)**

To confirm as a correct record the minutes of the meeting of the Audit Committee held on 25 September 2008 (enclosed).

4. **Working in Synergy on Shared Services**

The Assistant Chief Executive (Business Transformation) will make a presentation to update the Committee on the implementation of shared financial services between Chorley and South Ribble Councils.

5. **Data Quality, 2008 (Pages 5 - 18)**

To receive and consider the enclosed report of the Audit Commission on the findings from its work on data quality in 2007/08.

6. **Use of Resources**

a) **Use of Resources, 2008** (Pages 19 - 30)

To receive and consider the enclosed report of the Audit Commission on the assessment of the Council's use of resources in 2007/08,

While the report is annotated 'Draft', the attached document is the final report of the Audit Commission.

b) **Use of Resources, 2009**

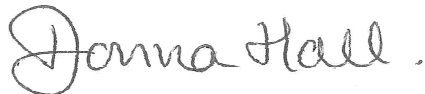
To receive a presentation from the Audit Commission representatives on the changes to be introduced for the 2009 evaluation of the Council's use of resources.

7. **Internal Audit Activities, 2008/09** (Pages 31 - 34)

To receive and consider the enclosed interim report of the Assistant Chief Executive (Business Transformation) on the internal audit activities up to 12 December 2008.

8. **Any other item(s) that the Chair decides is/are urgent**

Yours sincerely



Donna Hall
Chief Executive

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Distribution

1. Agenda and reports to all Members of the Audit Committee (Councillor Anthony Gee (Chair), Councillor Laura Lennox (Vice-Chair) and Councillors Alan Cain, Mike Devaney, Keith Iddon and Geoffrey Russell) for attendance.
2. Agenda and reports to Donna Hall (Chief Executive), Gary Hall (Assistant Chief Executive (Business Transformation)), Garry Barclay (Audit and Risk Manager), Andy Armstrong (Assistant Audit Manager) and Tony Uren (Democratic Services Officer) for attendance.
3. Agenda and reports to Tim Watkinson (Acting District Auditor, Audit Commission) and Tony Hough (Audit Manager, Audit Commission) for attendance.

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આ માહિતીનો અનુવાદ આપની પોતાની ભાષામાં કરી શકાય છે. આ સેવા સરળતાથી મેળવવા માટે કૃપા કરી, આ નંબર પર ફોન કરો: 01257 515822

ان معلومات کا ترجمہ آپ کی اپنی زبان میں بھی کیا جاسکتا ہے۔ یہ خدمت استعمال کرنے کیلئے براہ مہربانی اس نمبر پر ٹیلیفون کیجئے: 01257 515823

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Audit Committee**Thursday, 25 September 2008**

Present: Councillor Anthony Gee (Chair), Councillor Laura Lennox (Vice-Chair) and Councillors Alan Cain, Mike Devaney and Geoffrey Russell

Officers Present: Gary Hall (Assistant Chief Executive (Business Transformation)), Andrew Docherty (Corporate Director of Governance), Andy Armstrong (Assistant Audit Manager), Lindsay Roberts (Auditor), James Douglas (Business Improvement Manager) and Tony Uren (Democratic Services Officer)

Also in attendance: Tim Watkinson (Acting district Auditor, Audit Commission) and Tony Hough (Audit Manager, Audit Commission)

08.AU.28 APOLOGIES FOR ABSENCE

An apology for absence was submitted on behalf of Councillor Keith Iddon.

08.AU.29 DECLARATIONS OF ANY INTERESTS

There were no declarations of interest in any of the items on the meeting's agenda by any of the Members present.

08.AU.30 MINUTES

RESOLVED - That the minutes of the meeting of the Audit Committee held on 26 June 2008 be confirmed as a correct record and signed by the Chair.

08.AU.31 DELIVERING EFFICIENCY AND VALUE FOR MONEY - REFLECTING BACK AND LOOKING FORWARD

The Committee considered a report of the Assistant Chief Executive (Business Transformation) on the Council's performance in reaching the efficiency targets to be achieved during the Spending Review period from 2005 to 2008. The report, which had been presented to the Executive Cabinet on 4 September, confirmed that the Council had substantially exceeded the efficiency savings target of £1.29m.

While there was no specific requirement for the Council to set a local target for efficiency gains during the Comprehensive Spending Review covering the period 2008 to 2011, the Executive Cabinet had agreed to set a local target of £1.26m. This figure had been calculated following advice from the Department for Communities and Local Government and after taking account of the fact that the Council was able to carry over the £726,404 excess savings from the previous Spending Review.

The report set out the key areas in which the Council had been recommended to focus and explained how Officers intended to manage and achieve the savings targets. The Executive Cabinet had accepted that the Authority would need to ensure that services were procured by the optimum means; processes and systems were streamlined through service transformation and that the Council's assets were used most effectively. In response to a Member's query, the Officers also confirmed that the concept of outsourcing back office services and/or shared services in respect of appropriate functions would be examined, along with other expedient means of achieving business efficiencies.

The Councillors also recognised the contribution of the past and present administration in the achievement of the efficiency savings.

RESOLVED - That the report be noted.

08.AU.32 INTERNAL AUDIT ACTIVITIES - INTERIM REPORT UP TO 12 SEPTEMBER 2008

The Assistant Chief Executive (Business Transformation) presented the first interim report on the progress of the work undertaken in respect of the Annual Internal Audit Plan between 1 April and 12 September 2008.

The report summarised the work that had been completed so far on the respective elements of the Audit Plan (i.e. Corporate Governance; anti-fraud and corruption; and reviews of key business and financial systems and operations). A key feature of the current Plan aimed to ensure the provision of more proactive advice and assistance in developing the Council's corporate governance framework.

The core purpose of Internal Audit was to review independently the effectiveness of the Council's internal control systems and core business processes. In addition, the Section contributed to the review of the Authority's performance in achieving value for money and assisted staff's identification of more efficient methods of working.

The Members' questions raised in their consideration of the report related to the costs of the internal audit service; the prioritisation of work projects and the allocation of work days; and the recovery of benefits other overpaid or claimed fraudulently.

RESOLVED - That the report be noted.

08.AU.33 FRAUD AND CORRUPTION RISK REGISTER

In response to the Members' request at the Council meeting, the Assistant Chief Executive (Business Transformation) submitted a report on the Internal Audit Section's development of a Corporate Fraud and Corruption Risk Register.

Whilst the Council had experienced relatively few incidents of fraud over recent years, the Audit Commission had recommended the Council to 'develop proactive counter fraud and corruption work determined by a formal risk assessment which is adequately resourced. Subsequently, the Internal Audit Section had consulted the Director's Team to compile a corporate Fraud and Corruption Risk Register which identified specific fraud risks in individual service areas.

The report was accompanied by a supplementary document which explained the processes involved in the compilation of the Register and an associated plan of action to mitigate the risks identified. The development of the register complemented the CIPFA/Solace guidelines on governance in relation to probity and ethics raised awareness of the issues and provided a robust and effective strategy to detect and prevent fraud throughout the Authority.

The risk assessment exercise had identified 23 issues for which the Section considered that action was necessary to address and mitigate identified risks. Further reviews and assessments would be undertaken in future to ensure that the action plans were being implemented and proven successful.

Members queries on the strategy related to performance monitoring procedures, particularly in relation to contracts and the tools and processes used in detecting and preventing occurrences of fraud.

RESOLVED - That the reports be noted.

08.AU.34 FINANCIAL STATEMENT OF ACCOUNTS FOR 2007/08

The Assistant Chief Executive (Business Transformation) submitted a report drawing attention to the amendments that had been made to the Council's Financial Statements of Accounts for 2007/08 approved at the last meeting of the Committee on 26 June 2008 following their statutory audit.

A number of mainly presentational changes had been made to meet recommended practice and an adjustment had been made in relation to the valuation of the Council's assets in order to rectify an identified under valuation.

Whilst the audit of the accounts had highlighted a number of internal control weaknesses, the improvements that had been effected during the production of the 2007/08 accounts had been reflected in only a small number of mainly classification errors having occurred.

The Committee were assured that the alterations to the account would not impact on the Council's income or expenditure position.

The recommended amendments to the accounts and the internal control issues were also highlighted in the annual Governance Report to be considered as the next agenda item.

RESOLVED - That the report be noted and that, after taking account of the Audit Commission's Annual Governance Statement, the audited and amended Financial Statement of Accounts for 2007/2008, as now presented, be approved for signature by the Chair of the Audit Committee, the Executive Leader and the Assistant Chief Executive (Business Transformation).

08.AU.35 ANNUAL GOVERNANCE REPORT FOR 2007/08

The Audit Commission submitted its Annual Governance Report which summarised the findings of the Commissions 2007/2008 audit and identified the big issues to be taken into account by the council, before the Commission issued its final opinion and conclusion on the 2007/2008 accounts.

Mr Watkinson and Mr Hough highlighted the principal elements of the audit process and the report, acknowledging that there had been discernible improvements over the past years and the Council had shown evidence of its intention to strive for continuous improvement of its financial management of the authority.

The auditors summarised the contents of the report in some depth, highlighted the principal issues and risks which had been identified by the Audit Commission and the auditors' subsequent recommendations for measures to address the issues and potential risks.

In particular, reference was made to the following elements of the report:

- The auditors had assessed the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources and had concluded that the arrangements in place were adequate. The Auditors, therefore, proposed, to issue an unqualified conclusion.
- The audit had been completed in accordance with the agreed scale of fees.
- A draft letter of representation to be signed by a senior manager of the Council acknowledging the collective responsibility for the compilation of the financial statements and the provision of the documentary evidence provided to the Auditors.

- Appendix 2 to the report listed each of the recommended amendments which had been made to the Financial Statement on the auditor's suggestion, with a few minor corrections the schedule being reported at the meeting.
- Appendix 3 contained the summary of the Auditor's opinions and conclusions on the audit of the Council's accounts for 2007/08 and Best Value Performance Plan. The report had concluded that the Council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The Audit Commission had not identified any specific matters which it wished to report to the Council and did not wish to make any recommendations on procedures in relation to the Best Value Performance Plan.
- Appendix 4 set out an action plan of measures to address the identified issues. It was envisaged that a completed action plan would be available for presentation to the next Audit Committee meeting.

RESOLVED - That the Annual Governance Report to be noted and that the Assistant Chief Executive (Business Transformation) be authorised to sign the letters of representation on behalf of the Council on the conclusion of the audit.

Chair

Data Quality 2008

Chorley Borough Council

Audit 2008/09

December 2008



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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
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Introduction

Introduction

- 1 The purpose of this report is to summarise the findings from our work on data quality for 2007/08.
- 2 Auditors' work on data quality and performance information supports the Commission's reliance on performance indicators (PI) in its service assessments for comprehensive performance assessment (CPA).
- 3 Our work on data quality is complemented by the Audit Commission's paper, 'Improving information to support decision making: standards for better quality data'. This paper sets out standards, for adoption on a voluntary basis, to support improvement in data quality. The expected impact of the Audit Commission's work on data quality is that it will drive improvement in the quality of local government performance information, leading to greater confidence in the supporting data on which performance assessments are based.

Scope of our work

- 4 We have followed the Audit Commission's three-stage approach to the review of data quality as set out in Table 1.

Table 1 Data quality approach

Stage 1	<p>Management arrangements</p> <p>A review using key lines of enquiry (KLOE) to determine whether proper corporate management arrangements for data quality are in place, and whether these are being applied in practice. The findings contribute to the auditor's conclusion under the Code of Audit Practice on the Council's arrangements to secure value for money (the VFM conclusion).</p>
Stage 2	<p>Analytical review</p> <p>An analytical review of 2007/08 BVPI and non-BVPI data and selection of a sample for testing based on risk assessment.</p>
Stage 3	<p>Data quality spot checks</p> <p>In-depth review of a sample of 2007/08 PIs which come from a list of specified BVPIs and non-BVPIs used in CPA, to determine whether arrangements to secure data quality are delivering accurate, timely and accessible information in practice. For 2007/08 PI spot checks, the Audit Commission specified that it is compulsory to review two housing benefits PIs at all single tier and district councils as a minimum.</p>

- 5 As this is the third year of applying this approach to data quality, we tailored our work to focus on the key changes and actions taken to address previously identified weaknesses and recommendations.

Summary conclusions

Stage 1 – Management arrangements

- 6 The Council's overall management arrangements for ensuring data quality are consistently above minimum requirements. It has strengthened its arrangements for all five review themes. Responsibilities for data quality are more clearly defined at member and officer level. A corporate framework is in place, reflected in the Data Quality Strategy and Policy which is subject to regular reviews and updates.
- 7 Policies and procedures are in place to secure the quality of data and are reviewed, where appropriate with partners, to ensure that they are up-to-date. Checks by Internal Audit and our own checks confirm that procedures are routinely followed. Systems and processes to secure the quality of data continue to be enhanced. Opportunities for further development are being explored, including linking the systems from different departments for reporting corporate performance information. The Council seeks assurances from partners that data complies with a third party protocol but arrangements for validating such data are less well developed.
- 8 The Council continues to ensure that staff have the knowledge, competences and capacity for their roles in relation to data quality linked to personal development reviews and training. It continues to make excellent use of performance data in managing and improving the delivery of services and, in 2007/08, can demonstrate a range of improved outcomes and enhanced capacity through a significant reduction in sickness absence.

Stage 2 – Analytical review

- 9 Our analytical review work at Stage 2 identified that the PI values reviewed fell within expected ranges or were substantiated by evidence.

Stage 3 – Data quality spot checks

- 10 Our review and spot checks of PIs BV 78a (average times for processing new claims: housing and council tax benefit) and BV 78b (average times for processing change in circumstances for housing and council tax benefit claims) found that they were fairly stated. However, we found errors in the receipt dates for the claims tested and incorrectly recorded changes of circumstances.
- 11 An action plan has been agreed with the Council (Appendix 1) to address the issues arising from this review.

Detailed findings

Management arrangements (Stage 1)

- 12** Overall, the Council's corporate arrangements for data quality are consistently above minimum requirements.

Governance and leadership

- 13** The Council has put in place a corporate framework for management and accountability of data quality. It demonstrates a commitment to secure a culture of data quality throughout the organisation. In 2007/08 it strengthened its governance and leadership by defining more clearly responsibilities for data quality at officer and member level. These responsibilities are set out in performance agreements and reporting checklists, directorate assurance statements and a Data Quality Strategy and Policy that is subject to regular reviews and updates. Data quality is now fully integrated into the Council's planning, monitoring and reporting processes. Members have received training on the importance of data quality. As a result of these arrangements it is more likely that the Council will achieve consistently high standards of data quality to underpin its performance information.
- 14** Clear data quality objectives are formally documented within the Data Quality Strategy and Policy which has been approved by senior managers and members. The objectives are also reflected in partnership arrangements through a data sharing protocol. Individual service areas are provided with guidance on data collection, collation and reporting. The Council has consequently reduced the risks associated with poor quality data that might adversely affect the quality of services.
- 15** Effective arrangements for monitoring and reviewing of data quality are in place. A data quality action plan contains actions to strengthen data quality and address previous years' recommendations. Progress is now reported to the Audit Committee. Data Quality is now incorporated into the annual governance statement, strategic risk register and directorate level business assurance statements. Examples of good practices are shared amongst staff. All these developments provide reassurance that data quality is reliable and robust.

Policies

- 16** The Council has put in place policies and procedures to secure the quality of the data it records and uses for reporting. Organisational policy for data quality has been defined and is supported by a current set of operational procedures and guidance, including requirements on partnership working. Procedures and guidance are reviewed at least annually with staff and partners such as Community Leisure Services. The Council has, for example, issued revised guidance to staff - following last year's recommendation - for undertaking surveys to measure BV199 (cleanliness of public space). It has also put in place systems to ensure that new staff with data quality responsibilities are identified and given relevant training. Up-to-date policies and procedures help to ensure that data and performance are recorded accurately and in accordance with prescribed definitions.

- 17** Policies and procedures are generally followed by staff and applied consistently throughout the organisation, verified by routine checks within directorates and - proportionate to risk - by Internal Audit. However, our stage 3 checks found errors in calculating processing times for samples of benefit claims and changes in circumstances, together with incorrectly recorded changes in circumstances. The Council can demonstrate that it is effective in rectifying any non-compliance with its own data but not specifically within partnerships. Good quality data allows members and officers to make informed decisions about policy and the allocation of resources.

Systems and processes

- 18** The Council has strengthened its systems and processes which secure the quality of data as part of its normal business activities. Arrangements for recording and reporting data are more closely integrated within the Council's wider business management processes, and support staff in their day to day work. Appropriate systems are in place for the collection, recording, analysis and reporting of the data used to monitor performance, including the Performance Plus software management system, year-end checklists, detailed procedures and audit files. Performance Plus has been updated to ensure that built-in controls minimise the scope for human error. Opportunities for further development are being explored, including linking the systems from different departments for reporting corporate performance information. The range of activities ensures that performance data is accurate, reliable and consistent according to the principle of 'right first time'.
- 19** Controls are in place to ensure that information systems produce the quality of data needed to report on performance and to keep top management aware of necessary action in relation to data quality. The Council has, for example, developed detailed procedures for all Community and Corporate Strategy performance indicators. System output is monitored on a quarterly basis. Areas of high risk (including external reporting, new staff and significant variations) are identified. Keeping partners informed of any identified issues is an area for further development. The systems provide suitable controls to ensure that the information systems produce accurate data.
- 20** Security arrangements for performance information systems are robust, and a business continuity plan is in place, including a specific plan for Performance Plus. A detailed risk assessment of the system has been undertaken, including scenario planning. These arrangements can be further strengthened by seeking robust assurances from partners that their own processes are secure rather than a declaration that written procedures for all indicators have been produced.

Detailed findings

- 21** Standards are now specified for shared data or data supplied by third parties. A protocol sets out the Council's requirements for accuracy, completeness, relevance, reliability, timeliness and validity. Detailed arrangements for ensuring the quality of data for third parties have been set out in the Data Quality Strategy and Policy. Third party reporting is now a key element of the procurement framework and guidance is incorporated in key procurement and partnership documents. Whilst the third party protocol sets out the required standards - and performance is routinely discussed with partners - the Council cannot demonstrate that processes are in place to monitor and validate data from third parties and ensure that such data is actually fit for purpose with the appropriate assurance from suppliers.

Recommendation

R1 Implement arrangements to:

- validate data from third parties;
- ensure that such data is fit for purpose and third parties demonstrate that it complies with the requirements set out in the third party protocol;
- provide assurance that partners have secure processes in place for providing information; and
- identify and share information on potential data quality issues and address any data sharing problems.

People and skills

- 22** Arrangements are in place to ensure that staff have the knowledge, competences and capacity for their roles in relation to data quality. The Council has communicated clearly the responsibilities of staff, where applicable, for achieving data quality. As part of personal development reviews for relevant staff data quality objectives, which link to the Data Quality Strategy and Policy, are identified and an assessment of progress/performance against these objectives is included in subsequent reviews. Staff now have a greater understanding of their role in achieving data quality.
- 23** Arrangements are also in place to ensure that staff with data quality responsibilities have the necessary skills. The Council has provided training and workshops to relevant officers and partners. Training includes raising awareness on the use of data and its impact on the Council. A new dialogue has been developing which ensures that new starters with data quality responsibilities receive guidance, support and training. By investing in these activities the Council has reduced the risk of inconsistent practices in collecting data.

Data use and reporting

- 24 The Council's arrangements are focused on ensuring that data supporting reported information is actively used in the decision making process and is subject to a system of internal control and validation. It continues to make excellent use of performance data in managing and improving the delivery of services through the Strategy Group, Executive Cabinet, Overview and Scrutiny Committee and the Audit Committee. In 2007/08, for example, the use of data informed the decision to bring the Homelessness service back in-house and drove a significant reduction in sickness absence. Other improvements include the processing of invoices, satisfaction with waste collection, processing benefits claims and planning applications and the removal of abandoned vehicles. Working with partners the Council has successfully used data to target hotspots and contribute to an 18 per cent reduction in crime between 2005 and 2007. The use of such information not only improves services but also value for money and the quality of life for local people.
- 25 Effective validation procedures are in place to ensure the accuracy of data used in reported performance indicators. Data is subject to a system of internal control by responsible officers, senior managers and Policy and Performance officers. Internal Audit carries out checks on a risk basis and raises any issues with managers but its findings are not formally reported. The effectiveness of the overall arrangements is demonstrated by the accuracy of data and the absence of qualified indicators. The procedures provide assurance on the accuracy of the reported data.

Recommendation

R2 Strengthen validation procedures for the accuracy of data by evidencing the outcomes of checks carried out by Internal Audit.

Analytical review (Stage 2)

- 26 An analytical review of the following BVPIs was carried out. The findings are shown below.

Table 2 Analytical review findings

2007/08 Performance indicator	Assessment	Comment
BV 82a (recycling performance)	Variance from 2006/07 attributable to real performance improvement from 23.53% to 26.55%.	Wider initiatives, for example, street litter recycling and community skips have contributed to improved performance.

Detailed findings

2007/08 Performance indicator	Assessment	Comment
BV 82b (composting performance).	Variance from 2006/07 attributable to real performance improvement from 20.55 per cent to 21.56 per cent.	Targeted activities have contributed to improved performance.
BV 183b (average time in temporary accommodation: hostels).	Variance from 2006/07 attributable to real performance decline from 9.36 weeks to 12.61 weeks.	The Council became aware of deterioration in performance following a transfer of the Homelessness function. It has subsequently brought this service back in-house and has put in place actions to improve performance and focus on prevention.
BV 199a (cleanliness of public space: litter and detritus).	Variance from 2006/07 attributable to real performance improvement from 7.1 per cent to 4.8 per cent.	Improvement attributable to increased activity and review of sweeping.
BV 199b (cleanliness of public space: graffiti).	Variance from 2006/07 attributable to real performance improvement from 2 per cent to 1 per cent.	More proactive initiatives and presence in the community by Neighbourhood Officers have contributed to the reduction in graffiti.
BV 199c (cleanliness of public space: flyposting).	Variance from 2006/07 attributable to real performance improvement from 1 per cent to 0 per cent.	Reduction in instances of flyposting is due to increased activity and presence of Neighbourhood Officers.
Non-BVPI Percentage of private sector homes vacant for more than six months.	Variance from 2006/07 and value within Audit Commission parameters.	Performance is consistent with previous year.
Non-BVPI Repeat homelessness.	Variance from 2006/07 and value within Audit Commission parameters.	Performance is consistent with previous year.

Data quality spot checks (Stage 3)

27 A number of PIs were reviewed using a series of detailed spot checks and audit tests. Our findings are shown below.

Table 3 Spot check findings

Performance indicator	Assessment	Comment
BV 78a (average times for processing new claims: housing and council tax benefit).	Fairly stated.	Declared figure (17.1 days) found to be fairly stated on testing and not a material misstatement, although an incorrect start date was found in a sample of benefit claims.
BV 78b (average times for processing change in circumstances for housing and council tax benefit claims).	Fairly stated.	Declared figure (5.5 days) found to be fairly stated and not a material misstatement on testing, although incorrect start dates were found in a sample of notified changes in circumstances, together with incorrectly recorded changes in circumstances.

28 Although the Council has introduced additional controls where changes of circumstances are processed within one day, on occasions only 10 per cent of such changes are checked. Errors were found to be due to:

- receipt dates being incorrectly recorded on the housing benefits system; and
- two claims being incorrectly treated as changes in circumstances, including one relating to advance rent increases for Chorley Community Housing.

Recommendation

R3 Strengthen internal arrangements for validating processing times for benefits claims by:

- reducing the occasions when only 10 per cent of changes in circumstances processed within one day are checked;
- retaining evidence of such checks; and
- ensuring that annual rent increases for Chorley Community Housing and other Registered Social Landlords are only classified as changes in circumstances where claimants are entitled to benefit at the time when the decision is made.

Appendix 1 – Action plan

Page no.	Recommendations	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
8	R1 Implement arrangements to: <ul style="list-style-type: none"> validate data from third parties; ensure that such data is fit for purpose and third parties demonstrate that it complies with the requirements set out in the third party protocol; provide assurance that partners have secure processes in place for providing information; and identify and share information on potential data quality issues and address any data sharing problems. 	2	ACE (P&P) Internal Audit		Third Party Protocols signed by third parties and written procedures produced. Include third part data in the data quality risk assessment and undertake internal audit of higher risk data. Use the outcomes of data quality audits to inform future discussions with partners around data sharing.	Complete January 2009 April 2009
9	R2 Strengthen validation procedures for the accuracy of data by evidencing the outcomes of checks carried out by Internal Audit.	2	Internal Audit ACE (P&P) Strategy Group		Report the outcomes and recommendations of data quality exercises to Assistant Chief Executive (Policy and Performance) and Strategy Group.	Following data quality audits

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
14	<p>R3 Strengthen internal arrangements for validating processing times for benefits claims by:</p> <ul style="list-style-type: none"> reducing the occasions when only 10 per cent of changes in circumstances processed within one day are checked; retaining evidence of such checks; and ensuring that annual rent increases for Chorley Community Housing and other Registered Social Landlords are only classified as changes in circumstances where claimants are entitled to benefit at the time when the decision is made. 	2	Dave Price		<p>Introduce a 100 per cent check which will be conducted one day each week for all new benefit claims and changes of circumstances that show a one day processing statistic. All reports and record of checks will be retained for two years.</p> <p>Introduce additional checks to ensure that only live claims are included in changes to annual rents.</p>	Ongoing

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, covering the £180 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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Use of Resources 2008

Chorley Borough Council
Audit 2007-2008

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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
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Introduction

- 1 The Use of Resources assessment evaluates how well councils manage and use their resources. This is the fourth assessment carried out at the council and is the last under the CPA framework. Next year there will be a new assessment which will form part of the Comprehensive Area Assessment. The assessment of Use of Resources focuses on the importance of having strategic financial management, sound governance and effective financial reporting arrangements. These should support your Council in the achievement of its priorities and improving services, whilst delivering value for money.
- 2 This assessment relates to the financial year 2007/08 and is based on the key lines of enquiry for 2008. Changes to the criteria underpinning the key lines of enquiry were consulted on in April 2007 and the final key lines of enquiry were published in August 2007. These changes were made to:
 - reflect developments in professional guidance, legislative requirements and best practice; and
 - signal some of the changes proposed for the new use of resources under CAA, smoothing the transition to CAA.
- 3 The overall use of resources assessment is made up of five themes. Judgements have been made for each theme using the Audit Commission's scale, see Table 1 below. This scale is used across its inspection and performance assessment frameworks.

Table 1 Standard scale used for assessments and inspections

1	Below minimum requirements – inadequate performance
2	Only at minimum requirements – adequate performance
3	Consistently above minimum requirements – performing well
4	Well above minimum requirements – performing strongly

- 4 In forming our assessment, we have used the methodology set out in the Use of Resources Guidance for Councils 2008, which can be found on the Commission's web site. We have also taken account of our findings and conclusions from previous years' assessments and updated these for any changes and improvements to the Council's arrangements.
- 5 The five theme scores for Chorley Borough Council are outlined overleaf and the summary sets out our key findings in relation to each theme.

Use of resources judgements

Table 2 Summary of scores at theme and KLOE level

Key lines of enquiry (KLOEs)	Score 2008	Score 2007
Financial reporting	3	3
1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	2	2
1.2 The Council promotes external accountability.	4	4
Financial management	3	3
2.1 The Council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities.	3	2
2.2 The Council manages performance against budgets.	3	3
2.3 The Council manages its asset base.	3	3
Financial standing	3	4
3.1 The Council manages its spending within the available resources.	3	4
Internal control	4	3
4.1 The Council manages its significant business risks.	4	4
4.2 The Council has arrangements in place to maintain a sound system of internal control.	4	3
4.3 The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	3	2
Value for money	4	4
5.1 The Council currently achieves good value for money.	4	4
5.2 The Council manages and improves value for money.	4	4

Theme summaries

6 The key findings and conclusions for each of the five themes are summarised in the following tables.

Table 3 Financial reporting

Theme score 3	
Key findings and conclusions	
The scores in relation to Financial Reporting remain the same as last year.	
KLOE 1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	<p>The arrangements for the preparation of the accounts improved in 2007/08 and the accounts were supported by comprehensive working papers from the start of the audit. Also, the Council put in place an improved system for dealing with audit queries which was marked improvement from previous years.</p> <p>However, the accounts submitted for audit included two material misstatements together a small number of other errors.</p>
KLOE 1.2 The Council promotes external accountability.	<p>The Council continues to perform strongly in terms of promoting external accountability and further examples of notable practice were submitted. These show how it has built on its previous good practice for interacting with its citizens and stakeholders and outline the variety of ways that it promotes external accountability.</p>

Table 4 Financial management

Theme score 3	
Key findings and conclusions	
Whilst the overall score for Financial Management remained the same as last year, we noted improvements in relation to KLOE 2.1.	
<p>KLOE 2.1 The Council's medium-term financial strategy (MTFS), budgets and capital programme are soundly based and designed to deliver its strategic priorities.</p> <p>Increased to level 3</p>	<p>The Council has implemented the further improvements as follows.</p> <ul style="list-style-type: none"> • Sensitivity analysis is now embedded into the Corporate business plan and the Medium Term Financial Strategy (MTFS). • There are clearer linkages between the MTFS and other internal strategies.
<p>KLOE 2.2 The Council manages performance against budgets.</p>	<p>The Council continues to plan and manage its finances well. Its financial information systems have flexible reporting tools to enable specialist reports to be designed to inform officers and members.</p> <p>No significant departmental overspends or underspends occurred that were not identified as a risk and the associated underlying budgetary pressures are being addressed effectively.</p> <p>Relevant non-financial and financial information, in addition to the budget, is reported to members and acted upon.</p>
<p>KLOE 2.3 The Council manages its asset base.</p>	<p>The Council has strengthened its arrangements for asset management and continues to meet the level 3 criteria. The updated three year capital programme links explicitly to the Council's priorities for affordable housing, the town centre and sustainability and investment in its infrastructure. It uses its property portfolio well to, for example, facilitate job creation and better transport links.</p> <p>A revised Asset Management Strategy and Plan 2008 to 2010, reflects the new partnership arrangements with Liberata and sets out the vision, aims and actions for corporate property. However, asset management planning is not fully integrated with business planning at corporate and service levels, such as for example, the Council's ICT</p>

Theme summaries

Theme score 3	
	<p>Strategy and the opportunities for flexible working policies. Management of the asset base is also not integrated with, for example, third sector and local public agencies to identify opportunities for shared use of property to deliver seamless services to users.</p> <p>Arrangements remain in place for maintaining the asset register, member and officer responsibility for corporate property, the planned maintenance programme, challenging the fitness of property and investment and disposal arrangements.</p> <p>Performance measures, but not benchmarking, are used to describe and evaluate how the Council's asset base contributes to the achievement of corporate and service objectives.</p>

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Table 5 Financial standing

Theme score 3	
Key findings and conclusions	
The Council continues to manage its spending well within the available resources.	
<p>KLOE 3.1 The Council manages its spending within the available resources.</p> <p>Reduced to level 3</p>	<p>The Council consistently maintains its spending within its overall budget and without significant unexpected overspends or under-spend.</p> <p>It sets challenging targets for a comprehensive set of financial health indicators, monitors performance and has a good track record of achieving these targets.</p> <p>The Council continues to manage its spending well, but no new and additional notable practice has been identified, as required to remain at level 4.</p>



Theme summaries

Table 6 Internal control

Theme score 4	
Key findings and conclusions	
<p>The Council continues to perform strongly in respect of risk management and our review in 2007/08 noted that there had been significant improvements in internal control and probity. As a result the overall score for internal control was increased to 4.</p>	
<p>KLOE 4.1 The Council manages its significant business risks.</p>	<p>Our 2008 review confirmed that the risk management arrangements continue to represent best practice. This year the Council developed a Framework for Partnership Working which set out corporate standards for partnership governance, including performance management and risk management which represented notable practice.</p>
<p>KLOE 4.2 The Council has arrangements in place to maintain a sound system of internal control. Increased to level 4</p>	<p>The Council continued to demonstrate that it met all level 3 criteria. In addition in 2007/08 the Council undertook a major project to integrate Directorate Assurance Statements within the Council's performance management, assurance framework and overall system of corporate governance which represented notable practice.</p>
<p>KLOE 4.3 The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business. Increased to level 3</p>	<p>Responding to an identified improvement opportunity identified in last year's assessment, the Council undertook a major review in 2007/08 to compile a fraud and corruption risk register through a series of service based risk assessments undertaken by Internal Audit starting in April 2007. Whilst the fraud and corruption risk register was only formally approved in March 2008, the individual service based risk assessments were used to inform the pro-active counter fraud and corruption work on an ongoing basis.</p>

Table 7 Value for money

Theme score	
Key findings and conclusions	
The Council continues to perform strongly in respect of achieving value for money and strengthening its processes for managing and improving value for money.	
KLOE 5.1 The Council currently achieves good value for money.	<p>The Council continues to achieve good value for money. Costs are overall commensurate within service delivery, performance and the outcomes achieved. In 2007/08 performance further improved across the majority of national indicators with 30 out of 46 service indicators above the median or amongst the best 25 per cent of councils. Improved value for money is, for example, demonstrated by lower costs in addressing community safety associated with lower crime rates.</p> <p>The Council has a robust, strategic approach to the allocation of resources in line with its priorities. It responds well to meet users' needs that are expressed through consultation and feedback which has been further strengthened through the Circle of Need project and demonstrated by the 'get up and go' activities for young people. The capital programme links to the Council's priorities and is well managed and monitored with projects re-phased as appropriate. In 2007/08 89 per cent of the programme was completed.</p>
KLOE 5.2 The Council manages and improves value for money.	<p>The Council continues to strengthen its processes to manage and improve value for money and demonstrate notable practices. It was awarded Beacon Status for Transforming services through citizen engagement and empowerment. It has detailed understanding of comparative costs, trends and reasons for any variations in outcomes and proactively seeks out benchmarking to further inform service and value for money improvements. Service reviews have clear focus on improving outcomes and reducing costs.</p> <p>The Council makes good use of partnerships and procurement to achieve its priorities and proactively seeks out further opportunities with other councils to reduce costs and improve outcomes. It has successfully used procurement, for example, for leisure and waste services, to improve and sustain value for money, achieve environmental and social benefits and improve services. It has delivered on and exceeded its efficiency review targets both for 2007/08 and over the three year programme. Action to reduce sickness absence has been very effective - attendance is now amongst the best 25 per cent of councils - and contributed to efficiency gains of £144,000.</p>

Conclusion

Conclusion

- 7** We congratulate Chorley on achieving an overall score of 4 for the second year running. The Council's performs strongly for internal control and VFM and consistently above minimum requirements over the other three themes.

Use of resources 2008/09

- 8** From 2008/09, the auditors' assessment of use of resources will be based on new key lines of enquiry and will form part of the new performance assessment framework for local government and its partners, known as Comprehensive Area Assessment (CAA).
- 9** Key lines of enquiry for use of resources were published in May 2008 following consultation. These reflect the needs of CAA and incorporate a number of improvements including: a clearer focus on value for money achievements and further emphasis on commissioning of services, outcomes for local people and partnership working.
- 10** The assessment is structured into three themes as follows.
- Managing finances: sound and strategic financial management.
 - Governing the business: strategic commissioning and good governance.
 - Managing resources: effective management of natural resources, assets and people.
- 11** The approach to use of resources will continue to be risk based and proportionate, drawing on evidence from previous years where relevant. Not all key lines of enquiry in the managing resources theme will be assessed each year. For district councils, auditors will assess work force planning.
- 12** The Commission will specify each year in its annual work programme and fees document which key lines of enquiry will be assessed in that year.

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Report of	Meeting	Date
Assistant Chief Executive (Business Transformation)	Audit Committee	15/01/09

INTERIM REPORT ON INTERNAL AUDIT ACTIVITIES AS AT 12th DECEMBER 2008

PURPOSE OF THE REPORT

- 1 To advise members of the work undertaken in respect of the Annual Internal Audit Plan as at mid-December 2008 and to comment on the results.
- 2 To provide details of further reviews, investigations and other Internal Audit activities during the period.

RECOMMENDATIONS

- 3 That the Interim Report be noted.

CORPORATE PRIORITIES

- 4 This report relates to the following Strategic Objectives:

Put Chorley at the heart of regional economic development in the central Lancashire sub region		Improved access to public services	
Improving equality of opportunity and life chance		Develop the character and feel of Chorley as a good place to live	
Involving People in their Communities		Ensure Chorley is a performing Organisation	✓

BACKGROUND

- 5 This is the second Interim Progress Report for the current financial year and covers the period between 12th September 2008 and 12th December 2008. Appendix 1 shows the overall progress made in relation to the 2008/9 Internal Audit Plan.
- 6 The last 3 months have been extremely demanding as we have undergone the transition into the new, shared services arrangement as well as continuing to focus on existing work commitments. Despite the additional pressures, productivity has remained high and the Audit Plan is firmly on course to be achieved. The remaining paragraphs summarise the main elements of the work undertaken during the last quarter.

CORPORATE GOVERNANCE**Use of Resources**

- 7 We contributed extensively to the reassessment process and the successful outcome for the 2008 exercise.

REVIEW OF FINANCIAL SYSTEMS**Inventories**

- 8 Directorate fixed asset registers were last reviewed in January 2003 and since that time there have been a number of organisational changes, which has led to the registers becoming out of date.
- 9 We have worked closely with Directorates in order to identify officers who have responsibility for the maintenance of asset registers and trained them in the application of the corporate guidance.
- 10 Asset registers are currently being revised or compiled by Directorates in accordance with the guidance and should continue to be maintained on an on-going basis.

New E-Claims System

- 11 The E-Claims system was introduced just over 12 months ago, in order to provide officers with the ability to make submissions of mileage and/or expense claims electronically. The purpose of this review was to provide assurance to management that the system is effectively embedded, operating as intended and is subject to appropriate management checks.
- 12 We found that there are clearly established processes in place for the submission of mileage and expense claims. Testing provided assurance that the majority of officers are retaining receipts for potential submission to HMRC and appropriate management checks of expenses and mileage claims have been carried out.
- 13 We identified several areas where changes could be made to strengthen and improve the current monitoring arrangements and the leaver's process. In addition, minor amendments are required to further develop the administrative processes.

WORK IN PROGRESS

- 14 Audit fieldwork is also nearing completion in respect of the following planned audits and the results will be reported to the Committee in due course:
 - Civil Contingencies (Emergency Planning)
 - Election Fees

IMPLICATIONS OF REPORT

- 15 This report has no implications for specific Directorates. The matters raised in the report are cross cutting and impact upon the authority as a whole.

GARY HALL
 ASSISTANT CHIEF EXECUTIVE
 BUSINESS TRANSFORMATION

Background Papers			
Document	Date	File	Place of Inspection
Accounts & Audit Regulations 2003	2003	TRANSFORMATION DIRECTORATE	Union Street Offices

Report Author	Ext	Date	Doc ID
Garry Barclay	5468	12/12/08	150109.doc

INTERNAL AUDIT WORK PLAN 2008/9 - SUMMARY PROGRESS REPORT

CORPORATE GOVERNANCE					
Corporate Policies & Procedures	ALL	20	11	9	Intranet User Guide Completed
Governance Assurance Statements	1&4	20	9	11	2008/9 Statement Completed
External Inspection (CPA, Use of Resources)	ALL	20	12	8	Self Assessment Completed
Data Quality	ALL	45	42	3	Ongoing
Governance General	ALL	5	5	0	Ongoing
		110	79	31	
RISK MANAGEMENT					
Risk Management Policies & Procedures	ALL	10	4	6	Ongoing
Risk Registers	ALL	15	10	5	SRR Update In Progress
Health & Safety	ALL	25	15	10	Service Handed Over to HR
Insurance	ALL	25	13	12	Ongoing
Risk Management General	ALL	5	4	1	Ongoing
		80	46	34	
ANTI-FRAUD & CORRUPTION					
National Fraud Initiative (NFI)	ALL	30	37	-7	Ongoing
Fraud & Corruption Risk Register	ALL	20	5	15	Ongoing
System Interrogations	ALL	25	2	23	Ongoing
Fraud Bulletins	ALL	15	1	14	Ongoing
Anti-Fraud & Corruption General	ALL	5	1	4	Ongoing
		95	46	49	
REVIEW OF KEY BUSINESS SYSTEMS					
Procurement Strategy	3&4	20	1	19	Work In Progress
Framework for Partnership Working	1	20	26	-6	Review Completed
Civil Contingencies	3&4	20	7	13	Work In Progress
Information Governance	2&3	18	2	16	Review Completed
Intranet & E-Mail Policy	4	15	1	14	Final Quarter
		93	37	56	
REVIEW OF FINANCIAL SYSTEMS					
Key Systems Review (ISA)	4	50	0	50	Final Quarter
Inventories	3	20	6	14	Review Completed
Stores & Stock Control	1	20	25	-5	Review Completed
Budget Setting & Control	1	15	14	1	Review Completed
New E-Claims System	3	15	19	-4	Review Completed
		120	64	56	
REVIEW OF KEY OPERATIONS					
Election Fees	3&4	20	14	6	Work In Progress
S106 Agreements	4	15	0	15	Review On Hold
Car Parking	1	20	27	-7	Review Completed
		55	41	14	
CONTINGENCY					
Irregularity Investigations	ALL	30	4	26	Ongoing
Post Audit Reviews	ALL	25	10	15	Ongoing
Unplanned Reviews	ALL	45	21	24	Ongoing
Audit Committee Reporting	ALL	20	12	8	Ongoing
		120	47	73	
TOTAL CHARGEABLE DAYS					
		673	360	313	