

Audit Committee

Agenda and Reports
for consideration on

Thursday, 18th March 2010

in Committee Room 1, Town Hall, Chorley

At 2.30 pm



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09 March 2010

Dear Councillor

AUDIT COMMITTEE - THURSDAY, 18TH MARCH 2010

You are invited to attend a meeting of the Audit Committee to be held in Committee Room 1, Town Hall, Chorley on Thursday, 18th March 2010 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 of last meeting (Pages 1 - 4)**

To confirm as a correct record the minutes of the meeting of the Audit Committee held on 14 January 2010 (Minutes enclosed).

4. **Certification of Claims and Returns - Annual Report for 2008/09 (Pages 5 - 12)**

To receive and consider the enclosed report of the Audit Commission on Chorley Council's arrangements.

5. **Implementation of International Financial Reporting Standards (IFRS) in Local Government (Pages 13 - 24)**

To receive and consider the enclosed briefing paper from the Audit Commission, highlighting issues and commenting on the results of a recent survey.

6. **Assurance Services Strategy for 2010/11 (Pages 25 - 28)**

To receive and consider the enclosed report of the Head of Shared Assurance Services, together with the Strategy document attached to the agenda pack.

7. **Internal Audit Annual Plan for 2010/11 (Pages 29 - 36)**

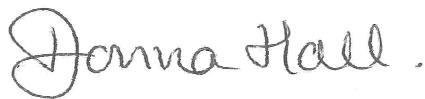
To receive and consider the enclosed report of the Head of Shared Assurance Services seeking approval of the Internal Audit Plan for the new financial year.

8. **Fraud Risk Management (Pages 37 - 44)**

To receive and consider the enclosed report of the Head of Shared Assurance Services on outcome of recent review and presenting an action plan for implementation.

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

Yours sincerely



Donna Hall
Chief Executive

Tony Uren
Democratic and Member Services Officer
E-mail: tony.uren@chorley.gov.uk
Tel: (01257) 515122
Fax: (01257) 515150

Distribution

1. Agenda and reports to all Members of the Audit Committee (Councillor Anthony Gee (Chair), Councillor Laura Lennox (Vice-Chair) and Councillors Marie Gray, Debra Platt, Keith Iddon and Geoffrey Russell) for attendance.
2. Agenda and reports to Donna Hall (Chief Executive), Gary Hall (Director of Transformation), Garry Barclay (Head of Shared Assurance Services), Chris Moister (Head of Governance), Andy Armstrong (Shared Financial Services Risk Manager), Clare Ware (Shared Financial Services Internal Audit Manager) and Tony Uren (Democratic and Member services Officer) for attendance.
3. Agenda and reports to Fiona Blatcher (Engagement Lead, Audit Commission) and Michael Green (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

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Audit Committee**Thursday, 14 January 2010**

Present: Councillor Anthony Gee (Chair), Councillor Laura Lennox (Vice-Chair) and Councillors Marie Gray, Debra Platt, Keith Iddon and Geoffrey Russell.

Officers Present: Donna Hall (Chief Executive), Gary Hall (Assistant Chief Executive (Business Transformation)), Garry Barclay (Head of Shared Assurance Services), Clare Ware (Shared Financial Services Internal Audit Manager), Andy Armstrong (Shared Financial Services Risk Manager), Jan Minchinton (Principal Auditor (Chorley)) and Tony Uren (Democratic and Member Services Officer).

Also in attendance: Fiona Blatcher (Engagement Lead, Audit Commission) and Michael Green (Temporary Audit Manager).

10.AU.32 DECLARATIONS OF ANY INTERESTS

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

10.AU.33 MINUTES OF LAST MEETING

RESOLVED – That the minutes of the meeting of the Audit Committee held on 24 September 2009 be confirmed as a correct record for signature by the Chair.

10.AU.34 ANNUAL AUDIT LETTER, 2008/09

The Chair welcomed Fiona Blatcher (Engagement Lead) and Michael Green (Temporary Audit Manager) from the Audit Commission who presented the external auditor's Annual Audit Letter, which summarised the findings of the Audit Commission's audit of the Council's accounts for 2008/09 and its assessment of the Council's arrangements to secure value for money in its use of resources. A separate report had been issued on the Council's use of resources (considered at a later agenda item) and the Commission's Inspection Letter had this year been published on the Commission's website.

Following close liaison with the Officers involved in the Council's shared financial services arrangement with South Ribble Council, the Audit Commission had issued an unqualified opinion on the Council's financial statements for 2008/09. The Commission had also issued an unqualified conclusion on the Council's value for money arrangements, awarding the maximum overall score of 4 for the Council's use of resources in recognition of its excellent performance in demonstrating innovative practices in delivering positive outcomes for the local community.

The Director of Transformation indicated that the positive messages contained within the Audit Letter recognised the skills and competencies of Members and Officers in managing and utilising its resources wisely and targeting the resources to appropriate priority areas. The Chief Executive also referred to the outcome of a recent staff survey which had revealed a high level of satisfaction amongst staff amidst a background of several restructures.

The Committee Members noted that the Audit Letter did not contain any recommended means by which the Council could make further improvements. In response, Fiona clarified that the Audit Commission had been satisfied that the Council were committed to the delivery of excellent services and continually monitored outcomes to ensure that improvements were made in those areas where performance

was deemed to be inadequate. The maximum score of 4 was awarded only to Councils providing excellent service that could be shared as best practice with other authorities. In this context, the Chief Executive confirmed that the Council hoped to liaise with the Audit Commission in offering to share Chorley Council's experience and achievements with other authorities.

RESOLVED – that the Audit Letter for 2008/09 be noted and that the Committee's appreciation of the commitment and performance of Officers in the delivery of a high level of service be conveyed to the Council's staff.

10.AU.35 USE OF RESOURCES 2008/09

The Committee received and considered the Audit Commission's report on its assessment of the Council's management and use of resources to deliver value for money and sustainable outcomes for local people. The assessment, forming part of the new Comprehensive Area Assessment (CAA) regime, had entailed a more stringent test than previous years, with a stronger focus on the achievement of positive outcomes.

The Committee was pleased to note that the Council had been awarded the maximum score of 4 for its use of resources in recognition of the Authority's overall excellent performance. Chorley was one of only two District Councils, and five authorities nationally, to achieve the top score of 4.

Fiona highlighted that the Council had, in particular, demonstrated strong innovative practices in its:

- use of activity based costings to identify services that were not adding value and transferring resources to other priority areas;
- use of data and information generally;
- effective partnership working and Member engagement;
- overall approach to workforce planning and management.

RESOLVED – That the Use of Resources report be noted.

10.AU.36 ORGANISATIONAL ASSESSMENT 2009

The Committee received and considered the Organisational Assessment report published by the Audit Commission in December 2009 to inform and complement the Comprehensive Area Assessment report.

The assessment examined how the Council measured and took action to achieve its corporate priorities and how it continually monitored and reviewed performance to ensure that services were improved, whenever necessary, to achieve the priorities.

The Council's excellent performance had been rewarded with a maximum score of 4 for its management of performance. The auditors had been satisfied that the Council was providing high quality services and delivering the priorities that local people had identified as important. The report referred to the challenges facing the Council and its partners, in areas such as housing and health, but accepted the work that was proceeding to address the issues.

The Vice-Chair drew attention to the need to target resources towards the most deprived areas of the Borough and a Member questioned the action being taken to promote an active and healthy lifestyle for residents. In response, the Chief Executive reminded the Members of the Council's support of numerous exercise and activity programmes (eg over-50s activities, tea dances, organised walks, healthy eating campaigns etc). Members' attention was also drawn to the likely effectiveness of

representations to the Central Lancashire Primary Care Trust urging more resources to be directed towards preventative measures, in addition to the treatment of illnesses.

RESOLVED – That the Organisational Assessment report be noted.

10.AU.37 STRATEGIC RISK UPDATE REPORT

The Head of Shared Assurance Services presented a progress report on the implementation of projects and actions contained within Directorate Business Improvement Plans which sought to address the risks and opportunities in the 2009/10 Strategic Risk Register.

Appendix 1 to the report detailed the risks and opportunities related to the achievement of the Council's strategic objectives and the actions planned to mitigate the risks. Appendix 2 identified the current status of the planned actions, showing that the vast majority were on track and being managed effectively and thus rated 'green'. Only four strategic risks had been rated 'amber', but corrective action was being taken to bring the projects back on track.

The Shared Financial Services Risk Manager advised the Committee that the Strategic Risk Register was currently being reviewed to identify both the risks that could reasonably be deleted and other risks associated with new projects that should be added to the Register.

In response to the Director of Transformation's query, Committee Members confirmed their acceptance of the current practice of presenting periodic progress reports on the monitoring of the Strategic Risk Register, but hoped that future reports would clarify the actions taken to retain projects on track.

RESOLVED – That the progress report be noted and that an A3 colour copy of the Strategic Risk Register be supplied to the Audit Committee members.

10.AU.38 INTERNAL AUDIT - INTERIM REPORT ON 2009/10 ACTIVITIES

The Head of Shared Assurance Services submitted the second interim report on the progress of the work undertaken in respect of the Annual Internal Audit Plan between April and November 2009.

Appendices to the report provided both a general summary of the overall progress made in relation to the 2009/10 Internal Audit Plan, together with a more detailed analysis of the projects undertaken to date. The Chief Executive highlighted the need for flexibility in the implementation of the Audit Plan, to ensure that priorities could be altered according to circumstances and new audit projects added as necessary.

The report sought authority for the deferment of a number of audit projects to the 2010/11 Internal Audit Plan. A number of the audit subjects had been included in other recent assessments or reviews and the postponement of the audit of the Refuse Collection/Recycling contract was to allow a sufficient operating period before a meaningful review.

The Shared Financial Services Internal Audit Manager also informed the Committee that, following the recent annual assessment, the Shared Financial Services Internal Audit section had been awarded the international standard ISO 9001, with no areas for improvement having been identified. The Chair congratulated the team on its accreditation achievement.

RESOLVED – 1. That the report be noted.

2. That approval be given to the deferment of the audit reviews of Contract Standing Orders, Asset Management, the Refuse Collection/Recycling Contract and Equality and Diversity issues to the 2010/11 Audit Plan.

Chair

Certification of claims and returns - annual report

Chorley Borough Council

Audit 2008/09

February 2010

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Key messages

Key messages

Funding from government grant-paying departments is an important income stream for the Council. The Council needs to manage claiming this income carefully. It needs to demonstrate to the auditors that it has met the conditions which attach to these grants. Additionally, the Council must ensure that it has complied with regulations for compiling financial returns.

Our certification of claims and returns in 2008/09 did not identify any areas of concern.

Certification of claims and returns

- 1 Chorley Borough Council receives more than £22m funding from government departments which is subject to external audit certification. Additionally, the Council is responsible for collecting non-domestic rates to the value of £20m. This is paid over to the national pool and an auditor certified return is required.
- 2 The grant-paying departments attach conditions to the grants and the Council must show that it has met these conditions. It is therefore important that the Council manages certification work properly and can demonstrate to us, as auditors, that the relevant conditions for claims and returns have been met. If the Council cannot evidence compliance with grant conditions, the funding can be at risk.
- 3 In 2008/09, my audit team certified three claims with a total value of £42.5 million. Of these, we carried out a limited review of one claim and a full review of two claims. (Paragraph 9 explains the difference). I made only a very minor amendment to one claim. I did not issue any qualification letters to government departments. Appendix 1 sets out a full summary.
- 4 The fees I charged for grant certification work in 2008/09 were £18,265. This compares favourably to our estimated fee of £25,000 which we reported to you in our 2008-09 Audit and Inspection Plan.

Significant findings

- 5 I am pleased to be able to report that our certification work did not identify any concerns about the Council's arrangements. We have therefore made no recommendations for improvement.

Background

- 6 The Council completes claims and returns to government departments with a total value of £42.5m. This is clearly significant to the Council and it is therefore important that this process is properly managed. In particular this means:
 - an adequate control environment over each claim and return; and
 - ensuring that the Council can evidence that it has met the conditions attached to each claim.
- 7 I am required by section 28 of the Audit Commission Act 1998 to certify some claims and returns for grants or subsidies paid by the government departments and public bodies to Chorley Borough Council. I charge a fee to cover the full cost of certifying claims. The fee depends on the amount of work required to certify each claim or return.
- 8 The Council is responsible for compiling grant claims and returns in accordance with the requirements and timescale set by the government departments.
- 9 The key features of the current arrangements are as follows.
 - For claims and returns below £100,000 the Commission does not make certification arrangements.
 - For claims and returns between £100,000 and £500,000, auditors undertake limited tests to agree form entries to underlying records, but do not undertake any testing of eligibility of expenditure.
 - For claims and returns over £500,000 auditors assess the control environment for the preparation of the claim or return to decide whether or not they can place reliance on it. Where reliance is placed on the control environment, auditors undertake limited tests to agree from entries to underlying records but do not undertake any testing of the eligibility of expenditure or data. Where reliance is not placed on the control environment, auditors undertake all of the tests in the certification instruction and use their assessment of the control environment to inform decisions on the level of testing required.
 - For claims spanning over more than one year, the financial limits above relate to the amount claimed over the entire life of the claim and testing is applied accordingly. The approach impacts on the amount of grants work we carry out, placing more emphasis on the high value claims.
- 10 The work that we undertake to certify the Housing Benefits claim for the Department of Work and Pensions is slightly different. Because of the high value and inherently high risk nature of the claim, the auditor has to test the entries on a Council's claim form. In doing this we:

Background

- confirm that the subsidy claim has been completed using the recognised software for claim completion;
- undertake an analytical review for a year by year comparison and comparisons to other Councils; and
- carry out detailed testing of individual claims for benefit to ensure the Council is calculating benefit entitlement correctly and reporting accurate performance information to the Department of Work and Pensions.

Findings

Control environment

- 11 I have assessed that the overall control environment at the Council is good and that this generally applies to the compilation and checking of grant claims and returns. I have therefore been able to rely on the control arrangements in place when completing the certification of the disabled facilities grant.
- 12 I have placed limited reliance on the control environment in the completion of the housing and council tax benefits claim. This is because the certification arrangements for housing and council tax benefits agreed nationally by the Audit Commission and the Department for Work and Pensions require a full review.
- 13 The other large return relates to national non domestic rates. It has been several years since we carried out detailed testing on this return. Given the large amounts involved we determined that a full review was timely. This work will inform our assessment of the control environment for this return for future years and has confirmed that it remains good.

Specific claims

- 14 My testing in respect of all three returns did not identify any concerns. None of the claims were qualified and no significant amendments were required. The Housing and council tax benefits claim was amended to correct a misclassification of expenditure but this did not impact on the subsidy payable.

Appendix 1 – Summary of 2008/09 certified claims

Claims and returns above £500,000

Claim	Value £	Adequate control environment	Amended	Qualification letter
Housing and council tax benefit	21,989,957	Yes	Yes	No
National non- domestic rates return	20,379,673	Yes	No	No

Claims between £100,000 and £500,000

Claim	Value £	Amended	Qualification letter
Disabled Facilities (Housing)	180,000	No	No

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, auditing the £200 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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For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946

www.audit-commission.gov.uk

Countdown to IFRS

Implementation in local government

Local authorities need to make urgent progress now to ensure that their 2010/11 accounts will meet the required standards and will not be late. They also need to ensure that their arrangements for managing the transition achieve good value for money.

Authorities should now act, if they have not already done so, to:

- develop and maintain a detailed project plan, including a budget and resource plan;
- conduct a detailed impact assessment;
- engage the wider organisation, because IFRS is not just a finance issue;
- ensure that their audit committee, or equivalent, is aware of the implications of IFRS; and
- begin a dialogue with their external auditor on the authority's plans and progress, and the issues arising.

Successful implementation of International Financial Reporting Standards (IFRS) is vital to the reputation of individual local government bodies and the sector as a whole. Local authorities are falling behind CIPFA's indicative timetable.ⁱ This brings real risks, but the position is retrievable if authorities take urgent action now.

Local authorities will prepare financial statements based on IFRS under the new *Code of Practice on Local Authority Accounting* for 2010/11. This paper reports local government's progress and highlights the need for authorities to take action now. Several milestones towards implementation have already passed, but the timetable can still be met, if authorities take the right steps now.

In May 2009, the Audit Commission published a briefing paper that considered project management and the issues that will have the most significant impact on authorities' accounts. In May and September 2007, we published papers on the introduction of IFRS into the public sector and what auditors can and cannot do to support local authorities as they prepare for the transition to IFRS.ⁱⁱ

This briefing paper draws on evidence collected in November 2009 by auditors of all local authorities, fire and rescue authorities and police authorities, on local government's readiness for the transition to IFRS. Further briefings will follow, which will focus on the main technical issues.

Local government needs to lead and manage the transition

A failure to achieve successful transition to IFRS would cause significant reputational damage to individual local authorities and the local government sector as a whole. Poor preparation will heighten the risk that accounts will not meet requirements and so attract a qualified auditor's opinion or be published late. At a practical level, there is a risk that extra and unnecessary costs will be incurred.

Only one authority in seven was on track

Our IFRS survey of auditors found that only one authority in seven was on track, and one in five was having serious difficulties. Local authorities therefore need to satisfy themselves that proper arrangements are in place to manage this project and that the project is on track.

i This paper is relevant to local authorities, fire and rescue authorities and police authorities.

ii Further IFRS briefings are available at www.audit-commission.gov.uk/ifrs

In the NHS, which is subject to a transition process similar to central government's, the Department of Health is managing the transition centrally and has set a series of trigger points for producing restated accounts, which bodies have to meet. Auditors have also been asked to review the arrangements that bodies have put in place for the transition and to give an opinion on IFRS-restated comparatives. We have issued a briefing for NHS bodies that highlights that, even within this more structured approach, individual bodies experienced problems and unanticipated technical issues arose.ⁱ Local government does not have an equivalent process as it is constitutionally separate from central government; it is for each local government body to manage the transition individually.

The private sector companies that planned and prepared early did not experience as great a diversion of resources as those which were not so well prepared. Advanced planning and detailed financial work is needed now to successfully meet IFRS by the statutory deadline.

Audit committees need to assure themselves the transition is on track

Every audit committee, or the equivalent, should be sufficiently aware of the requirements of IFRS to ensure that the transition project is given suitable corporate priority. But our survey in November 2009 found that audit committees were not engaged with IFRS implementation. Forty-six per cent of authorities had not informed the audit committee of their transition plans and, in 59 per cent of authorities, the audit committee did not have a role in overseeing IFRS transition.

Forty-six per cent of authorities had not informed the audit committee

Audit committees are an important part of corporate governance. They are a key source of assurance about the organisation's arrangements for managing risk, maintaining an effective control environment and reporting on financial and non-financial performance.

IFRS are principles-based, so professional judgement and interpretation is necessary. A hallmark of successful implementation in health has been early and continuing communication with external auditors. Nearly a third of authorities had not discussed the IFRS transition with their auditor at the time of the survey. Local authorities should be having early discussions with their external auditors to understand and take a view on their interpretation of IFRS requirements. They cannot afford to leave this to the last minute.

Finance departments that have not already done so should report now on IFRS requirements to their audit committee (or equivalent) which should be seeking assurance on progress. Discussions between external auditors, finance teams and the audit committee, should be ongoing.

ⁱ *NHS Briefing Paper 7: Auditors' Review of Restated Comparatives for the 2009/10 Accounts, February 2010, summarises key findings from auditors' work in relation to restatement of IFRS balances, which will also be helpful to practitioners in local government.*

The importance of effective governance and management is highlighted by the risks identified by authorities as reported by auditors. Authorities' main concerns surround:

- the capacity to make the changes in the required timescale (expressed by 60 per cent of authorities);
- the preparation of accounts that do not meet requirements in all material respects leading to a qualified audit opinion (expressed by 27 per cent of authorities);
- technical capability (expressed by 20 per cent of authorities); and
- the potential impact on maintaining appropriate support to service delivery (expressed by 12 per cent of authorities).

Authorities need to complete and maintain a risk assessment

If they have not done so, authorities need to complete and maintain a risk assessment for inclusion in their corporate risk register.

Authorities need to catch up

Authorities are behind where they should be. CIPFA has drawn on lessons from other sectors and published LAAP Bulletin 80, *Implementation of IFRS: Outline Project Plan*, in March 2009. This set out a high-level outline project plan for local government bodies.

A project plan is essential. It can help to establish the basis for project governance, approval and monitoring, define roles and accountabilities, policies and standards and associated processes. The survey found that 77 per cent of authorities had a project plan for IFRS transition in November 2009, but just over three-quarters of these did not contain basic details such as a budget and a resource plan.

Table 1 shows that many authorities had not met key milestones in CIPFA's timeline which had already passed at the time of our survey. Although the timeline is only indicative, local government now needs to pick up the pace.

Table 1: **Examples where authorities lag behind the CIPFA timetable**

Step	Latest recommended completion	Proportion of authorities which had not completed by November 2009 (%)
Carry out high-level impact assessment	May 2009	42
Identify key staff	May 2009	20
Assess whether resources are adequate	May 2009	35 ⁱ
Develop skeleton Statement of Accounts under IFRS	September 2009 ⁱⁱ	95
Identify likely impact on budgets (if any)	September 2009	40

Source: *Audit Commission*

Authorities should not be waiting for CIPFA guidance, as the published Code is authoritative and provides the information needed to prepare IFRS based accounts.

Authorities should not be waiting for CIPFA guidance

Resources for transition activities should have been considered

Authorities should have considered the resources required for the work involved in the transition to IFRS. We recommended in our third briefing paper, *Managing the Transition to IFRS*, that senior management needs to consider whether there are enough resources and skills available within the authority to achieve a timely and smooth implementation of the new standards.

ⁱ Thirty-five per cent had not established a budget for the transition in November 2009.

ⁱⁱ Assumes CIPFA/LASAAC agree formats in March 2009.

Our November 2009 survey found 65 per cent of authorities had not set a budget for transition. Occasionally auditors report this is because authorities have completed an impact assessment and know they can manage transition and ongoing reporting within current staff workloads. However, usually auditors report that this is because authorities do not yet know what the impact will be and therefore do not know what resources will be required.

We know from experience in other sectors that the resources required to manage the transition relate more to the nature and quality of existing systems and arrangements than the size or capacity of the organisation. Transition will incur costs; authorities that have not done so already should develop a detailed resource plan.

There is a significant risk to value for money if there are delays in the transition

Effective leadership and project management is essential to manage the costs of transition effectively. There is a significant risk to value for money if there are delays in the transition. These will lead to extra, avoidable costs to achieve the fixed deadline for the preparation of the accounts.

Knowledge management is essential

Authorities that hire external advisers to help with the IFRS transition need to work collaboratively with them rather than simply outsource. Sixty-three per cent of authorities are using, or plan to use, external advisers to help implementation, mainly for technical input. We do not recommend wholesale externalisation of the IFRS implementation process, unless there is an effective transfer of knowledge between finance and any external consultants. This will lessen the learning curve and help ensure that IFRS reporting is repeatable once the initial change-over is completed.

If authorities decide to use external consultants, they need to make arrangements sooner rather than later to avoid higher costs and to ensure proper arrangements for knowledge transfer can be put in place.

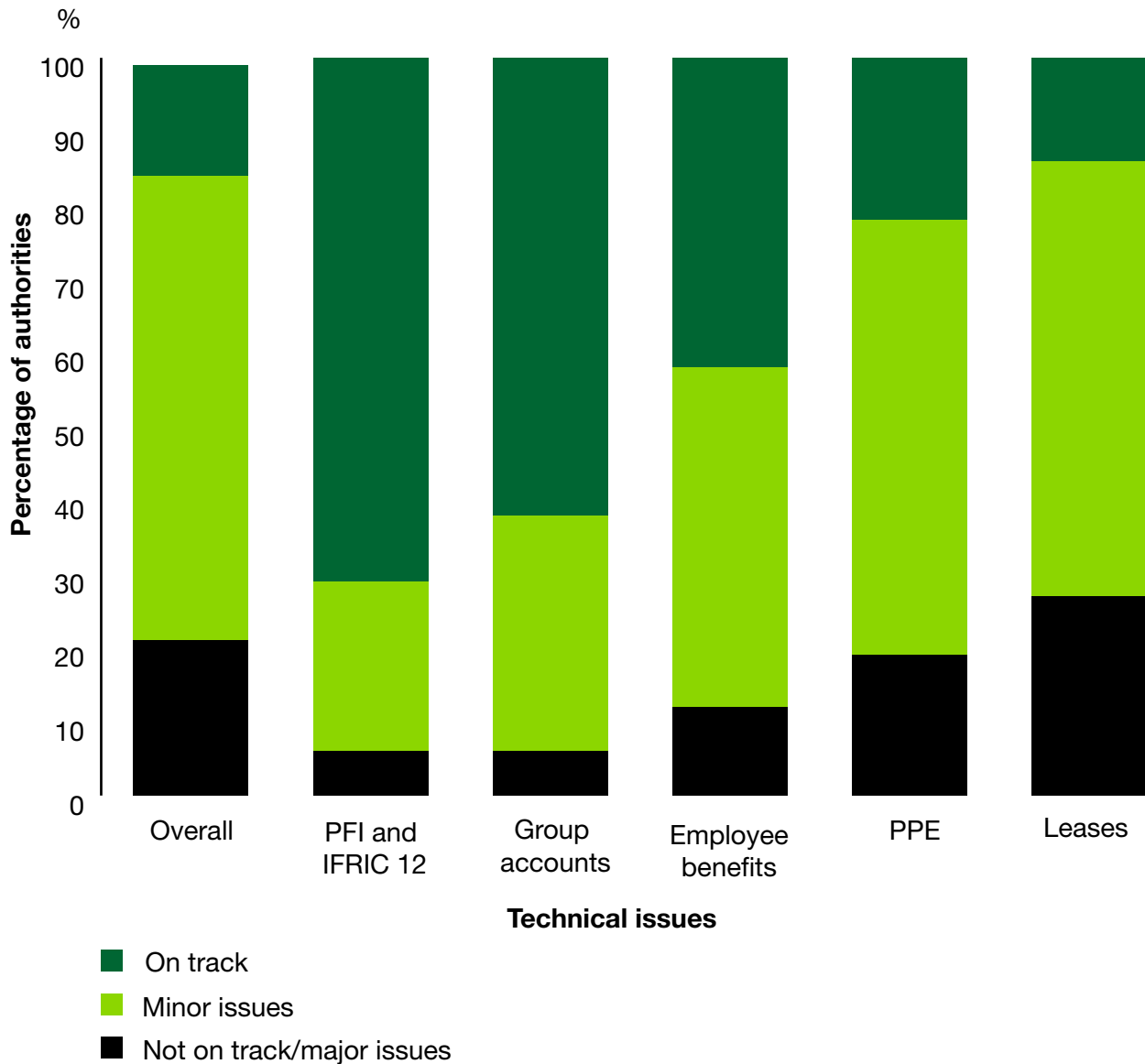
Individuals both inside and outside the financial reporting function, at different levels of seniority, will require some degree of training on IFRS. For some, this knowledge will be necessary to perform their jobs, while for others the understanding will clarify how IFRS may impact on them. Ninety-nine per cent of authorities have already trained staff, or plan to train them, in preparation for IFRS implementation. Training is even more important given auditors' recent continuing concerns about the skill level of staff delivering working papers and financial information for audit.ⁱ

ⁱ Thirteen per cent of local authority auditors have reported concerns to the Audit Commission about the skill level of staff delivering working papers and financial information for audit.

Identification and assessment of the technical impact on accounts is needed urgently

Figure 1: Auditor assessment overall and against key technical areas

Auditor assessments show that property, plant and equipment, and leases are key problem areas for authorities



Source: Audit Commission

Authorities need to address operational and technical issues. In our November 2009 survey, auditors assessed authorities' progress in each of the main technical areas that are likely to have the most significant impact on authorities' accounts and overall. Overall, 15 per cent of authorities were rated as on track, 63 per cent rated as having minor issues, and 21 per cent rated as not on track and having major issues.

Forty-two per cent of authorities had not yet completed an initial impact assessment

Key local drivers for change should be identified through an early analysis of how each IFRS will impact on the authority's systems, structures, people, internal or external financial reporting, and service reporting needs. Forty-two per cent of authorities had not yet completed an initial impact assessment in November 2009 whereas CIPFA had recommended that this work should be completed by June 2009.

There are also signs that even those authorities that have made an impact assessment have focused on the most widely reported technical issues, rather than working out what IFRS will mean to their authority. Authorities that have not already done so should complete an impact assessment now. All authorities should now be conducting detailed technical analyses and updating their initial impact assessment regularly.

IFRIC 12 requires urgent attention

Authorities need to be certain that they have identified all arrangements that may fall under IFRIC 12 now. In the NHS many arrangements were not identified early in the transition process. This caused delays and auditors reported concerns to the Department of Health, as we highlighted in our briefing for NHS bodies.

International standards do not directly address Public Finance Initiative (PFI) accounting. IFRIC 12: *Service Concession Arrangements* looks at such arrangements from the perspective of the private sector service provider. While the IFRIC interpretation does not specifically address PFI accounting, the circumstances it addresses are analogous to those found in a PFI scheme. In most PFI schemes we would expect to see the PFI asset appearing on the public sector balance sheet.

It is also important to recognise that it is not only schemes previously identified as PFIs that will be affected. IFRIC 12 applies to other arrangements, with similar characteristics. So even if an authority thinks it may not be affected by this change, it could be. That is why carrying out an impact assessment is essential.

This issue is particularly pressing, because the CIPFA/LASAAC joint committee has opted to adopt IFRIC 12 earlier than the rest of the international standards.ⁱ The 2009/10 Statement of Recommended Practice requires authorities to prepare financial statements using IFRIC 12.

ⁱ With the exception of financial instruments.

Although the survey found that 71 per cent of authorities were reportedly on track for PFI and IFRIC 12, most authorities had not yet completed a detailed impact analysis. Those that had were far less likely to be confident that they were on track. Experience from the NHS and central government suggests that accounting for arrangements falling under IFRIC 12 is complex and time-consuming. Often, the information needed is either held by a service department or by a third party and getting this information can be difficult. Deciding the bases for measuring and valuing the arrangements has also proved challenging. Local authorities need to act with urgency to ensure that the information is available for the 2009/10 financial statements. It should not – and cannot – be left to the year-end to resolve.ⁱ

Finance departments cannot do this alone

One of the principal lessons learned from the NHS and central government experience is that IFRS affects all parts of an organisation. To succeed, the change must be embedded across the wider organisation, involving people at all levels. It is not just a finance issue: corporate direction is essential.

Authorities will need to collect and collate extra or new data that is not readily available. Where this is the case, clear decisions should be taken on how that extra data is to be captured. Departments such as finance, internal audit, estates, IT, human resources and legal have key roles to play, and this needs senior management involvement and leadership. Experience suggests that if the transition is not supported by senior management and an organisation-wide approach is not taken, IFRS implementation will be disjointed, take longer than necessary and be more expensive.

Sometimes, IFRS will require changes to existing systems or even the development of new systems. Not all of those systems will be under the control of the finance department. Therefore, there is a need to ensure that all departments that hold or produce information needed under IFRS are aware of the requirements and have signed up to ensure that information is available in time. Senior managers have a key role in embedding change throughout the organisation and imposing suitable internal controls to help lessen the risk of errors and make sure IFRS reporting is sustainable.

**Senior managers
have a key role
in embedding
change**

Deciding on appropriate departmental representation on an IFRS project team will depend on each authority's impact assessment. Our survey found that, in addition to finance staff, typically IFRS project teams also include representatives from property (in 64 per cent of authorities), human resources (in 37 per cent of authorities), IT (in 23 per cent of authorities), and service departments (in 20 per cent of authorities).

- ⁱ The Audit Commission has previously commented on the risks of viewing the year-end accounts as just a one-off annual exercise. Sometimes, the final accounts are the first occasion on which income and expenditure is properly accrued and a balance sheet is prepared. Following their work on the 2009/10 accounts, 24 per cent of local authority auditors expressed concerns about the quality or timeliness of financial information delivered for audit.

Authorities can identify potential benefits

Implementation is a requirement and will come at a cost, but potential benefits have also been identified by authorities and reported to the Commission by auditors in the November 2009 survey. We have found that authorities that are identifying what needs to be done to improve systems, data and in-year management systems see benefits from transition work including:

- better understanding of contractual and lease commitments (acknowledged by 55 per cent of authorities);
- more accurate accounting for fixed asset components (acknowledged by 31 per cent of authorities); and
- better employee benefits data (acknowledged by 19 per cent of authorities).

Further information

Auditors will be discussing the issues summarised in this briefing with their authorities and the Audit Commission will be conducting follow-up work in summer 2010.

The Audit Commission is also planning to publish further briefing papers over the coming months, covering issues arising from key areas such as leases, property, plant and equipment, and employee benefits.

Please visit www.audit-commission.gov.uk/IFRS for more information about IFRS and implementation work.

For further information on the work of the Commission please contact:
Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ
Telephone: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946
www.audit-commission.gov.uk

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Report of	Meeting	Date
Head of Shared Assurance Services	Audit Committee	18 March 2010

ASSURANCE STRATEGY 2010-11

PURPOSE OF REPORT

- 1 The report explains the content of the Assurance Strategy which sets out the purpose, operating principles and strategic direction for the Internal Audit and Risk Management services provided to the Council.

RECOMMENDATION

- 2 That the Committee notes and approves the attached revised Strategy for implementation by Shared Assurance Services in 2010/11 and beyond.

EXECUTIVE SUMMARY OF REPORT

- 3 One of the requirements in the Partnership Service Level Agreement (SLA) is the need to produce and update strategies for Internal Audit and Risk Management each year. It is also a requirement of the CIPFA Code of Practice for Internal Audit.
- 4 This report and the attachment set out those strategies under the umbrella of the Shared Assurance Services function.

REASONS FOR RECOMMENDATION

- 5 To maintain a clear, up to date strategy for the Shared Assurance Service in accordance with the partnership SLA.

ALTERNATIVE OPTIONS CONSIDERED & REJECTED

- 6 Not applicable to this report.

CORPORATE PRIORITIES

- 7 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

- 8 One of the requirements in the Partnership Service Level Agreement (SLA) is the need to produce and update strategies for Internal Audit and Risk Management each year. It is also a requirement of the CIPFA Code of Practice for Internal Audit.
- 9 This report and the attachment set out those strategies under the umbrella of the Shared Assurance Services function.
- 10 The first Assurance Strategy was reported to and approved by the Shared Services Joint Committee in October 2009. This document has now been updated to reflect the fact that the Shared Assurance Team has since taken on responsibility for Emergency Planning for both host authorities and also to incorporate new projects in the Business Improvement Plan for 2010/11.

CORE PURPOSE

- 11 To be successful all organisations need to be clear about why they exist and what their fundamental aims and objectives are. In May 2009 staff were asked some key questions about customer service and self-motivation. A managers workshop was then held to aggregate and refine the answers into the following phrase which articulates a vision for the Partnership:

*“To provide an exceptional service,
that is valued by our customers,
To make a difference together”.*

GUIDING PRINCIPLES

- 12 The Partnership Management Team had also considered earlier what they felt were the essential values and behaviours which staff within the partnership needed to uphold, and the following guiding principles were identified:

*To work as a **united team** across both councils.
To **focus on the customer** and deliver the right services in the right way.
To be **excellent** and **efficient** in everything we do.
To achieve the **highest standards of ethical behaviour** and maintain trust and confidentiality throughout.
To create **learning & development** opportunities for everyone involved.*

- 13 Each of these guiding principles is consistent with the separate corporate values which each of the host authorities uphold. At the Partnership away day in July 2009 all the staff was consulted on the draft purpose & guiding principles and their feedback on the day suggests that there is now considerable buy-in from them.

STRATEGY & OBJECTIVES

- 14 Although the Core Purpose and Guiding Principles set the strategic direction of the Partnership as a whole, the Shared Assurance Management Team has in turn translated these into specific strategy objectives for Internal Audit, Risk Management, Emergency Planning, Business Continuity and Insurance.

KEY PERFORMANCE INDICATORS

- 15 These are extracted from the Business Improvement Plan (BIP) for 2010/11 and provide a means of measuring how successful we are in achieving our strategy objectives. To secure continuous improvement these will be reviewed each year.

KEY ACTIONS & PROJECTS 2010/11

- 16 These are also taken from the BIP and map out the specific tasks which will be undertaken in 2010/11 in support of our Strategy Objectives. These will also be reviewed and new ones set annually.

FUTURE UPDATES

- 17 The attached Assurance Strategy runs parallel with the Partnership BIP and so will be updated alongside that document on an annual basis.

IMPLICATIONS OF REPORT

- 18 The matters raised in the report are cross cutting and impact upon the authority as a whole, rather than specific services.

GARRY BARCLAY
HEAD OF SHARED ASSURANCE SERVICES

Background Papers			
Document	Date	File	Place of Inspection
CIPFA Code of Practice	2006	Shared Assurance Services	Civic Centre - Leyland

Report Author	Ext	Date	Doc ID
Garry Barclay	01772 625272	16/02/10	Assurance Strategy Report

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Report of	Meeting	Date
Head of Shared Assurance Services	Audit Committee	18/3/10

INTERNAL AUDIT PLAN 2010/11

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 2010/11 and the priority areas to be reviewed during the new financial year.
3. To seek the Audit Committee’s approval of the Audit Plan.

RECOMMENDATIONS

4. That the Audit Committee approves the 2010/11 Internal Audit Plan.

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 Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) have 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.
8. Although they are separate processes, there is considerable similarity between the areas covered by the internal CIPFA SOLACE governance self-assessment and the external inspection process incorporating Use of Resources and Comprehensive Area Assessments.

THE ROLE OF MANAGEMENT & MEMBERS

9. **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:
 - Head of Governance (Monitoring Officer)
 - Director of Transformation (S151 Officer)
 - Director of Partnerships, Planning & Policy
 - Head of Shared Assurance Services
10. 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 Service Assurance Statements, which have been introduced to evaluate service level compliance with key corporate policies, systems and procedures.
11. As the Audit Committee is responsible for overview and scrutiny of governance, the Committee will soon receive a separate report seeking approval of the 2009/10 AGS, prior to its publication.
12. 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 services 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's workload.

THE ROLE OF INTERNAL AUDIT

13. 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

14. The 2010/11 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 Corporate Directors, Heads of Service and the Audit Commission. The remainder of this report explains the Plan content in more detail.

AUDIT AREAS

Corporate Governance

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

16. 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 Council'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.
17. 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.
18. 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

19. 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

20. 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.

Financial Systems

21. 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

22. 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

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

SHARED SERVICES

24. This section covers our responsibility to provide assurance that effective controls remain in place within the financial systems and the activities within the Assurance Service, both now operated by the new shared services arrangement with South Ribble Borough Council.

AUDIT RESOURCES

25. The Internal Audit Plan for 2010/11 is based on a resource of **485 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	77
Anti-Fraud & Corruption	45
Key Business Systems	30
Computer Audit	30
Financial Systems	75
Key Operations	90
General Areas	138
Chorley Total	485
Shared Services	155

IMPLICATIONS OF REPORT

- 26 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	04/03/10	Internal Audit Plan 2010/11.doc

APPENDIX - INTERNAL AUDIT PLAN 2010/11

Audit Areas	Days	Input Required
CHORLEY		
CORPORATE GOVERNANCE		
External Inspection (CAA, Use of Resources)	20	Corporate Support including the Annual Governance Statement
Service Assurance Statements	12	Collation of Service Assurance Statements
Efficiencies	20	Review of Efficiencies Made
Data Quality (National Indicators)	10	Quality Control Support
Contract Standing Orders	15	Compliance with Contract Standing Orders
ANTI-FRAUD & CORRUPTION		
National Fraud Initiative	30	Co-Ordination & Investigation
Systems Interrogations	10	Development & Application of Strategy
Fraud Awareness / Bulletins	5	For Members and Officers
KEY BUSINESS SYSTEMS		
Maintenance Inspection Regimes	30	Tree Risks / New Regulations
COMPUTER AUDIT		
Government Connect (Version 4.1)	15	Compliance with Version 4.1 of Government Connect
ICT Framework (to be confirmed)	15	Compliance with Framework
FINANCIAL SYSTEMS		
Key Systems Review (ISA)	40	All Non-Shared Key Financial Systems
Asset Management	20	Value for Money Review
Estates	15	Full System Review (Valuations & Collection)
KEY OPERATIONS		
Refuse Collection / Recycling Contract	15	Compliance with Contract
Housing (Home Improvement Agency)	20	Consultancy and Review of Grants
Housing (Low Cost Housing)	20	Compliance with Policy
Review of Planning Processes	15	Management of Play and Recreation Fund
Review of Neighbourhood Working	20	Review of New Arrangements
GENERAL AREAS		
Irregularities (Contingency)	20	Special Investigations
Post Audit Reviews	30	Confirmation that Agreed Actions have been Implemented
Residual Work from 2009/10	28	Finalisation of Reports Issued in 2009/10
Unplanned Reviews (Contingency)	20	In-Year requests for Audit Input
Project Support (Contingency)	15	As required
Audit Committee Reporting & Training	25	Quarterly Meetings
SUB-TOTAL	485	
SHARED SERVICES		
Main Accounting / General Ledger	20	System Review
Capital	20	System Review
Cash and Bank	20	System Review
Creditors	20	System Review
Payroll	20	Review of In-House Arrangements
Treasury Management	15	System Review
Emergency Planning / Business Continuity	20	Review of New Arrangements
Project Support / General Controls Advice	20	Consultancy Support
SUB-TOTAL	155	

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Report of	Meeting	Date
Head of Shared Assurance Services	Audit Committee	18/03/2010

FRAUD RISK MANAGEMENT

PURPOSE OF REPORT

1. To inform members of the outcome of a review recently conducted by the Risk Management Team, to proactively identify the potential exposure to the risk of fraud both corporately and within individual services.
2. To present an action plan which will be implemented to further strengthen the Council's arrangements for the prevention of fraud and corruption.

RECOMMENDATION

That members note the report.

EXECUTIVE SUMMARY OF REPORT

3. The Audit Commission and the Chartered Institute of Public Finance & Accountancy (CIPFA) have recently published revised guidelines on the measures which councils should have in place to maximise their efforts in preventing fraud and corruption in the conduct of their business.
4. These publications seek to test the adequacy and effectiveness of corporate level policies and procedures. We have conducted the relevant self assessments and the resulting actions are contained in the attached Appendix.
5. In addition we have reviewed implementation of the remaining service specific actions contained in the Councils Fraud & Corruption Risk Register.

REASONS FOR RECOMMENDATION(S)

6. The Audit Committee's terms of reference require it to oversee all aspects of governance including risk management. This report gives members the assurance that the Council is effectively managing its fraud risks by ensuring compliance with current best practice in fraud risk management and the National Fraud Strategy.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

7. There are no alternative options appropriate to this item.

CORPORATE PRIORITIES

8. 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

9. The Council has an excellent track record in preventing fraud and corruption and has experienced very few incidents in that regard. There is nevertheless a need to avoid complacency and remain vigilant by upholding best practice and taking the following new guidance on board:

- Protecting the Public Purse (Audit Commission)
- Managing the Risk of Fraud - “Red Book 2” (CIPFA)

10. These publications seek to test the adequacy and effectiveness of corporate level policies and procedures. We have conducted the relevant self assessments and the resulting actions are contained in the attached Appendix.

11. In addition we completed a follow up assessment of the effectiveness of the implementation of the remaining outstanding actions from the Fraud & Corruption Risk Register exercise undertaken in 2008.

12. The following paragraphs summarise the results of all 3 assessments

PROTECTING THE PUBLIC PURSE

13. This guidance document highlights the increased fraud risks and pressures facing public bodies as a direct result of the economic recession and contains a self assessment checklist which “those charged with governance” need to complete. We have therefore undertaken this assessment on behalf of the Audit Committee and the improvement actions emanating from the review are included in the Appendix.

CIPFA MANAGING THE RISK OF FRAUD - “RED BOOK 2”

14. This publication is widely regarded as the most authoritative source of guidance on countering fraud in the public sector and has been adopted as the accepted benchmark standard.

15. We completed an assessment against the good practice checklist covering 56 elements relating to the 5 key action areas of strategy, risk identification, culture, taking action and defining success.

16. No outright gaps were found however 6 areas of activity were identified across the board that present an opportunity to implement improvements to procedures in line with the good practice advice and actions have been developed to address them.

FRAUD & CORRUPTION RISK REGISTER

- 17. This was an innovative and proactive approach to managing fraud risk which we developed “in house” and undertook in 2008. It involved the completion of a comprehensive risk assessment exercise based on the CIPFA publication “Managing the Risk of Fraud”.
- 18. A number of potential risk issues were identified where it was agreed that preventative measures should be introduced and these were compiled into a corporate Fraud and Corruption Risk Register.
- 19. As part of this review we completed a follow up assessment of the effectiveness of the implementation of the remaining outstanding actions from the exercise. We found that out of the 36 actions agreed for implementation 15 remained outstanding or were still in the process of implementation. In each case we have agreed revised completion dates with the relevant service managers which are shown in the attached Appendix.

IMPLICATIONS OF REPORT

- 20. The Directorates with any outstanding residual actions stemming from the Fraud and Corruption Risk Register must now focus on implementing them within the revised timescales.
- 21. All actions from this review will now be monitored and reported in accordance with the Internal Audit procedures for the follow up of actions agreed with managers.

Garry Barclay
Head of Shared Assurance Services

Report Author	Ext	Date	Doc ID
Andy Armstrong Garry Barclay	01772625256 01772625272	01/03/2010	Audit Committee 18_03_10 Fraud Risk Management

Background Papers			
Document	Date	File	Place of Inspection
Protecting the Public Purse	2009		
Managing the Risk of Fraud Red Book	2007	Risk Service Office	West Paddock, Leyland
Anti Fraud and Corruption Risk Register	2008		

No	Area of Risk	Action Agreed	Responsible Officer	Date
Protecting the Public Purse (Audit Commission)				
1	Have we reviewed contract letting procedures against the good practice guidance issued by the Office of Fair Trading to reduce the risk of illegal practices such as cartels?	Contract letting procedures will be reviewed against the good practice guidance issued by the Office of Fair Trading.	Procurement Manager	June 2010
Managing the Risk of Fraud – Red Book 2 (CIPFA)				
2.0 Accurately identifying the Risks – Measuring Fraud and Corruption Losses				
2	1.6 – Has the strategy been agreed by those with political and executive authority for the organisation.	At the next revision of the AF&CS add a Foreword from the CE & Leader	Head of Assurance	September 2010
3	2.2 - Is the organisation seeking to identify accurately the nature and scale of losses to fraud and corruption, using a <ul style="list-style-type: none"> • proper definition of fraud based in civil law for making accurate estimates? • Professional statistical methodology for making accurate estimates and building in a proper level of independent validation? 	Review and update the AF&CS to reflect the requirements of the Fraud Act 2007	Head of Assurance	September 2010
3.0 Creating and Maintaining a Strong Culture – Having the Necessary Authority and Support				
Specialist Training and Accreditation				
4	3.4 - Are all those working to counter fraud and corruption professionally trained and accredited for their role?	Consideration to be given to a member of IA studying for the CIPFA Certificate in Investigative Practice Qualification	Head of Assurance	April 2010
5	3.5 - Do those employees who are trained and accredited formally review their skills base and attend regular refresher courses to ensure they are abreast of new developments and legislation?	At next appraisal formalise arrangements by ensuring that PDP's include sufficient regular refresher courses.	Compliance Manager (Benefits)	April 2010
4.0 Taking Action to Tackle the Problem – Taking the Full Range of Action and Integrating Different Strands				
Culture, Deterrence and Prevention Framework				
6	4.2 - Does the organisation have a clear programme of work attempting to create a real anti-fraud and corruption and zero tolerance culture (including strong arrangements to facilitate whistleblowing)?	Raise awareness of the AF&C Strategy with Officers and Members	Head of Assurance	September 2010

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Agenda Item 8

Deterrence				
7	<p>4.9 - Does the organisation have a clear programme of work to publicise the:</p> <ul style="list-style-type: none"> • hostility of the honest majority to fraud and corruption • effectiveness of preventative arrangements • sophistication of arrangements to detect fraud and corruption • professionalism of those investigating fraud and corruption and their ability to uncover evidence • likelihood of proportionate sanctions being applied; and likelihood of losses being recovered? 	Raise awareness of the AF&C Strategy with Officers and Members	Head of Assurance	September 2010

Chorley Council Fraud & Corruption Risk Register - Action Plan - Feb 2010

Rec No	Risk Reg No	Area of Risk	Priority	Action Agreed	Responsible Officer	Date
		Corporate ICT related risks				
1	44	Theft of ICT equipment and supplies	2	ICT stockroom – A stock control register will be implemented together with procedures for booking materials in and out and regular stock takes.	Head of Customer, ICT & Transactional Services	March 2010
			2	General - An inventory of all IT equipment located within each room will be introduced and signed off by each respective Director.	As above	March 2010
2	53	Unauthorised access/use of information and records due to - uncontrolled movement of unencrypted data	1	A Home working Policy incorporating suitable standards and guidance will be developed and implemented as part of the development of the Home Working project.	Head of Customer, ICT & Transactional Services & Head of Human	Policy to be developed at end of trial period in April 2010

			2	It is expected that the technology provided to Members will be reviewed as part of Scrutiny work for this year. The Council have adopted thin client technology to improve information security and it will be the preferred technology for elected Members.	Resources & OD As above	In progress completion due by September 2010
4	98/99	lack of monitoring information and unrestricted access leading to undisclosed/inappropriate private internet or excessive/inappropriate private e-mail use during office hours	1	The Internet and e-mail acceptable use policy will be revised and reissued.	Head of Customer, ICT & Transactional Services	Revised & due for issue in June 2010
5	100	Authorised staff may undertake the unauthorised export of official data/information	1	The new Microsoft contract includes software to provide 'Rights Management'. This information protection technology works with RMS-enabled applications to safeguard digital information from unauthorised use - both online and offline, inside and outside of the firewall. The product will be evaluated and recommendations to configure it appropriately developed and implemented	Head of Customer, ICT & Transactional Services	July 2010 subject to required MS Office Prof'nal'l rollout
		Funds and grants				
6	58	Theft/misappropriation from the Mayors Charity Bank Accounts due to poor control arrangements	2	Implement an annual independent reconciliation of income and expenditure. This control will be added to the closure of accounts timetable for 2009/10	Head of Financial Shared Services	Annually from June 2010
8	59	Theft/misappropriation from the Elections Bank Accounts(4) - European - Parliamentary - County - Municipal	2	Control and reconciliation arrangements will be revised to incorporate independent reconciliation by an individual not involved in the issue of payments.	Head of Governance	September 2010
		Employment and staffing matters				

11	43	Deception - breach of conditions of the car loan scheme due to a lack of the inspection of drivers documentation	2	Implement an annual check on documentation V5/Insurance/Driving Licence to confirm compliance with the scheme conditions.	Head of Financial Shared Services	Annually from March
12	86	Submission of fraudulent claims under the "Scheme for Financial Incentives To Recruitment"	2	The responsibility for ownership of the scheme will be clarified - the scheme and documentation will be revised and updated and the payment medium clarified	Head of Human Resources & OD	June 2010
		Control and use of corporate assets				
16	79	Sale of land transactions completed under seal by the Director of Corporate Governance where client instructions do not contain reference to the authority for disposal	2	Property Services management procedures under the Liberata Partnership are to be revised as part of the review of the Constitution.	Head of Governance	June 2010
17	63/64	Theft or misappropriation from "the Astley Hall collection" by internal or external source	1	Implement a comprehensive "artefacts database" in compliance with Museums Society standards and recommended software and implement a rolling program of stock reconciliation including independent verification.	Head of Leisure & N'Hoods	In progress complete by October 2010
		Control over vehicles and fuel				
20	68	Obtaining a pecuniary advantage from the disposal of obsolete vehicles, plant and equipment	2	A "Vehicle and Plant Disposal Policy" and procedures will be developed and implemented under the VFM Action Plan. This will now be incorporated in to the "Fleet Management Strategy" which is currently under development.	Head of Streetscene	June 2010
		Collection of miscellaneous income				
22	2	Non payment of private phone call (landline & mobile)/printing charges due to lack of effective collection mechanisms	1	Effective telephone monitoring reports are available in the new telephone system to be implemented in June. It has been agreed that monitoring will be carried out on an annual basis.	Head of Customer, ICT & Transactional	June 2010 following configuration of reports

			1	An annual monitoring exercise will take place, the existence of monitoring will be highlighted during training sessions for the implementation of the new system and will be subject of a Team Brief item.	Services As Above	As Above
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PRIORITY 1	Agreed actions that are considered essential as they impact significantly on the Council's system of governance and internal control and may influence external inspection outcomes. A lack of timely implementation will be reported to the Audit Committee.
PRIORITY 2	Agreed actions that will significantly improve the level of control and will be monitored by Internal Audit. A lack of timely implementation may be reported to the Audit Committee.