

Report of	Meeting	Date
Head of Shared Assurance Services	Audit Committee	24/09/09

INTERNAL AUDIT INTERIM REPORT AS AT 28th AUGUST 2009

PURPOSES OF REPORT

- 1 The purposes of this report are to:
- advise members of the work undertaken in respect of the Annual Internal Audit Plan during the initial five months of 2009/10 and to comment on the results.
 - give an appraisal of the Internal Audit Service's performance to date.
 - inform members of any other developments involving or impacting upon the work of the Internal Audit Service.

RECOMMENDATIONS

- 2 That the Interim Report be noted.

CORPORATE PRIORITIES

- 3 This report relates to the following Strategic Objectives:

Put Chorley at the heart of regional economic development 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 good place to live	
Involving People in their Communities		Ensure Chorley is a performing Organisation	✓

- 4 The Accounts and Audit Regulations 2003 require every local authority to "maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices". Such practices are laid down as standards in the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006.
- 5 The CIPFA Code of Practice defines Internal Audit as "an assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources".
- 6 The Internal Audit Service therefore seeks to provide assurance that the Council is a **performing organisation**.

BACKGROUND

- 7 This is the first interim progress report for the current financial year and covers the period between 1st April 2009 and 28th August 2009.

INTERNAL AUDIT PLAN

- 8 **Appendix 1** to this report provides a “snapshot” of the overall progress made in relation to the 2009/2010 Internal Audit Plan, indicating which audits have been completed, those that are in progress and those that have yet to start. Appendix 1 also shows the time planned and actually spent on individual audits.
- 9 At this stage the plan is on course to be completed. All the audit assignments undertaken to date are on or around budget with the exception of the time allocation for completing the residual work from 2008/9 which was exceeded but this will be clawed back from other reviews.
- 10 **Appendix 2** provides more detailed information on the Internal Audit work undertaken to date.

INTERNAL AUDIT PERFORMANCE

- 11 The table at **Appendix 3** provides information on Internal Audit performance as at the end of August 2009. The performance indicator set is based on work undertaken by the UK public sector audit agencies in 2007 plus service user and staff consultation.
- 12 Again, the majority of the measures are on or around target and full explanations are provided in the table.

OTHER DEVELOPMENTS

Customer Liaison Process

- 13 In establishing a common audit approach for the merged Audit Team we identified an opportunity to improve how we interact with our customers before, during and after an audit assignment. We have therefore established greater clarity over how we:
- agree terms of reference;
 - establish responsibility for agreeing and implementing agreed management actions;
 - report any non-implementations to the Audit Committee.
- 14 The process has been discussed and agreed with Strategy Group prior to being included within the Internal Audit Quality Management System.

Examination Success

- 15 Three members of the Internal Audit team were successful in their recent Institute of Internal Auditor examinations. One of the officers has now achieved the Diploma in Internal Auditing.

Staff Vacancy

- 16 A member of the Audit Team has recently accepted another post within South Ribble Council and will terminate her employment with Internal Audit at the end of September. The options for filling this vacancy will be considered at the next meeting of the Partnership Joint Committee.

IMPLICATIONS OF THE REPORT

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

GARRY BARCLAY
HEAD OF SHARED ASSURANCE SERVICES

Background Papers			
Document	Date	File	Place of Inspection
Accounts & Audit Regulations	2003	Shared Assurance Services	Civic Centre - Leyland

Report Author	Ext	Date	Doc ID
Garry Barclay Clare Ware	01772 625272 01772 655249	11/09/09	AC Interim Report Aug 09

Audit Areas	Qtr	Plan	Actual	Bal	Status
CHORLEY					
CORPORATE GOVERNANCE					
External Inspection (CAA, UofR)	1 & 4	20	18.5	1.5	Ongoing
Governance Assurance Statements	1	20	12.8	7.2	Complete
Corporate Policies (<i>Partnership Framework</i>)	2	15	2	13	Not Started
Corporate Policies (<i>Whistleblowing</i>)	3	15	0.7	14.3	In Progress
Corporate Policies (<i>Sustainability</i>)	3	15	0	15	Not Started
Data Quality (inc. Partnerships)	ALL	40	17.3	22.7	In Progress
ANTI-FRAUD & CORRUPTION					
NFI	ALL	30	24.5	5.5	In Progress
Anti-Fraud & Corruption Policies	3	15	0	15	Not Started
System Interrogations	3	20	0	20	Not Started
Fraud Awareness / Bulletins	ALL	5	0	5	Not Started
KEY BUSINESS SYSTEMS					
Contract Standing Orders	3	15	1	14	In Progress
Equality & Diversity	4	15	0	15	Not Started
COMPUTER AUDIT					
Various Areas	3 & 4	35	0.6	34.4	Not Started
FINANCIAL SYSTEMS					
Key Systems Review (ISA)	4	30	0	30	Not Started
Asset Management	4	15	0	15	Not Started
Estates	2	15	18.6	-3.6	In Progress
KEY OPERATIONS					
Transport	3	20	0	20	Not Started
Leisure Contract	3	15	0	15	Not Started
Neighbourhoods Assets	4	15	0	15	Not Started
Refuse Collection / Recycling Contract	3	15	0	15	Not Started
Car Parking (old & new arrangements)	3	10	0	10	Not Started
CRB Checks	2	5	4.2	0.8	In Progress
Markets	1	15	14.4	0.6	Complete
Homelessness	3	15	5.1	9.9	In Progress
GENERAL AREAS					
Irregularities (Contingency)	ALL	20	2.8	17.2	Ongoing
Post Audit Reviews	ALL	25	17.6	7.4	Ongoing
Residual Work from 2008/9	ALL	15	32.6	-17.6	Complete
Unplanned Reviews (Contingency)	ALL	20	3.5	16.5	Ongoing
Project Support	ALL	15	0	15	Not Started
Audit Committee Reporting & Training	ALL	25	12.4	12.6	Ongoing
SUB-TOTAL		550	188.6	361.4	
SHARED SERVICES					
Main Accounting / General Ledger	4	20	0	20	Not Started
Capital	4	20	0	20	Not Started
Cash and Bank	4	20	0	20	Not Started
Creditors	4	20	0	20	Not Started
Treasury Management	4	15	0	15	Not Started
Risk Management Framework	4	10	0	10	Not Started
General Controls Advice	4	25	0	25	Ongoing
SUB-TOTAL		130	0	130	

APPENDIX 2

SUMMARY OF INTERNAL AUDIT ACTIVITY APRIL – AUGUST 2009

AUDIT AREA	AUDIT INPUT	CONTROLS RATING	KEY CONTROL ISSUES
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1.	SHARED SERVICES		
	All reviews to be undertaken in Quarter 4		

2.	CORPORATE GOVERNANCE		
	External Inspection (CPA, Use of Resources)	Support was provided in collating information for external inspections particularly in respect of internal control issues.	Not applicable to this item. Proactive input provided rather than an audit / review.
	Directorate Assurance Statements	Co-ordinated a review of the system of governance and provided a gap analysis highlighting areas of control weakness to feed into the Annual Governance Statement.	Gap analysis provided showing areas of control weakness which were reported in the Annual Governance Statement.
	Data Quality	Supporting the ongoing data quality control process, including sample checks of "high risk" National Indicators Remaining indicators due to be reviewed during September.	Not applicable to this item. Proactive input provided rather than an audit / review. To date, only minor issues have been identified.

	AUDIT AREA	AUDIT INPUT	CONTROLS RATING	KEY CONTROL ISSUES
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3.	ANTI-FRAUD & CORRUPTION			
	National Fraud Initiative (NFI)	<p>Co-ordinate and contribute to the investigation of matches from the NFI exercise. The majority of the matches have been fully investigated.</p> <p>Co-ordination of the Council's input to the Council Tax/Electoral Register 2009 national exercise will be undertaken in October and December 2009.</p>	N/A	<p>As a result of this exercise a benefit fraud case was identified; the benefit overpayment amounts to £32k. A prosecution file is currently being prepared. There are a further 7 potential benefit fraud cases, which are currently under investigation.</p>
4.	KEY BUSINESS SYSTEMS			
	All reviews to be undertaken in Quarters 3 & 4			
5	COMPUTER AUDIT			
	All reviews to be undertaken in Quarter 3			
6.	FINANCIAL SYSTEMS			
	All reviews to be undertaken in Quarters 3 & 4			

	AUDIT AREA	AUDIT INPUT	CONTROLS RATING	KEY CONTROL ISSUES
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7.	KEY OPERATIONS			
	Criminal Record Bureau (CRB)	To determine whether or not CRB checks are being undertaken appropriately.	Not yet available	Work in Progress
	Markets	Includes a review of controls over: allocation of stalls; receipt and banking of income; health and safety and staff time recording.	Adequate (Draft Report stage)	No major issues identified at this stage.
	Homelessness	A review of procedures and controls in place at the council's hostel, Cotswold House.	Not yet available	Work in Progress

8.	GENERAL AREAS			
	Post Audit Reviews			
	Formal follow-up reviews of: Licensing; Framework for Partnership Working; E-claims; Control of Cash; Debt Management; ICT Security; Budget Setting and Control.	Following the merger of IA processes, a new data collection process and follow up system was introduced on 1/4/09. At the time of reporting, insufficient data is yet available. This PI will be reported to the January meeting.		

	AUDIT AREA	AUDIT INPUT	CONTROLS RATING	KEY CONTROL ISSUES
	Residual Work from 2008/09			
	Internet and E-mail Policy.	Review of the draft policy document and the effectiveness of underlying management procedures to control and monitor usage.	Adequate	Minor suggestions to improve the draft policy document. Recommendations were made to improve the monitoring of and access to the internet and activate web filtering software.
	Unplanned Reviews			
	Insurance Certificates and Driving Licenses	Review of procedures in respect of checks of insurance and driving licenses for officers and members.	Not yet available	Work in progress

KEY TO CONTROL RATINGS

Substantial	The Authority can place sufficient reliance on the controls. Only minor control weaknesses exist.
Adequate	The Authority can place only partial reliance on the controls. Some control issues need to be resolved.
Limited	The Authority cannot place sufficient reliance on the controls. Substantive control weaknesses exist.

The above control ratings relate only to the point in time when the final audit report was issued. They represent a historic rather than a current judgement as managers are charged with implementing corrective action plans to address the control issues raised. This is in turn supported by a programme of follow-up reviews by the Internal Audit Service.

APPENDIX 3

Internal Audit Performance Indicator Table – As At 28th August 2009

	Local Performance Indicators	Target 09/10	Target To Date	Actual to Date	Comments
1	% of audit time utilised	100	42	35	Slightly under target as the audit work to be undertaken by Lancashire Audit Services is scheduled for Q3 & Q4.
2	% of planned time used	90	37	34	On target
3	% audit plan completed	92	38	24	A number of reviews are at draft report stage and at the point of being finalised
4	% management actions agreed	97	97	100	Target exceeded.
5	% of agreed management actions implemented	Priority 1 100 Priority 2 80	Priority 1 100 Priority 2 80	Not Available	Following the merger of IA processes, a new data collection process and follow up system was introduced on 1/4/09. At the time of reporting, insufficient data is yet available. This PI will be reported to the January meeting.
6	% of agreed management actions implemented within agreed timescales	Priority 1 100 Priority 2 80	Priority 1 100 Priority 2 80	Not Available	As above.

7	% overall customer satisfaction rating (assignment level)	96	96	86	Actual figure based on only 2 completed audits. 1 low scoring assessment due to a report recipient not included in consultation on terms of reference.
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Priority 1 actions 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 Governance Committee. **Priority 2** actions will significantly improve the level of control and will be monitored by Internal Audit. A lack of timely implementation may be reported to the Governance Committee.