

Report of	Meeting	Date
Head of Shared Assurance Services	Audit Committee	14/01/10

INTERNAL AUDIT INTERIM REPORT AS AT 27th NOVEMBER 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 eight 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 committee approves the deferment of the audits to 2010/2011 for the reasons stated below.

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 second interim progress report for the current financial year and covers the period between 28th August 2009 and 27th November 2009.

INTERNAL AUDIT PLAN

- 8 **Appendix 1** to this report provides a “snapshot” of the overall progress made in relation to the 2009/10 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. The majority of audit assignments undertaken to date are on or around budget, with the exception of three which have overrun significantly: National Fraud Initiative (NFI), Estates, Criminal Records Bureau and the residual work from 2008/2009 which was reported to the last meeting. A nominal number of days is allocated to NFI in each Annual Audit Plan. The actual time utilised has increased this year in response to the number of ‘matches’ that we have investigated. The review of Criminal Record Bureau checks was being undertaken by an officer who has moved to Information Services and her work is being completed by another member of our Team. This has resulted in the original number of days allocated being exceeded.
- 10 It has been agreed with senior management to defer the reviews of Contract Standing Orders, Asset Management, the Refuse Collection / Recycling Contract and Equality & Diversity and to include them in the 2010/2011 Internal Audit Plan. The reasons for this are that in respect of Contract Standing Orders, one aspect, the waiver of Contract Standing Orders, was included in the scope of the Procurement review which was in the 2008/2009 Internal Audit Plan and finalised in quarter 3 of 2009/2010. A review of Asset Management was also included within the 2008/2009 Plan and is still to be finalised. The Refuse Collection / Recycling Contract commenced in April 2009 and it has been agreed to allow it to embed for a year or so prior to being reviewed by Internal Audit.
- 11 **Appendix 2** provides more detailed information on the Internal Audit work undertaken since the last meeting.

INTERNAL AUDIT PERFORMANCE

- 12 The table at **Appendix 3** provides information on Internal Audit performance as at the end of November 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.
- 13 Again, the majority of the measures are on or around target and explanations are provided in the table.

OTHER DEVELOPMENTS

- 14 In September, a member of the Team was successful in her application to join the Help Desk Team within South Ribble Borough Council’s Information Services. Whilst this could have impacted on the delivery of the Plan, with management’s support and agreement to defer those audits mentioned above in section 10, it has allowed us to manage the situation.

IMPLICATIONS OF THE REPORT

- 15 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 625249	14/01/10	AC Interim Report Jan 2010

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APPENDIX 1 - INTERNAL AUDIT PLAN 2009/10

Audit Areas	Qtr	Plan	Actual	Bal	Status
CHORLEY					
CORPORATE GOVERNANCE					
External Inspection (CAA, UofR)	1 & 4	20	13.3	6.7	Ongoing
Governance Assurance Statements	1	20	12.8	7.2	Complete
Corporate Policies (<i>Partnership Framework</i>)	2	15	2.2	12.8	In Progress
Corporate Policies (<i>Whistleblowing</i>)	3	15	3.0	12	In Progress
Corporate Policies (<i>Sustainability</i>)	4	15	0	15	Not Started
Data Quality (inc. Partnerships)	ALL	40	23	17	In Progress
ANTI-FRAUD & CORRUPTION					
National Fraud Initiative	ALL	30	43.8	-13.8	Complete
Anti-Fraud & Corruption Policies	4	15	0	15	Not Started
System Interrogations	3	20	3	17	On-going
Fraud Awareness / Bulletins	ALL	5	0.3	4.7	On-going
KEY BUSINESS SYSTEMS					
Contract Standing Orders	3	15	1.0	14	Deferred to 2010/2011
Equality & Diversity	4	15	0	15	Deferred to 2010/2011
COMPUTER AUDIT					
Various Areas	3 & 4	35	4.2	30.8	In progress
FINANCIAL SYSTEMS					
Key Systems Review (ISA)	4	30	0	30	Not Started
Asset Management	4	15	0	15	Deferred to 2010/2011
Estates	3	15	16.2	-1.2	In Progress
KEY OPERATIONS					
Transport	3	20	11	9	In Progress
Leisure Contract	3	15	0.4	14.6	In Progress
Neighbourhoods Assets	4	15	2.9	12.1	In Progress
Refuse Collection / Recycling Contract	3	15	0	15	Deferred to 2010/2011
Car Parking (old & new arrangements)	3	10	4.1	5.9	In Progress
Criminal Record Bureau Checks	2	5	9.2	-4.2	Complete
Markets	1	15	17.4	-2.4	Complete
Homelessness	3	15	18.6	-3.6	In Progress
GENERAL AREAS					
Irregularities (Contingency)	ALL	20	3.2	16.8	Ongoing
Post Audit Reviews	ALL	25	27.8	-2.8	Ongoing
Residual Work from 2008/9	ALL	15	35	-20	Complete
Unplanned Reviews (Contingency)	ALL	20	17.4	2.6	Ongoing
Project Support	ALL	15	0.4	14.6	No requests received to date
Audit Committee Reporting & Training	ALL	25	14.7	10.3	Ongoing
SUB-TOTAL		550	285	265	
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	No requests received to date
SUB-TOTAL		130	0	130	

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APPENDIX 2

SUMMARY OF INTERNAL AUDIT ACTIVITY APRIL – NOVEMBER 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)		As reported in the first Interim Report
	Directorate Assurance Statements		As reported in the first Interim Report
	Corporate Policies (Partnership Framework)	To be completed	Not yet available
	Corporate Policies (Whistleblowing)	To be completed	Work in progress
	Corporate Policies (Sustainability)	To provide assurance that the council's arrangements to meet its sustainability obligations are adequate and effective, ensuring that the council's role is appropriate and exposure to risks is minimised.	Work in progress

	AUDIT AREA	AUDIT INPUT	CONTROLS RATING	KEY CONTROL ISSUES
	Data Quality	Supporting the ongoing data quality control process, including sample checks of "high risk" National Indicators.	Not applicable to this item. Proactive input provided rather than an audit / review.	Remaining indicators due to be reviewed during the last quarter Any minor issues identified to date have been rectified during the review.
3.	ANTI-FRAUD & CORRUPTION			
	National Fraud Initiative (NFI)	Co-ordinate and contribute to the investigation of matches from the NFI exercise. The majority of the matches have been fully investigated. Co-ordination of the Council's input to the Council Tax / Electoral Register 2009 national exercise was undertaken in October and December 2009.	N/A	As a result of the 2008/9 exercise, 2 benefit fraud cases were identified; the benefit overpayment amounts to £51k. There are currently a number of other benefit cases under investigation.
	Anti Fraud and Corruption Policies	Review to undertaken in Quarter 4		
	System Interrogations	Using IDEA software a matching exercise was undertaken. Payroll data was matched to Creditors data to establish if any officers had been paid through the creditors system.	Not applicable to this item.	A number of matches were identified and are being investigated further.
4	COMPUTER AUDIT			
	Review of Government Connect	The planned review of the Government Connect project has been postponed. Options for a replacement review are being explored by management.		

	AUDIT AREA	AUDIT INPUT	CONTROLS RATING	KEY CONTROL ISSUES
	Review of Data Protection / Freedom of Information / Environmental Information Regulations.	To ascertain whether the council has effective procedures in place to manage and respond to requests for information.	Not yet available	Work in progress
6.	FINANCIAL SYSTEMS			
	Key System (ISA)	Review to be undertaken in quarter 4		
	Estates	To undertake a review of the partnership with Liberata	Not yet available	Work in Progress
7.	KEY OPERATIONS			
	Transport	To undertake a review of the system controls and procedures to ensure that sustainability, planning and maintenance of fleet vehicles are effective and to give assurance that an appropriate vehicle management system is in place and is operating effectively.	Not yet available	Work in Progress
	Leisure Contract	Review to provide assurance that the terms of the leisure contract arrangements with Active Nation (formally CLS) are complied with and that the systems to manage and monitor the contract arrangements are adequate.	Not yet available	Work in Progress

	AUDIT AREA	AUDIT INPUT	CONTROLS RATING	KEY CONTROL ISSUES
	Criminal Record Bureau (CRB)	To determine whether or not CRB checks are being undertaken appropriately.	Adequate (Draft report stage)	Written procedures need to be put in place and a review of posts needs to be undertaken to ensure that the correct level of CRB check is undertaken.
	Neighbourhood Assets	To review the controls in place surrounding Neighbourhood Assets, including Ground Maintenance and Street Cleansing.	Not yet available	Work in Progress
	Car Parking	To review the administration processes, receipt and recording of car park income and to gain an overview of the procurement and partnership arrangements in place.	Not yet available	Work in Progress
	Markets	A review of controls over: allocation of stalls; receipt and banking of income; health and safety and staff time recording.	Adequate	No issues identified.
	Homelessness	A review of procedures and controls in place at the council's hostel, Cotswold House.	Adequate (Draft report stage)	Significant improvements have taken place. Some weaknesses identified in payment recording, notification of insurance requirements and CRB checks.
8.	GENERAL AREAS			
	Post Audit Reviews			
	Formal follow-up reviews of: Licensing; Framework for Partnership Working; E-claims; Control of Cash;	Formal follow up of those agreed management actions due for implementation, to verify that they have been implemented and are operating effectively.		No key control issues.

	AUDIT AREA	AUDIT INPUT	CONTROLS RATING	KEY CONTROL ISSUES
	Debt Management; ICT Security; Budget Setting and Control; Data Quality			
	Residual Work from 2008/09			
	Various areas			As reported in the first Interim Report
	Unplanned Reviews			
	Insurance Certificates and Driving Licenses for Officers and Members	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.

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Internal Audit Performance Indicator Table – As At 27th November 2009

	Local Performance Indicators	Target 09/10	Target To Date	Actual to Date	Comments
1	% of audit time utilised	100	65	56	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	60	52	On target
3	% audit plan completed	92	61	47	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 80 Priority 2 70	88% P1 N/A P2	Target exceeded.
6	Of the agreed management actions implemented – the % implemented on time	Priority 1 100 Priority 2 80	Priority 1 100 Priority 2 80	100% P1 N/A P2	On target. All management actions implemented on time.
7	% overall customer satisfaction rating (assignment level)	96	96	100%	Target exceeded.

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.

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