

Report of	Meeting	Date
Head of Shared Assurance Services	Audit Committee	29/09/11

## INTERIM INTERNAL AUDIT REPORT AS AT 31<sup>ST</sup> JULY 2011

### PURPOSES OF REPORT

1. To advise members of the work undertaken in respect of the Internal Audit Plans for Chorley and Shared Services during the initial four months of 2011/12 and to comment on the outcomes;
2. To give an appraisal of the Internal Audit Service's performance to date;
3. To inform members of any significant management actions which are outstanding together with any underlying reasons;
4. To inform members of any general developments involving or impacting upon the work of the Internal Audit Service.

### RECOMMENDATIONS

5. That the report be noted and to consider the significant management action outstanding at Appendix 3.

### CORPORATE PRIORITIES

6. This report relates to the following strategic objectives:

Strong Family Support		Education and Jobs	
Being Healthy		Pride in Quality Homes and Clean Neighborhoods	
Safe Respectful Communities		Quality Community Services and Spaces	
Vibrant Local Economy		Thriving Town Centre, Local Attractions and Villages	
A Council that is a consistently Top Performing Organisation and Delivers Excellent Value for Money			x

## BACKGROUND

7. This is the first progress report for the current financial year and covers the period between 1<sup>st</sup> April 2011 and 31<sup>st</sup> July 2011.

## INTERNAL AUDIT PLANS

8. **Appendix 1** provides a “snapshot” of the overall progress made in relation to the 2011/12 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. Members will note that at this stage, the Internal Audit plan is on target to be achieved. Members will also note that all reviews completed to date have either been given a substantial or adequate assurance rating.
10. Members may recall that it was reported at the last Audit Committee that some work was carried forward or deferred into the first quarter of 2011/12. The Shared Services work is now complete. In respect of the Chorley Borough Council plan, 3 pieces of work were carried over: the Home Improvement Agency Audit is now complete; the Information Security Framework is at draft report stage; further work was requested by the Chief Executive in respect of the Asset Management review which is also nearing completion.
11. The table below provides a brief summary of the audit work completed during the period together with any control issues identified.

<b>Audit Area</b>	<b>Control Rating</b>	<b>Comments</b>
<b>Shared Services</b>		
Main Accounting	Adequate	Management actions were agreed to improve the virement process and to ensure sign off of budgets and year end reports.
Capital	Substantial	No key control issues identified
Cash and Bank	Adequate	Management actions were agreed to improve: the control of receipt books; unidentified income management and to implement an improved income management system at Cotswold House.
Creditors	Substantial	No key control issued identified
Payroll	Substantial	No key control issues identified
<b>Chorley</b>		
Land Charges	Adequate	Management actions were agreed to improve processes to verify receipt of BACS payments and improve procedural guidance.
Health and Safety	Adequate	Management actions were agreed to update information on the Loop, improve recording of actions taken and ensuring that the Health and Safety Partnership follows the Framework for Partnership working.

Audit Area	Control Rating	Comments
Estates	Adequate	Management actions were agreed for the documentation held by Liberata to be improved, for a void property inspection regime to be introduced and for communication to be improved between legal, finance, exchequer and Liberata by introducing regular meetings.
Licensing	Adequate	Management actions were agreed that adequate training should be provided by the System Provider, Civica, to appoint an internal Systems Administrator and that data cleansing should take place to ensure quality of data on the CBC web-site.
Home Improvement Agency	Substantial	No key control issued identified.
Planning Application	N/A	Checks were undertaken to verify that the correct processes and procedures had been followed when considering a planning application from a member of staff.

## INTERNAL AUDIT PERFORMANCE

12. **Appendix 2** provides information on Internal Audit performance as at the end of July 2011.
13. The majority of the performance measures are on or around target however, there are 3 areas where performance appears to be below target and these require further explanation, as follows:
14. **% of agreed management actions implemented.** An actual outturn of 68% Shared Services (SS) and 41% (CBC) against a target of 100%. Members may recall that a new monitoring process for ensuring Management Actions are implemented has recently been introduced by Internal Audit. Management Actions are now monitored 3 times a year as opposed to on an ongoing basis. This transitional period has caused the percentage achieved figure to be lower: however this figure should rise over the course of the year as the new system becomes embedded. In the case of Chorley another mitigating reason for the figures is a vacant Head of Service post which delayed implementation of management actions. Revised dates have been agreed with the newly appointed Head of Service.
15. **% of agreed management actions implemented on time** shows an actual outturn of 35% (SS) and 27% (CBC) against a target of 100%. Again this is partly due to the change to the follow-up system and in the case of Shared Services this was due to the delayed implementation of the new financial system.
16. **% overall customer satisfaction rating.** An actual out-turn of 77% (SS) against a target of 90% was achieved. All the completed surveys have been analysed and whilst the out-turn is below target, no underlying trends or concerns have been identified.

## **OUTSTANDING MANAGEMENT ACTIONS**

17. Part of the Audit Committee's remit is to consider any significant agreed management actions which have not been implemented within a reasonable time scale following the agreed deadline.
18. **Appendix 3** provides details of an outstanding management action. This action has exceeded the original agreed implementation date and agreed revised date. The schedule also contains any reasons or mitigating circumstances for the delay.

## **GENERAL DEVELOPMENTS**

19. **Examination Success.** One member of the Internal Audit Team was successful in her recent Institute of Internal Audit examinations and has now achieved the Diploma in Internal Audit Practice.

## **IMPLICATIONS OF THE REPORT**

20. The matters raised in the report are cross cutting and impact upon individual services and the Council as a whole.

GARRY BARCLAY  
HEAD OF SHARED ASSURANCE SERVICES

**APPENDIX 1**

**INTERNAL AUDIT PLANS 2011/12**

<b>AUDIT AREA</b>	<b>PLAN (Days)</b>	<b>ACT (Days)</b>	<b>BAL (Days)</b>	<b>CONTROL RATING</b>	<b>COMMENTS</b>
<b>SHARED SERVICES</b>					
<b>FINANCE</b>					
Main Accounting System	20	0.1	19.9		Process mapping in progress
Creditors	20	4.9	15.1		Process mapping in progress
Payroll	20	2.1	17.9		Process mapping in progress
Treasury Management	15	1.0	14.0		Process mapping in progress
Cash & Bank / Cheque Control	20	3.7	16.3		Process mapping in progress
Travel & Subsistence	15		15.0		To commence Q2
<b>REVENUES &amp; BENEFITS</b>					
Council Tax	15	0	15		To commence Q3/4
National Non Domestic Rates	15	0	15		To commence Q3/4
Housing & Council Tax Benefits	20	0	15		To commence Q3/4
Debtors	20	0	15		To commence Q3/4
<b>ASSURANCE</b>					
Emergency Plan & Business Continuity	20	7.8	12.2		In progress
<b>GENERAL</b>					
<b>Residual Work from 2010/11</b>	20	32.8	-12.8		
Main Accounting CBC		7.7		Adequate	Complete.
Capital CBC		6.5		Substantial	Complete.
Cash and Bank CBC		1.7		Adequate	Complete.
Creditors CBC		10.6		Substantial	Complete.
Payroll CBC		6.3		Substantial	Complete.
<b>Post Audit Reviews</b>	15	3.2	11.8		On-going
<b>Unplanned Reviews / Contingency</b>	10	0	10.0		No requests received
<b>TOTAL</b>	<b>245</b>	<b>57.3</b>	<b>187.7</b>		
<b>CHORLEY</b>					
<b>CORPORATE AREAS</b>					
Annual Governance Statement	15	7.4	7.6	N/A	On-going
Anti-Fraud & Corruption / Awareness	15	5.8	9.2	N/A	On-going
National Fraud Initiative (NFI)	30	9.9	20.1	N/A	On-going
System Interrogations	10	0.0	10.0		To commence Q3
<b>PARTNERSHIPS, PLANNING &amp; POLICY</b>					
<b>Policy</b>					
Performance M'ment / Pls / Data Quality	15	0.4	14.6		To commence end of Q2
<b>Planning</b>					
Building Control	10	8.9	1.1	Adequate	On-going
Land Charges	10	9.6	0.4	Adequate	Complete
<b>TRANSFORMATION</b>					
<b>Human Resources</b>					
Health & Safety	10	10.8	-0.8	Adequate	Complete
<b>ICT</b>					
Government Connect (penetration testing)	15	0.0	15		To commence Q3.
<b>Property</b>					
Estates	15	18.1	-3.1	Adequate	Complete
Maintenance / Inspection Regimes	20	0.0	20		To commence Q3

AUDIT AREA	PLAN (Days)	ACT (Days)	BAL (Days)	CONTROL RATING	COMMENTS
<b>PEOPLE &amp; PLACES</b>					
Licensing (Taxi, Alcohol, Premises)	15	15.9	-0.9	Adequate	Complete.
Car Parks	10	0.0	10		To commence Q2
Indoor / Outdoor Leisure Contract	10	0.0	10		To commence Q2
Astley Hall	15	9.2	5.8		In progress
Transport / Neighbourhood Assets	20	0.0	20		To commence Q4
<b>GENERAL AREAS</b>					
<b>Irregularities (Contingency)</b>	20	4.2	15.8		On-going
Planning Application		4.2		N/A	Complete.
<b>Post Audit Reviews</b>	15	4.8	10.2		On-going
<b>Residual Work from 2010/11</b>	25	34.5	-9.5		
Home Improvement Agency		8.6		Substantial	Complete
Asset Management		14.4		Adequate	On-going
ICT Information Security Framework		11.5			In progress
<b>Unplanned Reviews (Contingency)</b>	20	0.9	19.1		On-going
Governance Committee	20	5.1	14.9		On-going
<b>TOTAL</b>	<b>335</b>	<b>147.7</b>	<b>187.3</b>		

#### KEY TO CONTROL RATINGS

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

#### NOTE

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.

## INTERNAL AUDIT PERFORMANCE INDICATORS AS AT 31ST JULY 2011

	Indicator	Audit Plan	Target 2011/12	Target to Date	Actual to Date	Comments
1	% of planned time used	SS	100%	20%	23%	Target exceeded.
		CBC	100%	40%	44%	Target exceeded.
2	% audit plan completed	SS	92%	20%	20%	On target.
		CBC	92%	29%	29%	On target.
3	% management actions agreed	SS	97%	97%	100%	Target exceeded.
		CBC	97%	97%	95%	1 management action not agreed.
4	% of agreed management actions implemented.	SS	100%	100%	68%	17 out of 25 agreed management actions implemented 7 revised dates agreed, 1 SRBC action reported to Governance Committee.
		CBC	100%	100%	41%	15 out of 37 management actions implemented 21 revised dates agreed. 1 management action not implemented included in Appendix 3.
5	Of the agreed management actions implemented – % implemented on time	SS	100%	100%	35%	6 out of 17 management actions implemented on time.
		CBC	100%	100%	27%	4 out of 15 management actions implemented on time.
6	% overall customer satisfaction rating (assignment level)	SS	90%	90%	77%	Based on 4 satisfaction surveys returned.
		CBC	90%	90%	92%	Based on 3 satisfaction surveys returned.

SS = Shared Services

CBC = Chorley

## SCHEDULE OF OUTSTANDING MANAGEMENT ACTIONS AS AT 31ST JULY 2011

Audit Title	Rec No.	Agreed Action	Agreed Date	Reasons for Non-Implementation	Revised Implementation Date
<b>Chorley</b>					
Driving Licenses and Insurance.	6	Democratic Services should check annually that Members who use their vehicles for business have a valid driving licence, relevant business cover on their personal insurance policies and a valid MOT certificate.	Original date Jan-11. Revised date June-11.	<p>There have been ongoing issues in enforcing this Management Action with Elected Members and therefore it has not been implemented in its entirety.</p> <p>The agreement with audit is now that a letter will be sent reminding members of their responsibility to have a valid driving licence and MOT certificate (where required) and to check with their insurance company that they have adequate business insurance in order to undertake council business using their car. The responsibility lies with them and checks will not take place although the claim form will require them to sign up to this in making a claim. There will be an annual reminder letter to Members, and also this information will be included in the new Members induction information. This information will indicate that this does not apply just to those Members making a claim, but to all those who use their car to attend meetings, meeting constituents etc.</p> <p>Letter sent and claim form amended 10<sup>th</sup> August 2011.</p>	