



| Report of                         | Meeting         | Date            |
|-----------------------------------|-----------------|-----------------|
| Head of Shared Assurance Services | Audit Committee | 19 January 2012 |

**INTERIM INTERNAL AUDIT REPORT AS AT 2 DECEMBER 2011.**

**PURPOSE OF REPORT**

1. To advise members of the work undertaken in respect of the Internal Audit Plans for Chorley and Shared Services during the second 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.

**RECOMMENDATION(S)**

5. That the report be noted.

**EXECUTIVE SUMMARY OF REPORT**

6. At this stage the Audit Plan is on target to be achieved and the majority of the performance measures are on, or around target.

|                            |     |    |
|----------------------------|-----|----|
| <b>Confidential report</b> | Yes | No |
|----------------------------|-----|----|

**CORPORATE PRIORITIES**

7. This report relates to the following Strategic Objectives:

|   |  |  |          |
|---|--|--|----------|
| Strong Family Support   |  | Education and Jobs                                   |          |
| Being Healthy   |  | Pride in Quality Homes and Clean Neighbourhoods      |          |
| 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 |  |  | <b>x</b> |

**BACKGROUND**

8. This is the second progress report for the current financial year and covers the period between 1<sup>st</sup> August 2011 and 2<sup>nd</sup> December 2011.

## INTERNAL AUDIT PLANS

9. **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.
10. Members will note that at this stage, the Internal Audit Plan is on target to be achieved. With the exception of Astley Hall, all reviews completed to date have been given a substantial or adequate assurance rating. In the case of Astley Hall, actions needed to be put in place in respect of increasing income generation, collecting service charges, improving asset control and health and safety. Steps are being taken to make improvements in these areas and the limited controls assurance rating will be raised once the management actions are complete.
11. The table below provides a brief summary of the audit work completed during the period together with any control issues identified.

| Audit Area  | Control Rating  | Comments  |
|---|---|---|
| <b>Shared Financial Services</b>  |   |   |
| Key Financial Systems:<br>Main accounting;<br>Creditors;<br>Payroll;<br>Treasury Management;<br>Cash and Bank;<br>Travel and Subsistence. | Not applicable at this stage, testing to be carried out in quarter 4. | Work involved documenting and reviewing the system to identify risks and ensure mitigating controls are in place.<br><br>Management actions were agreed as follows:-<br><u>Main Accounting</u><br>That the systems reports should be reviewed by the Systems Team to ensure that all amendments are accurate and appropriate and that quarterly random sampling of reconciliations should take place.<br><u>Treasury</u><br>That a scheme of delegation should be introduced and that the reporting arrangements within CBC's Constitution should be reviewed.<br><u>Travel and Subsistence</u><br>To ensure all staff are included in the check of driving documents, Exchequer Services should obtain a full 12 monthly report of all travel and subsistence claimants when they undertake their check rather than the 3 monthly report they currently use. |
| Key Financial Systems:<br>Human Resources and Payroll.  | Not applicable at this stage, testing to be carried out in quarter 4. | No key control issues were identified.  |
| <b>Chorley</b>  |   |   |

| Audit Area                     | Control Rating | Comments  |
|--------------------------------|----------------|---|
| Car Parks                      | Substantial    | No key control issues were identified.  |
| Building Control               | Adequate       | Management actions were agreed to update procedure notes, to update the income reconciliation spreadsheet and to introduce management checks on collection of inspection fees.  |
| Indoor and Outdoor Leisure     | Adequate       | Management actions were agreed to ensure that all legal documentation in respect of CBC and Active Nation and CBC and Glendale Managed Services Ltd., is up to date and that regular reviews of the joint risk register and business continuity plans for Active Nation take place. |
| Information Security Framework | Adequate       | Management actions were agreed: that the Information Security Framework should be reviewed; that the Information Management Forum should be re-constituted and that a training strategy and communications strategy should be produced.   |
| Astley Hall                    | Limited        | Management actions were agreed in respect of increasing income generation, collecting service charges, improving asset control and health and safety.   |

## INTERNAL AUDIT PERFORMANCE

12. **Appendix 2** provides information on Internal Audit performance as at the 2<sup>nd</sup> December 2011.
13. The majority of the performance measures are on, or around target. However, there are 3 areas where performance is below target and these require further explanation, as follows:
14. **% of audit plan complete.** The actual figure for Shared Services (SS) is slightly below target as 2 reports were at draft report stage and were unable to be counted as complete for the purpose of this indicator.
15. **% of agreed management actions implemented.** There was an actual figure of 67% for Shared Services (SS) and 64% for Chorley Borough Council (CBC) against a target of 100%. Members will recall that a new monitoring process for ensuring management actions are implemented was introduced at the beginning of the current financial year.

This new process has resulted in CBC's figures rising from 41% at the end of July 2011 to 64%. Although this figure is still below target it is expected to rise as the new system becomes embedded. Revised dates have been agreed for all outstanding management actions. The majority of these dates fall within the current financial year, therefore, should all revised dates be met, the figures should be on, or around target.

There has been little change in the figures reported for Shared Services. This is due to there being few additional actions becoming due for implementation since the last progress report to members. Again we expect this figure to rise as the new monitoring process becomes embedded.

- 16. % of agreed management actions implemented on time.** There was an actual outturn of 33% (SS) and 50% (CBC) against a target of 100%. In the case of CBC the figure has risen from 27% at the end of July 2011 to 50%. As mentioned in the last Audit Committee Report this figure is low partly due to the changes to the follow-up system and in the case of Shared Services this was due to the delayed implementation of the new financial system.

**17. OUTSTANDING MANAGEMENT ACTIONS**

All significant management actions have been implemented within a reasonable time scale. Therefore there are no outstanding management actions to report.

**18. GENERAL DEVELOPMENTS**

In October, Internal Audit was contacted by the Finance Director of St Catherine’s Hospice, who asked if we would be able to provide the Hospice with some Internal Audit provision. As overall there is contingency time still available within the South Ribble and Shared Services Internal Audit Plans and with the approval of the Chief Executives of both councils, we have agreed to provide approximately 10 days within 2011/2012 and provisionally, a further 20 days in 2012/2013. This will generate income for the Shared Service without compromising the level of service we are able to provide to Chorley, South Ribble and the Shared Service.

**IMPLICATIONS OF REPORT**

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

|  |   |  |  |
|--|---|--|--|
| Finance                                  |   | Customer Services                      |  |
| Human Resources                          |   | Equality and Diversity                 |  |
| Legal                                    |   | Integrated Impact Assessment required? |  |
| No significant implications in this area | x | Policy and Communications              |  |

GARRY BARCLAY  
HEAD OF SHARED ASSURANCE SERVICE

Background papers include the 2011/2012 Internal Audit Plans for CBC/SS and the first Interim Report.

| Report Author  | Ext  | Date     | Doc ID               |
|----------------|------|----------|----------------------|
| Jan Minchinton | 5468 | 14/12/11 | Audit Interim Report |

**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                 | 9.2               | 10.8              |                       | Finance Report (1) complete. Testing to be completed in Q4. |
| Creditors                                    | 20                 | 9.1               | 10.9              |                       | Finance Report (1) complete. Testing to be completed in Q4. |
| Payroll                                      | 20                 | 10.6              | 9.4               |                       | Finance Report (1) complete. Testing to be completed in Q4. |
| Treasury Management                          | 15                 | 9.6               | 5.4               |                       | Finance Report (1) complete. Testing to be completed in Q4. |
| Cash & Bank / Cheque Control                 | 20                 | 11.5              | 8.5               |                       | Finance Report (1) complete. Testing to be completed in Q4. |
| Travel & Subsistence                         | 15                 | 6.8               | 8.2               |                       | Finance Report (1) complete. Testing to be completed in Q4. |
| <b>REVENUES &amp; BENEFITS</b>               |                    |                   |                   |                       |   |
| Council Tax                                  | 15                 | 8.3               | 6.7               |                       | On-going  |
| National Non Domestic Rates                  | 15                 | 2.3               | 12.7              |                       | On-going  |
| Housing & Council Tax Benefits               | 20                 | 0.3               | 19.7              |                       | On-going  |
| Debtors                                      | 20                 | 5.8               | 14.2              |                       | On-going  |
| <b>ASSURANCE</b>                             |                    |                   |                   |                       |   |
| Emergency Plan & Business Continuity         | 20                 | 30.6              | -10.6             |                       | Draft report issued   |
| <b>GENERAL</b>                               |                    |                   |                   |                       |   |
| <b>Residual Work from 2010/11</b>            | 20                 | 32.8              | -12.8             |                       |   |
| Main Accounting CBC                          |                    |                   |                   | Adequate              | Complete.   |
| Capital CBC                                  |                    |                   |                   | Substantial           | Complete.   |
| Cash and Bank CBC                            |                    |                   |                   | Adequate              | Complete.   |
| Creditors CBC                                |                    |                   |                   | Substantial           | Complete.   |
| Payroll CBC                                  |                    |                   |                   | Substantial           | Complete.   |
| <b>Post Audit Reviews</b>                    | 15                 | 6.6               | 8.4               |                       | On-going  |
| <b>Unplanned Reviews / Contingency</b>       | 10                 | 2.2               | 7.8               |                       |   |
| <b>TOTAL</b>                                 | <b>245</b>         | <b>145.7</b>      | <b>99.3</b>       |                       |   |
| <b>CHORLEY</b>                               |                    |                   |                   |                       |   |
| <b>CORPORATE AREAS</b>                       |                    |                   |                   |                       |   |
| Annual Governance Statement                  | 15                 | 8.4               | 6.6               | n/a                   | On-going  |
| Anti-Fraud & Corruption / Awareness          | 15                 | 11.2              | 3.8               | n/a                   | On-going  |
| National Fraud Initiative (NFI)              | 30                 | 25.1              | 4.9               | n/a                   | On-going  |
| System Interrogations                        | 10                 | 0.7               | 9.3               | n/a                   | To commence Q4  |
| <b>PARTNERSHIPS, PLANNING &amp; POLICY</b>   |                    |                   |                   |                       |   |
| <b>Policy</b>                                |                    |                   |                   |                       |   |
| Performance Management / PIs / Data Quality. | 15                 | 4.0               | 11.0              |                       | On-going  |
| <b>Planning</b>                              |                    |                   |                   |                       |   |
| Building Control                             | 10                 | 10.8              | -0.8              | Adequate              | Complete  |
| Land Charges                                 | 10                 | 10                | 0                 | Adequate              | Complete  |
| <b>AUDIT AREA</b>                            | <b>PLAN (Days)</b> | <b>ACT (Days)</b> | <b>BAL (Days)</b> | <b>CONTROL RATING</b> | <b>COMMENTS</b>   |

| <b>TRANSFORMATION</b>                    |            |              |             |             |                |
|--|------------|--------------|-------------|-------------|----------------|
| <b>Human Resources</b>                   |            |              |             |             |                |
| Health & Safety                          | 10         | 11.2         | -1.2        | Adequate    | Complete       |
| <b>ICT</b>                               |            |              |             |             |                |
| Disaster recovery                        | 10         | 6.1          | 3.9         |             | On-going       |
| Government Connect (penetration testing) | 15         | 0.2          | 14.8        |             | To commence Q4 |
| <b>Property</b>                          |            |              |             |             |                |
| Estates                                  | 15         | 18.1         | -3.1        | Adequate    | Complete       |
| Maintenance / Inspection Regimes         | 20         | 6.8          | 13.2        |             | On-going       |
| <b>PEOPLE &amp; PLACES</b>               |            |              |             |             |                |
| Licensing (Taxi, Alcohol, Premises)      | 15         | 15.9         | -0.9        | Adequate    | Complete.      |
| Car Parks                                | 10         | 11.8         | -1.8        | Substantial | Complete       |
| Indoor / Outdoor Leisure Contract        | 10         | 10.0         | 0           | Adequate    | Complete       |
| Astley Hall                              | 15         | 18.2         | -3.2        | Limited     | Complete       |
| Transport / Neighbourhood Assets         | 20         | 0            | 20          |             | To commence Q4 |
| <b>GENERAL AREAS</b>                     |            |              |             |             |                |
| <b>Irregularities (Contingency)</b>      | 20         | 16.8         | 3.2         |             | On-going       |
| Neighbourhoods                           |            | 12.6         |             | n/a         | Complete.      |
| Planning Application                     |            | 4.2          |             | n/a         | Complete.      |
| <b>Post Audit Reviews</b>                | 15         | 8.5          | 6.5         |             | On-going       |
| <b>Residual Work from 2010/11</b>        | 25         | 24.9         | 0.1         |             |                |
| Home Improvement Agency                  |            | 8.6          |             | Substantial | Complete       |
| Asset Management                         |            | 16.3         |             | Adequate    | Draft issued   |
| <b>Unplanned Reviews (Contingency)</b>   | 20         | 27.5         | -7.5        |             |                |
| ICT Information Security Framework       |            | 23.4         |             | Adequate    | Complete       |
| Miscellaneous                            |            | 4.1          |             |             | On-going       |
| <b>Audit Committee</b>                   | 20         | 12.4         | 7.6         |             | On-going       |
| <b>TOTAL</b>                             | <b>335</b> | <b>258.6</b> | <b>76.4</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.   |

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 2.**

**INTERNAL AUDIT PERFORMANCE INDICATORS AS AT 2<sup>nd</sup> December 2011**

|          | <b>Indicator</b>   | <b>Audit Plan</b> | <b>Target 2011/12</b> | <b>Target to Date</b> | <b>Actual to Date</b> | <b>Comments</b>   |
|----------|--|-------------------|-----------------------|-----------------------|-----------------------|---|
| <b>1</b> | % of planned time used   | SS                | 100%                  | 55%                   | 60%                   | Target exceeded   |
|          |  | CBC               | 100%                  | 65%                   | 77%                   | Target exceeded   |
| <b>2</b> | % audit plan completed   | SS                | 92%                   | 56%                   | 50%                   | Slightly below target due to 2 reports at draft stage   |
|          |  | CBC               | 92%                   | 61%                   | 63%                   | Target exceeded   |
| <b>3</b> | % management actions agreed  | SS                | 97%                   | 97%                   | 100%                  | Target exceeded   |
|          |  | CBC               | 97%                   | 97%                   | 100%                  | Target exceeded   |
| <b>4</b> | % of agreed management actions implemented.                          | SS                | 100%                  | 100%                  | 67%                   | 24 out of 36 agreed management actions implemented<br>10 revised dates agreed. 2 actions superseded |
|          |  | CBC               | 100%                  | 100%                  | 64%                   | 38 out of 59 management actions implemented<br>21 revised dates agreed                              |
| <b>5</b> | Of the agreed management actions implemented – % implemented on time | SS                | 100%                  | 100%                  | 33%                   | 8 out of 24 management actions implemented on time  |
|          |  | CBC               | 100%                  | 100%                  | 50%                   | 19 out of 38 management actions implemented on time.  |
| <b>6</b> | % overall customer satisfaction rating (assignment level)            | SS                | 90%                   | 90%                   | 88%                   | On target.  |
|          |  | CBC               | 90%                   | 90%                   | 93%                   | Target exceeded   |

SS = Shared Services

CBC = Chorley