

Report of	Meeting	Date
Head of Shared Assurance Services	Governance Committee	27 September 2012

## INTERNAL AUDIT INTERIM REPORT AS AT 31 JULY 2012.

### 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 first four months of 2012/13 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 general developments involving or impacting upon the work and / or performance of the Internal Audit Service.

### RECOMMENDATION(S)

4. That the report be noted.
5. That the Committee approves the recommendation relating to the review of Internal Audit Key Performance Indicators, as proposed within this report.

### EXECUTIVE SUMMARY OF REPORT

6. The report demonstrates that at this stage the Audit Plans are on target to be achieved and the majority of the performance indicators have either been achieved or exceeded.

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

### 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 first progress report for 2012/13 and covers the period between 1<sup>st</sup> April 2012 and 31st July 2012.

## INTERNAL AUDIT PLANS

9. **Appendix 1** provides a “snapshot” of the overall progress made in relation to the 2012/13 Internal Audit Plans, indicating which audits have been completed and their control rating, 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 Plans are on target to be achieved. Of the 8 reviews completed to date, 7 have been given substantial or adequate assurance rating. However, Health and Safety – Lone Working, has been given limited assurance rating. Management actions have been agreed with Senior Management and Internal Audit will monitor progress on their implementation.
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 Services</b>		
Main Accounting (11/12)	Adequate	Management actions were agreed to improve controls relating to virement coding.
Creditors (11/12)	Substantial	No key control issues
Payroll (11/12)	Substantial	No key control issues
Treasury Management (11/12)	Substantial	No key control issues
Cash and Bank / Cheque Control (11/12)	Substantial	No key control issues
Travel and Subsistence (11/12)	Substantial	No key control issues.

<b>Chorley</b>		
Annual Governance Statement	Not applicable	Proactive input was provided in collating information to inform the Annual Governance Statement.
Corporate Complaints	Substantial	No key control issues
Health & Safety (Lone working)	Limited	Management actions were agreed to: <ul style="list-style-type: none"> <li>• update the suite of Health &amp; Safety Policies;</li> <li>• raise awareness of the Lone Working Policy and its application;</li> <li>• improve the lone worker monitoring arrangements.</li> </ul>

## **INTERNAL AUDIT PERFORMANCE**

- 12.** **Appendix 2** provides information on Internal Audit performance as at the 31<sup>st</sup> July 2012. It is pleasing to note that the majority of indicators have either been achieved or exceeded.

## **GENERAL DEVELOPMENTS**

### **Key Performance Indicators**

- 13.** At the June meeting, Members were informed of a discussion at the Shared Services Joint Committee on Internal Audit Key Performance Indicators (KPIs). This encouraged a discussion by Members of this Committee, especially relating to the targets which are in place; there was a mixed response.
- 14.** Officers agreed to undertake a benchmarking exercise to identify the Performance Indicators that are collected and reported by other Internal Audit Services.
- 15.** This work is in progress; however, these discussions have prompted a more fundamental question as to whether the current performance indicators are still fit for purpose. It is clearly important that the measures adopted add real value without being administratively burdensome to collect and calculate.
- 16.** Furthermore, CIPFA and the Institute of Internal Auditors (IIA) are undertaking a joint review of Internal Audit Standards.
- 17.** We are therefore recommending to the members of both Governance Committees and the Shared Services Joint Committee that a baseline review of Internal Audit KPIs is undertaken and proposals be reported to the January meetings to enable any changes to take effect from 2013/14. The existing measures and targets will remain in place for this financial year.

### **Examination Success**

- 18.** One member of the Internal Audit Team was successful in their recent Institute of Internal Auditor examinations and has now achieved the Diploma in Internal Audit Practice

### **Staffing Issues**

19. One of the Principal Auditors, Jan Minchinton, has tendered her resignation and left the Service on the 25<sup>th</sup> September. Jan intends to enjoy her retirement in the South West of England.
20. An initial approach has been made to Lancashire Audit Service to procure some additional days to aid the completion of the Audit Plans.

#### **External Contract – St Catherine’s Hospice**

21. The first of two reviews has been completed. A letter has been received from St. Catherine’s Chief Executive expressing his thanks for the positive way in which the audit was undertaken.

#### **IMPLICATIONS OF REPORT**

22. 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	<b>X</b>	Policy and Communications	

GARRY BARCLAY  
HEAD OF SHARED ASSURANCE SERVICES

Background papers include the 2012/2013 Internal Audit Plans for Chorley Council and Shared Services.

<b>Report Author</b>	<b>Ext</b>	<b>Date</b>	<b>Doc ID</b>
Dawn Highton Clare Ware	5468 01772 625249	July 2012	Audit Interim Report

**INTERNAL AUDIT PLANS 2012/13**

<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	15	0	15		To commence Q4
Creditors	15	0	15		To commence Q4
Payroll	20	0	20		To commence Q4
Treasury Management	15	0	15		To commence Q4
Cash & Bank / Cheque Control	20	0	20		To commence Q4
<b>REVENUES &amp; BENEFITS</b>					
Council Tax	15	0	15		To commence Q3
National Non Domestic Rates	15	0	15		To commence Q3
Housing & Council Tax Benefits	15	0	15		To commence Q3
Debtors	20	0	20		To commence Q3
<b>GENERAL</b>					
Post Audit Reviews	10	2.7	7.3		On-going
Unplanned Reviews / Contingency	10	0	10		No requests received
<b>Residual Work from 2011/12</b>	15	31.6	(16.6)		
Main Accounting				Adequate	Complete
Creditors				Substantial	Complete
Payroll				Adequate	Complete
Treasury Management				Substantial	Complete
Cash & Bank / Cheque Control				Substantial	Complete
Travel & Subsistence				Adequate	Complete
<b>TOTAL</b>	<b>185</b>	<b>34.3</b>	<b>150.7</b>		
<b>CHORLEY</b>					
<b>CORPORATE AREAS</b>					
Annual Governance Statement	15	3.7	11.3	N/A	Complete
Anti-Fraud & Corruption / Awareness	10	3.8	6.2		On-going
National Fraud Initiative (NFI)	30	13	17		On-going
System Interrogations	10	0.5	9.5		On-going
CSO's / Financial Regulations	5	0	5		To commence Q3
<b>PARTNERSHIPS &amp; PLANNING</b>					
Impact of Localism Act	10	0	10		To commence Q4
Choice Based Lettings	20	0	20		To commence Q4
Section 106 funding	10	0.9	9.1		In progress
Community Infrastructure Levy	10	1.8	8.2		On-going
New Income Streams	10	0	10		To commence Q3
<b>TRANSFORMATION</b>					
Corporate Complaints	10	10.5	(0.5)	Substantial	Complete
Performance Management / Data Quality	5	0.4	4.6		In progress
Project Management Framework	5	0	5		To commence Q2
Win Time Recording System	15	10.7	4.3		In progress
Health and Safety – Lone Working	5	10	(5)	Limited	Complete
Active Directory	15	2.2	12.8		In progress
Mobile Phones	15	0	15		To commence Q3
<b>PEOPLE &amp; PLACES</b>					
Introduction of Mobile Working	10	9.1	0.9		In progress
Housing Standards	5	0	5		To commence Q3
Astley Hall	15	9.5	5.5		In progress
<b>AUDIT</b>	<b>PLAN</b>	<b>ACT</b>	<b>BAL</b>	<b>CONTROL</b>	<b>COMMENTS</b>

AREA	(Days)	(Days)	(Days)	RATING	
Modernisation of Streetscene	5	0	5		To commence Q3
Bereavement Services	15	0	15		To commence Q4
<b>GENERAL AREAS</b>					
Irregularities (Contingency)	15	0	15		No reviews undertaken to date
Post Audit Reviews	10	2.8	7.2		On-going
<b>Residual Work from 2011/12</b>	10	22.7	-12.7		
Transport				Substantial	Complete
Disaster Recovery					In progress
Penetration Testing					In progress
<b>Unplanned Reviews (Contingency)</b>	15	1	14		On-going
<b>Audit Committee</b>	25	9.9	15.1		On-going
<b>TOTAL</b>	<b>325</b>	<b>112.5</b>	<b>212.5</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.

**INTERNAL AUDIT PERFORMANCE INDICATORS AS AT 27<sup>th</sup> July 2012**

	Indicator	Audit Plan	Target 2012/13	Target to Date	Actual to Date	Comments
1	% of planned time used	SS	90%	10%	18%	Target exceeded
		CBC	90%	30%	35%	Target exceeded
2	% audit plan completed	SS	100%	22%	22%	Target achieved.
		CBC	100%	28%	19%	2 audits at draft report stage
3	% management actions agreed	SS	98%	98%	98%	Target achieved
		CBC	98%	98%	100%	Target exceeded
4	% of agreed management actions implemented.	SS	100%	100%	100%	Target achieved
		CBC	100%	100%	78%	14 out of 18 management action implemented 4 revised dates agreed,
5	Of the agreed management actions implemented – % implemented on time	SS	100%	100%	67%	6 out of 9 management actions implemented on time
		CBC	100%	100%	57%	8 out of 14 management actions implemented on time
6	% overall customer satisfaction rating (assignment level)	SS	90%	90%	97%	Target exceeded
		CBC	90%	90%	91%	Target exceeded

SS = Shared Services

CBC = Chorley