

Report of	Meeting	Date
Head of Shared Assurance Services	Governance Committee	17 th January 2013

INTERNAL AUDIT INTERIM REPORT AS AT 30TH NOVEMBER 2012

PURPOSE OF REPORT

1. To advise members of the work undertaken in respect of the Internal Audit Plans for Chorley and Shared Services for the period April 2012 to November 2012 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 resulting from the review of the Internal Audit Key Performance Indicators, as proposed within the body of 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.

Confidential report Please bold as appropriate	Yes	No
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CORPORATE PRIORITIES

7. This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all.		A strong local economy	
Clean, safe and healthy communities		An ambitious council that does more to meet the needs of residents and the local area	x

BACKGROUND

8. This is the second progress report for 2012/13 and covers the period between 1st April 2012 and 30th November 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, 6 have been given substantial or adequate assurance ratings. However, 2 reviews, Disaster Recovery and Penetration Testing have been given limited assurance rating. As directed by the Chief Executive, we will ensure that all agreed management actions relating to these reviews are implemented in full prior to the end of this financial year.
11. The table below provides a summary of the audit work completed during the period 1st August to 30th November 2012, together with any control issues identified.

Audit Area	Control Rating	Comments
System Interrogations	Substantial	<p>Using computer interrogation software, a data matching exercise was undertaken to establish if any payments had been made to either employees or members through the creditors system which should have been processed through payroll.</p> <p>Although some payments had been made through creditors, they had justifiable explanations.</p>
National Fraud Initiative (NFI)	Not Applicable	All required data sets were successfully uploaded in October. The results of the matches are due to be issued on the 29 th January 2013 for further analysis and investigation.
Section 106 Agreements	Adequate	<p>The purpose of this audit was to review the adequacy and effectiveness of the systems and processes operated by users for the control of Section 106 agreements.</p> <p>Several recommendations were agreed to further strengthen and improve the current processes namely; the development and distribution of comprehensive guidance notes; the updating and maintenance of the Section 106 register and the improvement of communication between Services including the re-introduction of the Section 106 monitoring group.</p>
Project Management	Adequate	<p>The purpose of this review was to ensure that the Project Management Toolkit is being utilized for projects supporting the Corporate Strategy.</p> <p>Several areas were identified where minor changes could be made to strengthen and improve the current arrangements and appropriate recommendations were agreed for these.</p>

Audit Area	Control Rating	Comments
Win Time Recording System	Adequate	<p>The purpose of this review was to evaluate the adequacy and effectiveness of the corporate arrangements for the control and operation of the Council's Flexi Time system (Wintime).</p> <p>Several recommendations were agreed to improve the current arrangements including the monitoring of system access for Wintime users, monitoring of both excess credit and debit hours and an annual check on the volume and type of manual corrections on the Wintime system.</p>
Astley Hall	Adequate	<p>The review was undertaken to provide assurance that there are robust procedures in place relating to income and records management and that they are operating effectively.</p> <p>Management actions were agreed to strengthen the terms and conditions of room hire and to improve written procedures for cancellations to ensure that they are handled in a sensitive and timely manner.</p>
Introduction of Mobile working	Adequate	<p>This review was undertaken to establish that the project objectives had been achieved, and that suitable project records had been maintained.</p> <p>Management actions were agreed to improve project monitoring arrangements and control at a corporate level and also to develop the mobile technology further and improve service area management processes.</p>
Disaster Recovery	Limited	<p>This review was undertaken to provide assurance that effective and tested Disaster Recovery plans are in place.</p> <p>Management actions were agreed to review, update and align the Disaster Recovery strategy with the corporate business continuity plans, and to incorporate both telephony and printing arrangements into the Disaster Recovery plans.</p>
Penetration Testing	Limited	<p>The objective of this review was to consider the effectiveness of the Council's processes to mitigate vulnerabilities identified during the penetration testing.</p> <p>It was agreed to improve the action plan in order to provide assurance to management that vulnerabilities are being effectively managed.</p>

INTERNAL AUDIT PERFORMANCE

12. **Appendix 2** provides information on Internal Audit performance as at the 30th November 2012. We are pleased to report that the majority of indicators have either been achieved or exceeded.

GENERAL DEVELOPMENTS

Review of Internal Audit Performance Indicators

13. At the September meetings of the Shared Services Joint Committee and South Ribble / Chorley Governance Committees we advised members that a baseline review of Internal Audit performance indicators would be undertaken. This was in response to queries raised by the Joint Committee regarding the value of some indicators and also whether it is appropriate to set a 100% target for certain indicators.
14. We have now completed a survey to establish the indicators and targets adopted by 12 Internal Audit Services throughout Lancashire. Although the results demonstrated that a considerable variety of indicators and measures are used, the ones most commonly adopted are as follows:

	Performance Indicator	SRBC /CBC	Target	Others	Ave Target
1	% Planned Time Used	Y	90%	3	86%
2	% Audit Plan Completed	Y	100%	5	90%
3	% Management Actions Agreed	Y	98%	4	96%
6	% Customer Satisfaction Rating (per assignment)	Y	90%	5	89%

This suggests that we are currently measuring the right things and setting targets which are comparable with or slightly higher than our peers.

However we also currently collect the following data, which others broadly do not:

	Performance Indicator	SRBC /CBC	Target	Others	Ave Target
4	% Agreed Management Actions Implemented	Y	100%	2	82%
5	% Agreed Management Actions Implemented on Time	Y	100%	0	N/A

15. These performance indicators are not widely adopted by other Councils as they do not actually measure Internal Audit performance as the responsibility for implementing agreed actions lies with service managers.

16. More over, service managers are directly accountable to the Governance Committees for any unreasonable delays in implementation and so the audit process itself ensures that this issue is addressed.
17. It is therefore recommended that the performance measures 1/2/3/6 are retained and 4/5 are removed from 2013/14 onwards as they add little value and are also administratively burdensome to collect and calculate.

Staffing

18. Audit Manager Clare Ware has recently opted to take early voluntary retirement after a long career in Local Government including 13 years' service to both South Ribble Borough Council and Shared Assurance Services. Clare departs for pastures new with everyone's very best wishes for the future.
19. Clare's departure is one of several developments impacting on Shared Assurance Services which have prompted a review of overall staffing requirements and this is now in progress.
20. The review outcome including proposals for change will first be reported to the Shared Services Joint Committee on 24th January 2013 to enable a new structure to be in place for the 2013/14 financial year.
21. From a Governance Committee perspective the key message to members is that it will be "business as usual". Succession planning has been a central feature of the development of the shared service since its inception and there is now a strong team of experienced and qualified staff in place to take the service forward.
22. There will also be no impact on the Internal Audit coverage provided to the 2 host Councils and this will be re-affirmed when the new Internal Audit Plans are presented to both Chorley and South Ribble Governance Committees in March/April.

External Contract – St Catherine's Hospice

23. Following the positive feedback received following our first review, the Hospice has requested further Internal Audit work in 2013 and 2014. We have agreed to provide a maximum of 30 days for each year.

IMPLICATIONS OF REPORT

24. 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

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

Report Authors	Ext	Date	Doc ID
Garry Barclay / Dawn Highton	01772 625272 / 5468	7 th Jan 2013	Audit Interim report

APPENDIX 1

INTERNAL AUDIT PLANS 2012/13

AUDIT AREA	PLAN (Days)	ACT (Days)	BAL (Days)	CONTROL RATING	COMMENTS
SHARED SERVICES					
FINANCE					
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	2	13		In progress
Cash & Bank / Cheque Control	20	0	20		To commence Q4
REVENUES & BENEFITS					
Council Tax	15	8.3	6.7		In progress
National Non Domestic Rates	15	8.4	6.6		In progress
Housing & Council Tax Benefits	15	8.3	6.7		In progress
Debtors	20	7.1	12.9		In progress
GENERAL					
Post Audit Reviews	10	4.2	5.8	N/A	On-going
Unplanned Reviews / Contingency	10	0	10	N/A	No requests received
Residual Work from 2011/12	15	32.4	-17.4		
Main Accounting				Adequate	Complete
Creditors				Substantial	Complete
Payroll				Substantial	Complete
Treasury Management				Substantial	Complete
Cash & Bank / Cheque Control				Substantial	Complete
Travel & Subsistence				Substantial	Complete
TOTAL	185	70.7	114.3		
CHORLEY					
CORPORATE AREAS					
Annual Governance Statement	15	3.7	11.3	N/A	Complete
Anti-Fraud & Corruption / Awareness	10	7.7	2.3	N/A	On-going
National Fraud Initiative (NFI)	30	20.9	9.1	N/A	On-going
System Interrogations	10	4.4	5.6	Substantial	Complete
CSO's / Financial Regulations	5	0	5		To commence Q4
PARTNERSHIPS & PLANNING					
Impact of Localism Act	10	0	10		To commence Q4
Choice Based Lettings	20	0	20		To commence Q4
Section 106 funding	10	14.3	-4.3	Adequate	Complete
Community Infrastructure Levy	10	2	8		On-going
New Income Streams	10	7.2	2.8		In progress
TRANSFORMATION					
Corporate Complaints	10	10.5	-0.5	Substantial	Complete
Performance Man / Data Quality	5	1	4		To commence Q4
Project Management Framework	5	5.7	-0.7	Adequate	Complete
Win Time Recording System	15	15.6	-0.6	Adequate	Complete
Health and Safety – Lone Working	5	11.9	-6.9	Limited	Complete
Active Directory	15	3.7	11.3		In progress
ICT Service Management	15	0	15		To commence Q4
PEOPLE & PLACES					
Introduction of Mobile Working	10	17.3	-7.3	Adequate	Complete
Housing Standards	5	0	5		To commence Q4
Astley Hall	15	17.4	-2.4	Adequate	Complete

AUDIT AREA	PLAN (Days)	ACT (Days)	BAL (Days)	CONTROL RATING	COMMENTS
Modernisation of Streetscene	5	0	5		To commence Q4
Bereavement Services	15	0	15		To commence Q4
GENERAL AREAS					
Irregularities (Contingency)	15	0	15		No reviews undertaken to date
Post Audit Reviews	10	5.6	4.4		On-going
Residual Work from 2011/12	10	25	-15		
Transport				Substantial	Complete
Disaster Recovery				Limited	Complete
Penetration Testing				Limited	Complete
Unplanned Reviews (Contingency)	15	1.2	13.8		On-going
Governance Committee	25	16.7	8.3		On-going
TOTAL	325	191.8	133.2		

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.

INTERNAL AUDIT PERFORMANCE INDICATORS AS AT 30th November 2012

	Indicator	Audit Plan	Target 2012/13	Target to Date	Actual to Date	Comments
1	% of planned time used	SS	90%	30%	38%	Target exceeded
		CBC	90%	60%	59%	Slightly below target
2	% audit plan completed	SS	100%	22%	22%	Target achieved
		CBC	100%	65%	60%	Slightly below target as one review at draft report stage
3	% management actions agreed	SS	98%	98%	98%	Target achieved
		CBC	98%	98%	98%	Target achieved
4	% of agreed management actions implemented.	SS	100%	100%	85%	29 out of 34 agreed management actions implemented 5 revised dates agreed.
		CBC	100%	100%	92%	46 out of 50 agreed management actions implemented 4 revised dates agreed.
5	Of the agreed management actions implemented – % implemented on time	SS	100%	100%	86%	25 out of 29 management actions implemented on time
		CBC	100%	100%	83%	38 out of 46 management actions implemented on time
6	% overall customer satisfaction rating (assignment level)	SS	90%	0%	0%	No reports issued in 2012/13
		CBC	90%	90%	87%	Slightly below target

SS = Shared Services

CBC = Chorley