

Report of	Meeting	Date
Director of Finance	Audit Committee	26/09/06

INTERIM REPORT ON INTERNAL AUDIT ACTIVITIES AS AT 8th SEPTEMBER 2006

PURPOSE OF REPORT

1. To advise members of the work undertaken in respect of the Annual Internal Audit Plan during the initial five months of 2006/7 and to comment on the results.
2. To provide details of further reviews, investigations and other Internal Audit activities during the period.

CORPORATE PRIORITIES

3. As an independent assurance function, Internal Audit's prime objective is to evaluate and report on the adequacy of the Council's governance, risk management and internal control framework. In so doing, Internal Audit also contributes to the economic, efficient and effective use of resources.
4. The Internal Audit Service therefore makes a vital contribution to ensuring that the Council is a performing organisation.

RISK ISSUES

5. All Internal Audit activity is geared towards the identification and management of business risks.

BACKGROUND

6. This is the first Interim Progress Report for the current financial year and covers the period between 1st April 2006 and 8th September 2006.
7. Appendix 1 to this report shows the overall progress made in relation to the 2006/7 Internal Audit Plan. The Audit Plan is firmly on course to be delivered and the remaining paragraphs summarise the main elements of the work undertaken do date.
8. The core purpose of Internal Audit continues to be one of independently reviewing the effectiveness of the Council's internal control system and core business processes. However a key feature of our role this year is a continuing shift towards providing more proactive advice and assistance in developing the Council's corporate governance framework.

Continued....



REVIEWS

9. Several of the audits we have undertaken during the first quarter are still in progress or are at draft report stage and as such we are unable to comment on the results at this meeting. Those which have been completed however are summarised in the paragraphs below.

Ethical Governance

10. We supported the Audit Commission in their recent review of Ethical Governance by undertaking aspects of their diagnostic assessment and by co-ordinating the members / chief officers on-line survey. Workshops have been arranged during October to feed back the results of the survey and to provide training on wider governance related topics.

Key Financial Systems

11. We worked alongside the Audit Commission to undertake a high level review of all the Council's key financial systems in accordance with the new International Standards for Auditing (ISA). This work commenced at the end of 2005/6 and involved flowcharting the main systems and identifying / testing the key controls in those systems.
12. No significant control weaknesses were identified from the review work carried out. Any minor control issues identified by ourselves have now been addressed. The Audit Commission have already reported separately at this meeting on those elements of the review that they undertook themselves.

Investigation - Win Time System

13. We have conducted an investigation into a "whistle blowing" complaint regarding the alleged misuse of the new Win Time flexitime recording system by several members of staff. The investigation was progressed under the Council's disciplinary procedure. This involved a review of the available records and interviews with the staff concerned.
14. The results of the investigation were reported to the appropriate senior officers and the Director of Human Resources who advised that no further should be taken. We have however made several recommendations to improve monitoring arrangements in respect of the Win Time system.

Unplanned Review - LSVT Pre-Ballot Publicity

15. Following a complaint received by the Audit Commission, we were asked to undertake a review of several pre-ballot publicity materials issued by the Council surrounding the housing stock transfer. This was to ascertain whether those materials had undergone the necessary consultation processes as required by the LSVT regulations.
16. After checking the relevant LSVT regulations and corresponding directly with the Government Office North West (GONW) on the matter, we concluded that the Council had indeed followed the necessary guidance on consultation in respect of the specific pre-ballot materials referred to the Commission.

PROACTIVE SUPPORT WORK

Corporate Governance Board

17. Recently issued CIPFA guidance directed Audit Committees to adopt wider terms of reference to oversee governance at member level and to be constituted independently of the Executive and Overview and Scrutiny functions. As members will be aware the Council's Executive Cabinet recently approved the re-constitution of the Audit Committee in accordance with this guidance.

18. It was also essential to establish an officer level monitoring and tracking mechanism for governance and assurance matters and Strategy Group agreed that a new Corporate Governance Board should be set up to fulfil this role.
19. We have therefore assisted with the establishment of the new Corporate Governance Board, including the drafting of Terms of Reference (Appendix 2) and the production of a work programme aimed towards ensuring the Council's compliance with new guidance on corporate governance issued by CIPFA and SOLACE.

Comprehensive Performance Assessment (CPA)

20. We assisted the Director of Finance and officers from the Policy and Performance directorate to undertake a "desk-top" self-assessment of the Council's current position in relation to the Audit Commission's new CPA Key Lines of Enquiry (KLoE). This was to assess the Council's readiness for an early inspection and to establish a clear path for improvement over the coming months.

Use of Resources

21. We assisted the Director of Finance in producing a detailed action plan to address the recommendations made by the Audit Commission in their Use of Resources report. This also took account of any new or amended evaluation criteria that will be covered in the next assessment, which is planned for the autumn.

Whistle Blowing

22. We finalised the draft Whistle Blowing Policy that had previously been approved by members and arranged for its dissemination to officers via Team Brief and the Loop and to third parties via the Council web-site.

Registers of Disclosures

23. We established a new electronic version of the Officers' Register of Disclosures on the Loop and via Team Brief arranged for officers to be reminded of their respective responsibilities to make appropriate disclosures.

COMMENTS OF THE HEAD OF HUMAN RESOURCES

24. Not applicable to this report

RECOMMENDATIONS

25. That the Interim Report be noted.
26. That members consider and comment on the draft terms of reference for the new Corporate Governance Board at Appendix 2.

REASON FOR RECOMMENDATION

27. To reassure members that the 2006/7 Internal Audit Plan is on course to be delivered.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

28. None.

GARY HALL
DIRECTOR OF FINANCE

Background Papers

Document	Date	File	Place of Inspection
Accounts & Audit Regulations 2003	2003	FINANCE DIRECTORATE	Gillibrand Street Offices

Report Author	Ext	Date	Doc ID
Garry Barclay	5468	13/09/06	08_09_06.doc

INTERNAL AUDIT WORK PLAN 2006/7 - SUMMARY PROGRESS REPORT

Audit Area	Qtr Due	Est Days	Actual	Balance (+/-)	Status
CORPORATE GOVERNANCE (Proactive)					
External Assurance (CPA / UofR / SIC)	ALL	40	11.4	28.6	Ongoing
Corporate Governance Policies & Procedures	ALL	30	8.3	21.7	Ongoing
National Fraud Initiative (NFI)	ALL	20	8	12	Ongoing
Efficiency & Transformation	ALL	15	6.4	8.6	Ongoing
BVPI's	1	20	28.1	-8.1	Draft Report in Progress
Corporate Governance - General	ALL	10	5	5	
		135	67.2	67.8	
CORPORATE GOVERNANCE (Reviews)					
Corporate Strategies & Policies	3	25	0	25	
M'gement of Partnerships & Partnering Contracts	2	35	16.1	18.9	Draft Report in Progress
Ethical Governance Review	2	20	8.7	11.3	Review Completed
Compliance Review (SO's, FPR's, SofD, etc.)	3	20	0	20	
		100	24.8	75.2	
RISK MANAGEMENT (Proactive)					
Risk Management Board	ALL	15	0	15	Ongoing
Risk Management Policies & Procedures	ALL	15	0.5	14.5	Ongoing
Strategic Risk Assessment	3	10	3.5	6.5	Work in Progress
Service Unit Risk Assessment	3	15	0	15	
Insurance	ALL	25	9.2	15.8	Ongoing
Risk Management - General	ALL	10	1.5	8.5	
		90	14.7	75.3	
BUSINESS CRITICAL SYSTEMS (Reviews)					
IT Security	4	20	0.1	19.9	
Data Protection	2	20	7.4	12.6	Work in Progress
Freedom of Information	3	20	0.5	19.5	Work in Progress
Business Continuity Planning	1	20	20.8	-0.8	Draft Report in Progress
Project Management	3	20	0.1	19.9	Work in Progress
Business Risk Areas General	ALL	10	5	5	
		110	33.9	76.1	
FINANCIAL MANAGEMENT					
Key Systems / Interrogations	ALL	40	29.3	10.7	Review Completed
Debt Management	3	15	0	15	
Benefits - Security	2	15	0	15	
Cash Collection & Banking	3	15	0	15	
Charging Policies	3	25	0	25	
Main Financial Systems - General	ALL	10	3.7	6.3	
		120	33	87	
CONTINGENCY					
Irregularity Investigations	ALL	35	28.4	6.6	Ongoing
Post Audit Reviews	ALL	25	7.4	17.6	Ongoing
Audit Commission Reports	ALL	20	0.5	19.5	
Unplanned Reviews	ALL	20	29	-9	Ongoing
Audit Committee Reporting	ALL	20	8.5	11.5	Ongoing
	ALL	120	73.8	46.2	
TOTAL CHARGEABLE DAYS					
		675	247.4	427.6	

CORPORATE GOVERNANCE BOARD

DRAFT TERMS OF REFERENCE

MISSION STATEMENT

“To monitor, review and develop the Council's corporate governance policies, procedures and processes to reflect best practice in accordance with the CIPFA / SOLACE framework”.

MEMBERSHIP

The Board will consist of:

- Executive Director - Corporate & Customer(Chair)
- Director of Policy & Performance
- Director of Finance
- Director of Customer, Democratic & Legal Services
- Audit & Risk Manager

Additionally, other officers will be invited to attend Board meetings on an “as needs” basis, depending on the subject matter under discussion.

GENERAL AIMS & OBJECTIVES

The Board will:

1. Review the Council's existing governance arrangements against the CIPFA SOLACE Framework.
2. Develop and maintain an up-to-date local code of governance, including arrangements for ensuring its ongoing application and effectiveness.
3. Prepare a governance statement in order to report publicly the extent to which the Council complies with its code of governance on an annual basis including how the Council has monitored the effectiveness of it's governance arrangements in the year, and on any planned changes in the coming period.

CORE PRINCIPLES

The Board will seek to ensure that:

4. The Council focuses on its purpose and on outcomes for he community, including citizens and service users and creates and implements a vision for the local area.

5. Members and officers work together to achieve a common purpose with clearly defined functions and roles.
6. The Council promotes its values and demonstrates the values of good governance through behaviour.
7. The Council takes informed and transparent decisions which are subject to effective scrutiny.
8. The Council manages its business risks effectively.
9. The Council develops the capacity and capability of members to be effective and ensures that officers, including the statutory officers, also have the capacity and capability to deliver effectively.
10. The Council engages with local people and other stakeholders to ensure robust local public accountability.

OTHER RESPONSIBILITIES

The Board will:

11. Receive any key external audit & assurance reports relating to governance (CPA, Use of Resources, etc) and oversee the implementation of actions to address key recommendations.
12. Take advantage of any external networking and training opportunities to keep abreast of governance related developments and ensure that these are introduced and disseminated within the Council.
13. Keep Strategy Group continuously informed of its business by systematically reporting its minutes.