Chorley Council

Report of	Meeting	Date
Director of Finance	Audit Committee	18/01/07

INTERIM REPORT ON INTERNAL AUDIT ACTIVITIES AS AT 29th DECEMBER 2006

PURPOSE OF REPORT

1.   To advise members of the work undertaken in respect of the Annual Internal Audit Plan during the third quarter 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 second Interim Progress Report for the current financial year and covers the period between 8th September and 29th December 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 since the last meeting.

Continued....

AUDIT REVIEWS

Management of Partnerships & Partnering Contracts

8. The draft report was presented to Strategy Group on 19/12/06. The report is now being finalised and there will be a presentation to members at the next meeting of the Audit Committee in March.

Business Continuity Management

9. Business Continuity Management (BCM) is an ongoing process of risk assessment and management which aims to ensure that the Council can continue to operate and deliver services if adverse events occur. Such events could include things like a serious fire, a terrorist incident or failure of the computer network.

10. The Council has operated Business Continuity Plans (BCP's) since 2002 and we found them to be fit for purpose. We did however recommend that they be tested more regularly to ensure that they remain up to date and would actually work in the event of a real emergency.

11. We also recommended that the BCM and BCP arrangements of out-sourced services be checked to ensure that they are also sound.

Project Management

12. Sound project management disciplines are key to the delivery of all the main service developments within the Council. Such developments include important capital projects and the key business projects in the Corporate Strategy.

13. We found that the Council's project management arrangements are strong, and include a standard methodology which meets the international standard ISO 10006:2997(E) and has also been adopted by the North-West Centre of Excellence as its preferred template.

14. In terms of potential improvements, we recommended that project management training is made compulsory for all officers working on project boards or acting as project managers. We also proposed that project boards should assume greater responsibility for scrutiny of capital projects as the Capital & Efficiencies Programme Board currently does this and it isn't resourced to scrutinise projects in detail.

Freedom of Information

15. As a public authority the Council is required to comply with the provisions of the Freedom of Information Act 2000 (FOIA) in conducting its business activities and in the management of its records. We undertook a review to assess the adequacy of the corporate arrangements, policies and procedures established to ensure compliance with the Act.

16. We concluded that the procedures in place ensure that the Council is generally compliant with the Act. Also that staff are aware of the FOIA and the need to respond to requests for information from the public within the statutory deadlines.

17. However several areas were found where improvements could be made. These relate to issues such as a lack of written policies and procedures, the definition of roles and responsibilities, monitoring of activity to provide assurance regarding compliance obligations and training for staff particularly new starters.

Data Protection

18. The Council has a responsibility to ensure that it's business is conducted in compliance with the Data Protection Act 1998. We worked alongside specialist auditors from the Information Commissioner's Office to review the Council's management arrangements. This included targeted interviews with front line staff to determine the level of awareness and understanding of the Act and our internal arrangements.

19. We found that staff generally understand the concept of personal data, the need for confidentiality and the importance of appropriately handling and safeguarding data although this in not always seen in a specific data protection context but as good practice.

20. As a consequence there is a need to improve the standard of policy and procedural documentation in place, raise awareness of data protection generally and undertake monitoring of activity to provide assurance that the Council is actually complying with its obligations.

21. We also established that there is no formally approved "Corporate Data Retention Policy" or active weeding of data taking place. We have made recommendations to correct this as it would otherwise result in failure to comply with a key principle of the Act.

IT Security

22. The objective of this review was to ascertain whether there are effective policies and management arrangements in place to provide a secure environment for the Council's computer hardware, software, data and communications equipment.

23. We identified that the key elements of our arrangements are the "Information Security Policy" and the "Internet and E-mail Acceptable Use Policy" supported by a wide range of service specific guidance and documentation.

24. However we established that the Information Security Policy is still to be launched and it is unclear how its requirements will be effectively implemented. Also, ownership of the Internet and Email Acceptable Use Policy is unclear and the current Policy is in need of review.

PROACTIVE SUPPORT WORK

Performance & Governance

26. We helped set up an interim board to identify the improvements that are necessary to meet the requirements of the new District CPA regime, Use of Resources assessment and the new CIPFA SOLACE Corporate Governance Framework.

27. The board have conducted detailed self-assessments of all three improvement vehicles and produced a single plan of action to address the priority issues arising from them. These issues will now be fed into the forthcoming business planning cycle.

Best Value Performance Indicators

28. Although the Council's position in BVPI terms is very strong, with 72% of indicators now in the upper quartile there is scope to improve data collection systems in some areas, in terms of arithmetical accuracy, the application of definitions and producing supporting evidence.

29. The Director of Policy & Performance and ourselves have therefore delivered 2 workshops to all those involved in BVPI collection to brief officers of the standards required and to make further improvements to the data quality assurance process.

Housing Inventories

30. We are working with Housing Services to update their inventories of equipment to ensure that there is a clear hand over and to avoid any potential issues regarding ownership or valuation at the point of transfer.

31. This will culminate in independent checks of records and the assets themselves immediately before the transfer takes place.

CONTROLS ASSURANCE RATINGS

32. Each of the above audit reviews will be rated as either "adequate", "limited" or "inadequate" from an internal control viewpoint. We have not disclosed the ratings at this stage as the respective reports are still being finalised. We can however confirm that none will receive an inadequate controls assurance rating.

33. We can also confirm that Directors have undertaken to implement all of our key recommendations.

COMMENTS OF THE DIRECTOR OF HUMAN RESOURCES

34. Not applicable to this report

RECOMMENDATIONS

35. That the Interim Report be noted.

REASON FOR RECOMMENDATION

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

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

37. 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 Authors	**Ext**	**Date**	**Doc ID**
Garry Barclay Andy Armstrong	5468 5465	08/01/07	18_01_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	16.4	23.6	Self assessment work ongoing
Corporate Governance Policies & Procedures	ALL	30	21.6	8.4	Various issued & in progress
National Fraud Initiative (NFI)	ALL	20	13.4	6.6	Data now submitted to AC
Efficiency & Transformation	ALL	15	15.1	-0.1	Work on e-claims in progress
BVPI's	1	20	42.6	-22.6	Review completed
Corporate Governance - General	ALL	10	9.6	0.4	Ongoing
		135	118.7	16.3	
CORPORATE GOVERNANCE (Reviews)					
Corporate Strategies & Policies	4	25	1.30	23.70	Fieldwork in progress
M'gement of Partnerships & Partnering Contracts	2	35	40.00	-5.00	Final Report in Progress
Ethical Governance Review	2	20	12.80	7.20	Review Completed
Compliance Review (SO's, FPR's, SofD, etc.)	4	20	8.90	11.10	Work in Progress
		100	63.00	37.00	
RISK MANAGEMENT (Proactive)					
Risk Management Board	ALL	15	0.00	15.00	Replaced by Governance Board
Risk Management Policies & Procedures	ALL	15	1.00	14.00	Ongoing
Strategic Risk Assessment	4	10	4.00	6.00	Work in Progress
Service Unit Risk Assessment	4	15	0.00	15.00	Work in Progress
Insurance	ALL	25	19.10	5.90	Ongoing
Risk Management - General	ALL	10	4.00	6.00	Ongoing
		90	28.10	61.90	
BUSINESS CRITICAL SYSTEMS (Reviews)					
IT Security	4	20	21.00	-1.00	Final Report in Progress
Data Protection	2	20	21.80	-1.80	Final Report in Progress
Freedom of Information	3	20	24.50	-4.50	Final Report in Progress
Business Continuity Planning	1	20	22.90	-2.90	Final Report in Progress
Project Management	3	20	20.40	-0.40	Final Report in Progress
Business Risk Areas General	ALL	10	5.90	4.10	Ongoing
		110	116.50	-6.50	
FINANCIAL MANAGEMENT					
Key Systems / Interrogations	ALL	40	32.30	7.70	Review Completed
Debt Management	4	15	0.00	15.00	Work in Progress
Benefits - Security	4	15	0.00	15.00	Work in Progress
Cash Collection & Banking	4	15	0.20	14.80	Work in Progress
Charging Policies	4	25	0.00	25.00	Work in Progress
Main Financial Systems - General	ALL	10	6.30	3.70	Ongoing
		120	38.80	81.20	
CONTINGENCY					
Irregularity Investigations	ALL	35	28.80	6.20	Ongoing
Post Audit Reviews	ALL	25	12.30	12.70	Ongoing
Audit Commission Reports	ALL	20	0.50	19.50	Ongoing
Unplanned Reviews	ALL	20	44.40	-24.40	Ongoing
Audit Committee Reporting	ALL	20	14.80	5.20	Ongoing
	ALL	120	100.80	19.20	
TOTAL CHARGEABLE DAYS		675	465.90	209.10	