

Report of	Meeting	Date
Head of Shared Assurance Services	Governance Committee	23rd September 2015

## INTERNAL AUDIT INTERIM REPORT AS AT 28<sup>TH</sup> AUGUST 2015

### PURPOSE OF REPORT

1. To advise members of the work undertaken in respect of the Internal Audit Plans for Chorley Council and Shared Services for the period April 2015 to August 2015 and to comment on the outcomes;
2. To give an appraisal of the Internal Audit Service's performance to date;

### RECOMMENDATION(S)

3. That the report be noted.

### EXECUTIVE SUMMARY OF REPORT

4. The report demonstrates that all performance indicators have either been achieved or exceeded with the exception of the percentage of audit plan completed for Chorley Council. This is due to a significant over run of work on Section 106 (S.106) / Community Infrastructure Levy (CIL) for the reasons explained on page 3 of this report.

<b>Confidential report</b> Please bold as appropriate	Yes	<b>No</b>
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### CORPORATE PRIORITIES

5. 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	<b>X</b>

### BACKGROUND

6. This is the first progress report for 2015/16 and covers the period between 1<sup>st</sup> April 2015 and 28<sup>th</sup> August 2015.

## INTERNAL AUDIT PLANS

7. **Appendix 1** provides a “snapshot” of the overall progress made in relation to the 2015/16 Internal Audit Plans, indicating which audits have been completed and their assurance 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.
8. The table below highlights the main pieces of work undertaken during the period together with any control issues identified, where applicable;

Audit Area	Assurance Rating	Comments
<b>Chorley Council</b>		
Annual Governance Statement	Not applicable	Proactive input was provided in collating information to inform the Annual Governance Statement.
National Fraud Initiative (NFI)	Not applicable	<p>The results for the 2014/15 exercise were released in February 2015 and investigations are on-going. The exercise has to date identified £10,328 (3 cases) whereby benefits had been incorrectly claimed and is now in the process of being repaid to the Council.</p> <p>In addition, we co-ordinated the Council’s input to the Council Tax Reduction Scheme Pilot. These results were released in July and currently 3 cases are being investigated.</p>
Travel and Subsistence	<b>AMBER (5)</b>	<p>Our work identified that whilst there are sound arrangements in place for the processing and administering of travel and subsistence claims, a number of areas for improvement were identified including:</p> <ul style="list-style-type: none"> <li>• The review and update of the Travel and Subsistence Policy;</li> <li>• The Council is not meeting the insurers’ expectations regarding vehicle and drivers checks;</li> <li>• The Council is not fully complying with HMRC requirements for employees whose employment has ceased.</li> </ul>

Audit Area	Assurance Rating	Comments
CIL / Section 106	Not available at this time	<p>A full review of the S.106 register, verification of its accuracy and completeness by using legal, planning and financial source documents was undertaken.</p> <p>All planning applications received following the implementation of CIL were also checked to ascertain if CIL was chargeable and to clarify whether CIL liability notices have been issued correctly.</p> <p>Whilst we are aware of internal control weaknesses which remain in the current systems, this is an on-going review and will be reported upon in due course.</p>
<b>Shared Services</b>		
Insurance	<b>AMBER (6)</b>	<p>Our work consisted of reviewing the Council's arrangements to ensure that the following controls are in place:</p> <ul style="list-style-type: none"> <li>• The type and level of insurance cover is adequate for the claims made against the councils;</li> <li>• Protocols are followed in respect of the annual renewal of insurance policies, potentially resulting in inflated premiums;</li> <li>• Insurers make claim decisions based on accurate or complete information; and</li> <li>• Action is taken to assist services to prevent future claims.</li> </ul> <p>No control issues were identified. The Council's arrangements were found to be robust.</p>

### CONTROLS ASSURANCE KEY

<p><b>Limited</b> - the Authority cannot place sufficient reliance on the controls. Substantive control weaknesses exist. <b>Adequate</b> - the Authority can place only partial reliance on the controls. Some control issues need to be resolved. <b>Substantial</b> - the Authority can place sufficient reliance on the controls. Only minor control weaknesses exist</p>	Control Rating	<b>Limited</b>	<b>4</b>	<b>7</b>	<b>9</b>
		<b>Adequate</b>	<b>2</b>	<b>5</b>	<b>8</b>
		<b>Substantial</b>	<b>1</b>	<b>3</b>	<b>6</b>
		<b>Minor</b>	<b>Major</b>	<b>Critical</b>	
		<b>Risk Rating</b>			
<p><b>Minor, Major or Critical</b> reflects the relative risk of each system and the impact on the Council in financial and/or reputational terms if it was to fail. The risk rating for each audit has been agreed following a detailed risk assessment by Internal Audit and approval by Senior Management.</p>					

## INTERNAL AUDIT PERFORMANCE

9. **Appendix 2** provides information on Internal Audit performance as at 28<sup>th</sup> August 2015. We are pleased to report that the majority of indicators have either been achieved or exceeded with the exception of one. The percentage of the audit plan completed (CBC) is below target due to the over-run on S.106/CIL.
10. We will closely monitor the Audit Plan over the coming months to ensure that it remains on target to be achieved.

## IMPLICATIONS OF REPORT

11. 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 2015/16 Internal Audit Plans for Chorley Council and Shared Financial Services.

Report Authors	Ext	Date	Doc ID
Garry Barclay Dawn Highton	01772 625272 01257 515468	August 2015	Audit Interim report

## INTERNAL AUDIT PLANS 2015/16

AUDIT AREA	RISK RATING	PLAN (Days)	ACT (Days)	BAL (Days)	ASSURANCE RATING	COMMENTS
<b>CHORLEY</b>						
<b>CORPORATE AREAS</b>						
Annual Governance Statement	N/A	20	15.4	4.6	N/A	Complete
Anti Fraud & Corruption	N/A	15	2.6	12.4	N/A	On-going
NFI	N/A	20	3.6	16.4	N/A	On-going
<b>CHIEF EXECUTIVE</b>						
<b>Policy and Communications</b>						
Performance Management	CRITICAL	15	14.5	0.5		In progress
Partnerships	CRITICAL	15	1	14		To commence Q4
<b>Governance</b>						
Market Walk	N/A	10	0	10		To commence Q3
<b>Finance</b>						
New Payroll system	CRITICAL	10	0	10		To commence Q3
Travel and Expenses	MAJOR	15	14.1	0.9	Amber (5)	Complete
Contract Procedure Rules	CRITICAL	15	11.3	3.7		In progress
<b>CUSTOMER AND ADVICE SERVICES</b>						
<b>ICT</b>						
Information Security	CRITICAL	15	0	15		To commence Q3
Disaster Recovery	CRITICAL	15	0	15		To commence Q4
<b>Customer</b>						
Transactional Services	CRITICAL	15	1.9	13.1		On-going
Council Tax	CRITICAL	35	0	35		To commence Q3
Non Domestic Rates	CRITICAL					To commence Q3
Housing Benefits	CRITICAL					To commence Q3
Debtors	CRITICAL					To commence Q3
<b>PUBLIC PROTECTION, STREETSCENE AND COMMUNITY</b>						
<b>Planning</b>						
Community Infrastructure / S.106	CRITICAL	15	42.5	-27.5		In progress
<b>Health, Environment and Neighbourhoods</b>						
Empty Homes	MAJOR	5	2.5	2.5		In progress
Licencing	MAJOR	15	1	14		In progress
<b>Streetscene</b>						
Plant and Equipment	CRITICAL	5	0	5		To commence Q4
Tree Maintenance & Inspection regime	MAJOR	10	0.6	9.4		In progress
Management of external events	MAJOR	15	9.3	5.7		In progress
<b>GENERAL AREAS</b>						
Irregularities (Contingency)	N/A	10	0	10		On-going
Post Audit Reviews	N/A	10	2.3	7.7		On-going
Residual Work from 2014/15	N/A	15	17.2	-2.2		Complete
Unplanned Reviews (Contingency)	N/A	10	6	4		On-going
Governance Committee	N/A	20	6.2	13.8		On-going
<b>TOTAL</b>		<b>345</b>	<b>152</b>	<b>193</b>		

AUDIT AREA	RISK RATING	PLAN (Days)	ACT (Days)	BAL (Days)	ASSURANCE RATING	COMMENTS
<b>SHARED SERVICES</b>						
<b>SHARED FINANCIAL SERVICES</b>						
Main Accounting System	CRITICAL	95	0	95		To commence Q4
Creditors	CRITICAL					To commence Q4
Payroll	CRITICAL					To commence Q4
Treasury Management	CRITICAL					To commence Q4
Cash & Bank / Cheque Control	CRITICAL					To commence Q4
<b>SHARED ASSURANCE SERVICES</b>						
Insurance	CRITICAL	20	19	1	Amber (6)	Complete
<b>GENERAL AREAS</b>						
Post Audit Reviews	N/A	10	1	9	N/A	On-going
Contingency	N/A	20	7	13	N/A	On-going
Residual Work from 2014/15	N/A	20	25	-5	N/A	Complete
<b>TOTAL</b>		<b>165</b>	<b>52</b>	<b>113</b>		

## INTERNAL AUDIT PERFORMANCE INDICATORS AS AT 28th AUGUST 2015

	Indicator	Audit Plan	Target 2015/16	Target to Date	Actual to Date	Comments
1	% of planned time used	SS	90%	29%	32%	Target exceeded
		CC	90%	37%	44%	Target exceeded
2	% audit plan completed	SS	100%	9%	9%	Target achieved
		CC	100%	20%	14%	Below target
3	% management actions agreed	SS	98%	98%	100%	Target exceeded
		CC	98%	98%	100%	Target exceeded
4	% overall customer satisfaction rating (assignment level)	SS	90%	90%	100%	Target exceeded
		CC	90%	90%	100%	Target exceeded

SS = Shared Services

CC = Chorley Council