

Report of	Meeting	Date
Assistant Chief Executive (Business Transformation & Improvement)	Audit Committee	27/9/07

INTERIM REPORT ON INTERNAL AUDIT ACTIVITIES AS AT 14th SEPTEMBER 2007

PURPOSE OF THE REPORT

- 1 To advise members of the work undertaken in respect of the Annual Internal Audit Plan during the initial five months of 2007/8 and to comment on the results.
- 2 To provide details of further reviews, investigations and other Internal Audit activities during the period.

RECOMMENDATIONS

- 3 That the Interim Report be noted.

CORPORATE PRIORITIES

- 4 This report relates to the following Strategic Objectives:

Put Chorley at the heart of regional economic development in the central Lancashire sub region		Improved access to public services	
Improving equality of opportunity and life chance		Develop the character and feel of Chorley as a good place to live	
Involving People in their Communities		Ensure Chorley is a performing Organisation	✓

BACKGROUND

- 5 This is the first Interim Progress Report for the current financial year and covers the period between 1st April 2007 and 14th September 2007.
- 6 Appendix 1 to this report shows the overall progress made in relation to the 2007/8 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.
- 7 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.

CORPORATE GOVERNANCE

Annual Governance Statement

- 8 We facilitated the internal review of the Council's system of governance leading to the publication of the Annual Governance Statement within the 2006/7 Financial Statements.

Use of Resources

- 9 We have project managed the actions relating to internal control arising from the Audit Commission's last assessment and have contributed to the reassessment process for 2007.

Best Value Performance Indicators

- 10 We have assisted the Director of Policy and Performance to improve the Council's performance data quality control process as well as conducting year-end checks on specific Best Value Performance Indicators (BVPI's).

Corporate Policies & Procedures

- 11 There has been concern for some time that officers throughout the Council find it difficult to absorb and implement the wide range of policies, frameworks, strategies, procedures and protocols which are generated at the corporate core. We are therefore working with Directors to introduce an e-enabled guide on the Loop, which lists and explains the key policies in a user-friendly manner. This is still in progress.

RISK MANAGEMENT

Risk Management Framework

- 12 The Council's risk management policies and procedures have evolved over the last few years in response to new regulatory requirements and industry standards. We have therefore produced a Risk Management Framework document to record how risk management operates within the organisation. This is included as a separate item on this agenda.

Strategic Risk Register

- 13 A key requirement / aspect of the Council's Risk Management Framework is the need to carry out an ongoing risk assessment on the Corporate Strategy and produce a Strategic Risk Register (SRR). We have worked with the Policy & Performance directorate to produce a SRR for the latest Corporate Strategy. This is also included as a separate item on this agenda.

ANTI-FRAUD & CORRUPTION

National Fraud Initiative (NFI)

- 14 This exercise is organised by the Audit Commission every 2 years or so and is about comparing the information contained within the Council's computer systems with that contained within other organisations' systems (for example, payroll, student awards and pensions). The main aim being to identify potentially fraudulent activity for further investigation. The Internal Audit Service co-ordinate matters on behalf of the Authority.

In terms of the current exercise the Commission have now supplied the Council with all the results, which are a series of reports showing data matches. (A good example of a data match is where someone appears on a council payroll system and is also a benefit claimant).

Data matches do not necessarily indicate fraud. Indeed previous experience has shown that only 1% - 2% of data matches result in proven fraud cases. The objective of data match reports however is to highlight potential fraud situations that warrant further enquiry and investigation.

Of the 2447 "matches" in the current exercise, 246 have so far been processed. Of these 20 are currently under investigation and one confirmed fraud of £1,255 has already been identified (housing benefit claim mated to student loan).

The remaining matches will be processed by the end of December when the final return is due to be made to the Audit Commission.

Fraud Risk Register

- 15 We have been working with Directors to undertake a corporate risk assessment exercise to develop an Anti-Fraud and Corruption Risk Register to identify any specific areas of weakness that may currently exist within the Council's operational activities. This includes a fraud management plan designed to target the areas of exposure identified across the Council.

We are now in the process of implementing suitable measures designed to reduce each risk exposure to acceptable levels by agreeing actions to be taken by managers to address specific risk areas and incorporating relevant risk exposures into ongoing audit work where possible

REVIEW OF KEY BUSINESS SYSTEMS

Codes of Conduct / Registers of Disclosures

- 16 The purpose of this audit was to evaluate the effective operation of the Members' and Officers' Codes of Conduct, including the disclosure of pecuniary interests.

We found the application of the Members' Code of Conduct to be sound and include the recent adoption of a revised Code based on the Government's National Model and the implementation of effective procedures for training, monitoring and compliance with the revised requirements.

The Officers Code of Conduct and supporting arrangements were implemented in 1997 and have remained virtually unaltered since inception. In our opinion the present arrangements are in need of improvement to "refresh" the Officers' Code and address weaknesses identified in supporting arrangements relating to ownership, officer training and awareness, monitoring and compliance together with effective implementation of recently introduced arrangements for the disclosure of pecuniary interests.

REVIEW OF FINANCIAL SYSTEMS

Key Financial Systems

- 17 We undertook 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 2006/7 and involved identifying / testing the key controls. No significant control

weaknesses were identified from the review work carried out. Any minor control issues identified have now been addressed.

Charging Policies

- 18 The purpose of this audit is to ascertain whether the Council is utilising all its income generating opportunities and is optimising its income levels from established income generating areas. This review is still in progress.

REVIEW OF KEY OPERATIONS

Members Allowances

- 19 The purpose of this audit was to ensure that members' allowances are paid correctly in accordance national regulations and processed efficiently. This review received a 'sound' assurance rating and there were no significant findings to report.

IMPLICATIONS OF REPORT

- 20 This report has no implications for specific Directorates. The matters raised in the report are cross cutting and impact upon the authority as a whole.

GARY HALL
ASSISTANT CHIEF EXECUTIVE
BUSINESS TRANSFORMATION & IMPROVEMENT

Background Papers			
Document	Date	File	Place of Inspection
Accounts & Audit Regulations 2003	2003	FINANCE DIRECTORATE	Union Street Offices

Report Author	Ext	Date	Doc ID
Garry Barclay	5468	18/09/07	270907.doc
Andy Armstrong	5465		

INTERNAL AUDIT WORK PLAN 2007/8 - SUMMARY PROGRESS REPORT

Audit Area	Qtr Due	Est Days	Actual Days	Balance (+/-)	Status
CORPORATE GOVERNANCE					
Corporate Policies & Procedures	3	30	13	17	Work in progress on e-guide
Governance Assurance Statements	1	20	7	13	2006/7 completed.
External Inspection (CPA, Use of Resources)	ALL	20	8	12	Work in progress on KLOE 4
Best Value Performance Indicators (BVPI's)	1&2	25	39	-14	Completed / ongoing input
Governance General	ALL	5	7	-2	
		100	74	26	
RISK MANAGEMENT					
Risk Management Policies & Procedures	1	10	6	4	New RM Framework produced
Risk Registers	1	20	4	16	SRR updated
Health & Safety	ALL	25	15	10	Ongoing
Insurance	ALL	25	10	15	Ongoing
Risk Management General	ALL	5	2	3	
		85	37	48	
ANTI-FRAUD & CORRUPTION					
National Fraud Initiative (NFI)	ALL	25	9	16	Ongoing
System Interrogations	ALL	25	0	25	3rd quarter
Fraud Risk Register	ALL	20	6	14	FRR compiled
Fraud Bulletins	ALL	15	0	15	3rd quarter
Anti-Fraud & Corruption General	ALL	5	1	4	
		90	16	74	
REVIEW OF KEY BUSINESS SYSTEMS					
Strategy Development	4	20	0	20	4th quarter
Codes of Conduct / Registers of Disclosures	2	20	15	5	Work in progress
		40	15	25	
REVIEW OF FINANCIAL SYSTEMS					
Key Systems Review (ISA)	1&4	70	24	46	Completed. 2007/8 4th quarter
Charging Policies	2	30	16	14	Work in progress
Control of Cash	3	25	0	25	3rd quarter
		125	40	85	
REVIEW OF KEY OPERATIONS					
Members Allowances	2	15	15	0	Report issued
Licensing	4	15	0	15	4th quarter
Land Charges	3	15	0	15	3rd quarter
Planning	3	20	0	20	Work in progress
Improvement Grants	4	20	0	20	4th quarter
		85	15	70	
CONTINGENCY					
Irregularity Investigations	ALL	30	0	30	
Post Audit Reviews	ALL	20	4	16	
Unplanned Reviews	ALL	25	18	7	
Audit Committee Reporting	ALL	20	11	9	
		95	33	62	
TOTAL CHARGEABLE DAYS		620	230	390	

