

Report of	Meeting	Date
Assistant Chief Executive (Business Transformation)	Audit Committee	17/01/08

## INTERIM REPORT ON INTERNAL AUDIT ACTIVITIES AS AT 30<sup>th</sup> DECEMBER 2007

### PURPOSE OF THE REPORT

- 1 To advise members of the work undertaken in respect of the Annual Internal Audit Plan during the third quarter of 2007/8 and to comment on the results.
- 2 To provide details of 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		Develop local solutions to climate change	
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 second Interim Progress Report for the current financial year and covers the period between 14<sup>th</sup> September and 30<sup>th</sup> December 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 during the last quarter.

### CORPORATE GOVERNANCE

#### Use of Resources

- 7 We have contributed to the reassessment process for 2007 resulting in a maximum score of 4 corporately, including individual scores of 4 and 3 for Risk Management and Internal Control respectively. The Audit Commission has reported more fully on this item earlier in the agenda.

## Corporate Policies & Procedures

- 8 In order to help officers understand and implement the wide range of policies, frameworks, strategies, procedures and protocols which are generated at the corporate core, we have worked with Directors and the Communications Team to introduce an e-enabled Guide on the Loop, which lists and explains the key policies in a user-friendly manner.
- 9 The content has now been agreed and the Communications Team are currently finalising the format and promotional aspects of the Guide.

## ANTI-FRAUD & CORRUPTION

### National Fraud Initiative (NFI)

- 10 As members are aware, 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 to identify potentially fraudulent activity for further investigation. The Internal Audit Service co-ordinate matters on behalf of the Authority.
- 11 In terms of the current exercise the Commission supplied the Council with 36 reports containing 2447 data matches. A good example of a data match is where someone appears on the Council's payroll and is also a benefit claimant. Data matches don't necessarily indicate fraud and 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.
- 12 Of the 36 separate reports provided by the Audit Commission, 30 (83%) have now been examined, resulting in 31 data matches that warranted further investigation. Two benefit frauds and four duplicate payments have been confirmed so far comprising a total value/saving as follows:

• Benefits	£3823.00
• Duplicate payments	£6616.54
<b>Total</b>	<b>£10439.54</b>
- 13 The other 25 data matches are still under investigation.
- 14 The remaining 6 reports supplied by the Audit Commission will be examined during January and a report summarising the overall outcome from the exercise will be submitted at a future meeting. We are however already able to give assurance that the control procedures in place within the Benefits and Creditor Payment systems are robust, given the small number of items under investigation.
- 15 Following a highly successful pilot project the Audit Commission has recently introduced an extension to the NFI exercise involving the matching of Council Tax Single Person Discount records against the Electoral Register. Counsel's opinion in favour of this extension has recently been provided following some considerable debate nationally over its legality. We are now in the process of submitting the necessary data to the Audit Commission with a view to receiving the results in March and we are working with the Communications Team to provide the general public with adequate notice and information about this aspect of the NFI.

## **Fraud Risk Register**

- 16 We have been working with Directors to identify specific fraud risks within the Council's operational activities and to record these in a Fraud Risk Register. From this a Fraud Management Plan has now been developed containing 110 individual measures to mitigate risk exposures to an acceptable level and will aim to address:
- Corporate risks, such as the control and collection of income, control of assets, low value procurement, and a variety of ICT issues including the use of Internet and e-mail, control over data, network hacking and compliance with licence agreements.
  - Directorate specific risks, the most significant of which include control over fuel issues and vehicle disposals.
- 17 The majority of the measures will be implemented by specific managers within Directorates and we are now in the process of formally agreeing the actions to be taken. In some cases the measures have already been completed or are in progress. A number of actions are also being integrated into ongoing audit work, including the issue of fraud bulletins to staff and the use of targeted data interrogations.

## **REVIEW OF FINANCIAL SYSTEMS**

### **Charging Policies**

- 18 The purpose of this audit was to ascertain whether the Council is utilising all its income generating opportunities and is optimising its income levels from established income generating areas. We reviewed all the charges where the Council has the discretion to vary the rates currently applied and there is at least some scope to do so.
- 19 Our report provided options for increasing charges, the potential value of such increases and contextual information in terms of justification and / or risk. In order to arrive at the various options we compared all of Chorley's fees with those of 3 other authorities within the North West (Preston, Blackburn and Allerdale councils) and explored new ideas with the managers concerned.
- 20 We identified that an aggregate increase of £200,000 (inclusive of inflation) would be achievable in 2008/9 with minimal risk implications.

## **REVIEW OF KEY OPERATIONS**

### **Planning System**

- 21 As the Local Planning Authority the Council has a statutory duty to ensure that the planning system is operated in accordance with relevant legislation. The purpose of this audit was to review the adequacy of planning procedures generally and more specifically those relating to two main functions of the service, which are Development Control and Building Control.
- 22 We found that the overall arrangements in place provide sound compliance with current legislation and relevant Council policies and that comprehensive procedural guidance is in place to provide a fair and consistent approach to the processing of applications and appeals. This is supported by a framework of underlying controls ranging from robust income collection, monitoring and fee setting arrangements and the provision of accurate and timely planning information on the Web site to effective Development Control Committee Member training.

- 23 As might be expected from a system of this scale some areas were identified where improvements to procedures could be made to improve the level of control and we made recommendations relating to the processing and recording of applications and income, the processing of complaints and the disclosure of interests by staff.

## Land Charges

- 24 The Council has a statutory duty to maintain a “Local Land Charges Register” to record essential information about any conditions or charges that relate to land and property within the Borough. This information is of particular interest to the general public when they make decisions about the potential purchase of land or property.
- 25 The purpose of the review was to seek assurance that key systems for the control and operation of the register, the administration and processing of land search applications and the receipt and control of payments which provide the foundation for the service are operating effectively.
- 26 We found that in general those systems and procedures are sound although recommendations were made to address a number of low level operational and administrative issues. However we did note that the contract for the supply and maintenance of the Land Charges computer application, hardware and system support lapsed over 2 years ago. This could expose the Council to significant financial and reputational risk in the event of the failure of the computer system, which forms the backbone of the service. In view of this we were only able to provide a limited controls assurance rating.

## IMPLICATIONS OF REPORT

- 27 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

Background Papers			
Document	Date	File	Place of Inspection
CIPFA Code of Practice for Internal Audit in Local Government	2006	FINANCE DIRECTORATE	Union Street Offices
Accounts & Audit (Amendment) (England) Regulations	2006		

  

Report Author	Ext	Date	Doc ID
Garry Barclay Andy Armstrong	5468 5465	04/01/08	170108.doc

## INTERNAL AUDIT WORK PLAN 2007/8 - SUMMARY PROGRESS REPORT

Audit Area	Qtr	Est	Actual	Balance	Status
	Due	Days	Days	(+/-)	
<b>CORPORATE GOVERNANCE</b>					
Corporate Policies & Procedures	3	30	35	-5	WIP to finalise roll-out
Governance Assurance Statements	1	20	12	8	Completed for 2006/7
External Inspection (CPA, Use of Resources)	ALL	20	19	1	Completed for 2007. 2008 WIP.
Best Value Performance Indicators (BVPI's)	1&2	25	44	-19	Completed for 2006/7
Governance General	ALL	5	9	-4	
		100	119	-19	
<b>RISK MANAGEMENT</b>					
Risk Management Policies & Procedures	1	10	8	2	New RM Framework produced
Risk Registers	1	20	10	10	WIP to further update SRR
Health & Safety	ALL	25	20	5	Ongoing
Insurance	ALL	25	18	7	Ongoing
Risk Management General	ALL	5	3	2	
		85	59	26	
<b>ANTI-FRAUD &amp; CORRUPTION</b>					
National Fraud Initiative (NFI)	ALL	25	25	0	Final submissions in progress
System Interrogations	ALL	25	0	25	4th quarter
Fraud Risk Register	ALL	20	13	7	FRR compiled. Action WIP.
Fraud Bulletins	ALL	15	1	14	4th quarter
Anti-Fraud & Corruption General	ALL	5	3	2	
		90	42	48	
<b>REVIEW OF KEY BUSINESS SYSTEMS</b>					
Strategy Development	4	20	0	20	4th quarter
Codes of Conduct / Registers of Disclosures	2	20	23	-3	Report issued
		40	23	17	
<b>REVIEW OF FINANCIAL SYSTEMS</b>					
Key Systems Review (ISA)	1&4	70	25	45	Completed for 2007. 2008 WIP.
Charging Policies	2	30	34	-4	Completed.
Control of Cash	3	25	12	13	WIP
		125	71	54	
<b>REVIEW OF KEY OPERATIONS</b>					
Members Allowances	2	15	16	-1	Report issued
Licensing	4	15	0	15	4th quarter
Land Charges	3	15	13	2	Draft report issued
Planning	3	20	20	0	Draft report issued
Improvement Grants	4	20	0	20	4th quarter
		85	49	36	
<b>CONTINGENCY</b>					
Irregularity Investigations	ALL	30	2	28	Ongoing
Post Audit Reviews	ALL	20	7	13	Ongoing
Unplanned Reviews	ALL	25	18	7	Ongoing
Audit Committee Reporting	ALL	20	18	2	Ongoing
		95	45	50	
<b>TOTAL CHARGEABLE DAYS</b>					
		620	408	212	