

Report of	Meeting	Date
Head of Shared Assurance Services	Governance Committee	25 th January 2017

INTERNAL AUDIT INTERIM REPORT AS AT 30TH DECEMBER 2016

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 August 2016 to December 2016 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 at this stage the Audit Plans are on target to be achieved and that the majority of performance indicators have either been achieved or exceeded.

Confidential report Please bold as appropriate	Yes	No
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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	X

BACKGROUND

6. This is the second progress report for 2016/17 and covers the period between 1st August 2016 and 30th December 2016.

INTERNAL AUDIT PLANS

7. **Appendix 1** provides a “snapshot” of the overall progress made in relation to the 2016/17 Internal Audit Plans, indicating which audits have been completed and their control 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 provides a summary of the audit work completed since the last meeting together with any control issues identified.

Audit Area	Control Rating	Comments
Chorley Council		
National Fraud Initiative	Not applicable	<p>Data from the following systems was submitted in October 2016 for the 2016-17 exercise.</p> <ul style="list-style-type: none"> • Trade Creditors • Council Tax Reduction Scheme • Market Traders • Taxi & Hackney Carriage Licence • Personal Licence • Residents Parking Permits • Payroll • Insurance (NFI request this data directly from our insurance provider). • Housing Benefit (NFI request this data directly from DWP) <p>The results from the exercise are due to be released on 26th January 2017.</p> <p>The electoral roll and council tax single person discount data is due to be submitted at the end of January with the results immediately released.</p>
Project Management	Red (7)	<p>This review focussed on the application of the Project Management Toolkit and the utilisation of the Council's project management software – MyProjects.</p> <p>All the projects included within this review are on track to be delivered and there is comprehensive guidance and extensive project documentation for Senior Responsible Officers and Project Managers use. We found however, that neither the Toolkit nor MyProjects are being consistently used across the authority.</p> <p>As there is limited resource to monitor project management centrally, Senior Responsible Officers and Project Managers must ensure that projects are managed in accordance with the Toolkit and that MyProjects is fully utilised. A range of management actions were agreed to achieve this.</p>

Audit Area	Control Rating	Comments
Information Governance	Red (9)	<p>This review assessed the arrangements and controls being put in place by management to develop the Council's information governance framework to deliver an effective security culture and ensure ongoing compliance with its information security obligations.</p> <p>Although it is recognised that there are a number of positive solutions and processes in place and a commitment to address a number of the key issues identified during the audit, we are only able to provide a Red, (9) rating at this time, principally due to the current stage of development of the Council's overarching information governance arrangements.</p>
Council Tax & NNDR	Amber (6)	<p>The aim of the audit was to provide assurance that the Council's arrangements, procedures and processes in relation to Council Tax and NNDR are robust and effective. No key control issues were identified.</p>
Review of Stores	Amber (4)	<p>The purpose of the review was to determine that sound arrangements are in place for the management and control of stores.</p> <p>Although the value of stores is relatively low, the stores should operate in accordance with the Council's Financial Procedure Rules. A manual system was in place at the time of our last review, however this system is no longer operational and our work confirmed that all stock could not be accounted for due to the lack of records controlling levels of stock, receipts and issues.</p>
Review of Fuel Consumption	Red (7)	<p>The purpose of the review was to determine that sound arrangements are in place for the management and control of fuel consumption.</p> <p>Our work established that since our last review a number of controls, which were in place and working as intended have lapsed. These include:</p> <ul style="list-style-type: none"> • The Chest not being utilised for all fuel procurement; • There is no individual driver ID to monitor specific users; • Fuel usage is not being monitored or analysed per individual vehicle; • Fuel card expenditure is not being reconciled to the total invoiced.
Disabled Facilities Grants & Integrated Home Improvement Service	Green (3)	<p>The purpose of the review was to assess the effectiveness of the arrangements established by the Council to deliver the various services and grants available. No key control issues were identified.</p>

Limited - the Authority cannot place sufficient reliance on the controls. Substantive control weaknesses exist.

Adequate - the Authority can place only partial reliance on the controls. Some control issues need to be resolved.

Substantial - the Authority can place sufficient reliance on the controls. Only minor control weaknesses exist

Control Rating	Limited	4	7	9
	Adequate	2	5	8
	Substantial	1	3	6
		Minor	Major	Critical
Risk Rating				

Minor, Major or Critical 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.

INTERNAL AUDIT PERFORMANCE

9. **Appendix 2** provides information on Internal Audit performance as at 30th December 2016. At this stage there are three indicators which are slightly lower than target:
- % of planned time used (CBC & SS);
 - % of audit plan completed (CBC).

This is due to the extended absence of a member of the Audit Team, who has since returned. We are confident at this stage that this absence will not have any detrimental effect on the completion of the audit plan.

REVISED APPROACH

10. In line with the latest Internal Auditing practices, from 2017/18 we will be developing our approach to audit assignments by asking managers and staff to compile risk registers for each function/system under review.
11. This should encourage a greater ownership of risk management within services and thereby improve the level of internal control operating throughout the Council.

IMPLICATIONS OF REPORT

12. 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

Report Authors	Ext	Date	Doc ID
Garry Barclay Dawn Highton	01772 625272 01257 515468	January 2017	Audit Interim report

Background papers include the 2016/17 Internal Audit Plans for Chorley Council and Shared Financial Services

INTERNAL AUDIT PLANS 2016/17

AUDIT AREA	RISK RATING	PLAN (Days)	ACT (Days)	BAL (Days)	ASSURANCE RATING	COMMENTS
CHORLEY						
CORPORATE AREAS						
Annual Governance Statement	N/A	20	22	-2	N/A	Complete
Anti-Fraud & Corruption	N/A	15	8.7	6.3	N/A	On-going
NFI	N/A	20	18.7	1.3	N/A	On-going
Policy and Communications						
Performance Management Information	CRITICAL	15	6.4	8.6		In progress
Project Management	MAJOR	10	11.8	-1.8	Red (7)	Complete
Events Management (Internal)	MAJOR	15	0.6	14.4		To commence Q4
Legal Democratic & HR Services						
Health & Safety	CRITICAL	15	0	15		To commence Q4
Finance						
Payroll project	N/A	10	0	10		To commence Q4
CUSTOMER & DIGITAL						
ICT Services						
Information Governance	CRITICAL	15	11.4	3.6	Red (9)	Complete
Customer Transformation						
Land Charges	MAJOR	10	13.8	-3.8		In progress
Council Tax	CRITICAL	30	20	10	Amber (6)	Complete
Non Domestic Rates	CRITICAL				Amber (6)	Complete
Housing Benefits	CRITICAL					In progress
Debtors	CRITICAL					In progress
Waste & Streetscene Services						
Stores	MINOR	10	9.7	0.3	Amber (4)	Complete
Fuel Consumption	MAJOR	10	10.3	-0.3	Red (7)	Complete
Planning						
Development Control	MAJOR	15	0	15		To commence Q4
EARLY INTERVENTION						
Early Intervention & Support						
Safeguarding – Adults & Children	MAJOR	15	18.2	-3.2	Amber (5)	Complete
Counter Terrorism – “Prevent” duty	MAJOR	10	3.2	11.8		In progress
Housing Options						
Disabled Facilities Grants / Integrated Home Improvement Service	MAJOR	15	14.2	0.8	Green (3)	Complete
Health & Wellbeing						
Indoor Leisure Contract	MAJOR	10	0	10		To commence Q4
REGENERATION & INWARD INVESTMENT						
Section 106	MAJOR	10	0	10		To commence Q4
Community Infrastructure Levy	CRITICAL	10	0	10		To commence Q4
GENERAL AREAS						
Irregularities (Contingency)	N/A	10	0	10	N/A	On-going
Post Audit Reviews	N/A	10	14.1	-4.1	N/A	On-going
Residual Work from 2015/16	N/A	15	18.2	-3.2	N/A	Complete
Unplanned Reviews (Contingency)	N/A	10	10.6	-0.6	N/A	On-going
Governance Committee	N/A	20	12.1	7.9	N/A	On-going
TOTAL		345	224	121		

AUDIT AREA	RISK RATING	PLAN (Days)	ACT (Days)	BAL (Days)	ASSURANCE RATING	COMMENTS
SHARED SERVICES						
SHARED FINANCIAL SERVICES						
Main Accounting System	CRITICAL	95	4.1	90.9		To commence Q4
Creditors	CRITICAL					To commence Q4
Payroll	CRITICAL					To commence Q4
Treasury Management	CRITICAL					In progress
Cash & Bank / Cheque Control	CRITICAL					In progress
GENERAL AREAS						
Post Audit Reviews	N/A	10	4.2	5.8	N/A	On-going
Contingency	N/A	20	3.8	16.2	N/A	On-going
Residual Work from 2015/16	N/A	20	25.9	-5.9	N/A	Complete
TOTAL		145	38	107		

APPENDIX 2

INTERNAL AUDIT PERFORMANCE INDICATORS AS AT 30th December 2016

	Indicator	Audit Plan	Target 2016/17	Target to Date	Actual to Date	Comments
1	% of planned time used	SS	90%	35%	26%	Below target
		CBC	90%	67.5%	65%	Slightly below target
2	% audit plan completed	SS	100%	0%	0%	Not applicable
		CBC	100%	59%	52%	Below target – 1 review not yet finalised
3	% management actions agreed	SS	98%	0%	0%	Not applicable
		CBC	98%	98%	100%	Target exceeded
4	% overall customer satisfaction rating (assignment level)	SS	90%	90%	100%	Target exceeded
		CBC	90%	90%	97%	Target exceeded

SS = Shared Services

CBC = Chorley