

| REPORT TO | DATE OF MEETING |
|----------------------|---------------------------------|
| Governance Committee | 22 nd September 2009 |

Report template revised June 2008



| SUBJECT | PORTFOLIO | AUTHOR | ITEM |
|--|------------------|-----------------------|-------------|
| Internal Audit Interim Report as at 28 th August 2009 | Not Applicable | G. Barclay C. Ware | 5 |

SUMMARY AND LINK TO CORPORATE PRIORITIES

The purpose of this report is:

- to advise members of the work undertaken in respect of the Annual Internal Audit Plan during the initial five months of 2009/10 and to comment on the results
- to give an appraisal of the Internal Audit Service's performance to date
- to inform members of any other developments involving or impacting upon the work of the Internal Audit Service.

The report links with all of the corporate priorities, in particular to be an 'efficient, effective and exceptional Council'.

RECOMMENDATIONS

That the report be noted.

DETAILS AND REASONING

Background

This is the first interim progress report for the current financial year and covers the period between 1st April 2009 and 28th August 2009.

Internal Audit Plan

Appendix 1 to this report provides a "snapshot" of the overall progress made in relation to the 2009/2010 Internal Audit Plan, indicating which audits have been completed, 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.

At this stage the plan is on course to be completed. All the audit assignments undertaken to date are on or around budget with the exception of the time allocation for completing the residual work from 2008/9 which was exceeded but this will be clawed back from other reviews.

Appendix 2 provides more detailed information on the audit work undertaken to date.

Internal Audit Performance

Appendix 3 provides information on Internal Audit performance as at the end of August 2009. The performance indicator set in this table is based on recent work undertaken by the UK public sector audit agencies plus service user and staff consultation.

Again, the majority of the measures are on or around target and full explanations are provided in the table.

Other Developments

Customer Liaison Process

In establishing a common audit approach for the merged Audit Team we identified an opportunity to improve how we interact with our customers before, during and after an audit assignment. We have therefore established greater clarity over how we:

- agree terms of reference;
- establish responsibility for agreeing and implementing agreed management actions;
- report any non-implementations to the Governance Committee.

The process has been discussed and agreed with Senior Management Team prior to being included within the Internal Audit Quality Management System.

Examination Success

Three members of the Internal Audit Team were successful in their recent Institute of Internal Auditor examinations. One of the officers has now achieved the Diploma in Internal Auditing.

Staff Vacancy

A member of the Team has recently accepted another post within the Council and will terminate her employment with Internal Audit at the end of September. The options for filling this vacancy will be considered at the next meeting of the Partnership Joint Committee.

IMPLICATIONS OF REPORT

The matters raised in the report are cross cutting and impact upon individual services and the council as a whole.

WIDER IMPLICATIONS

In the preparation of this report, consideration has been given to the impact of its proposals in all the areas listed below, and the table shows any implications in respect of each of these.

The risk assessment which has been carried out forms part of the background papers to the report.

| | | | |
|---|--|---|---|
| FINANCIAL | There are no financial implications arising directly from this report. | | |
| LEGAL | The Interim Report is a requirement of the CIPFA Code of Practice for Internal Audit in Local Government (2006). | | |
| RISK | The full risk assessment forms part of the background papers to this report. | | |
| OTHER (see below) | | | |
| <i>Asset Management</i> | <i>Corporate Plans and Policies</i> | <i>Crime and Disorder</i> | <i>Efficiency Savings/Value for Money</i> |
| <i>Equality, Diversity and Community Cohesion</i> | <i>Freedom of Information/ Data Protection</i> | <i>Health and Safety</i> | <i>Health Inequalities</i> |
| <i>Human Rights Act 1998</i> | <i>Implementing Electronic Government</i> | <i>Staffing, Training and Development</i> | <i>Sustainability</i> |

BACKGROUND DOCUMENTS

Risk Assessment

APPENDIX 1 - INTERNAL AUDIT PLAN 2009/10

| Audit Areas | Qtr | Plan | Actual | Bal | Status |
|---|-----|------------|------------|------------|-------------|
| SHARED SERVICES | | | | | |
| Main Accounting / General Ledger | 4 | 20 | 0 | 20 | Not Started |
| Capital | 4 | 20 | 0 | 20 | Not Started |
| Cash and Bank | 4 | 20 | 0 | 20 | Not Started |
| Creditors | 4 | 20 | 0 | 20 | Not Started |
| Treasury Management | 4 | 15 | 0 | 15 | Not Started |
| Risk Management Framework | 4 | 10 | 0 | 10 | Not Started |
| General Controls Advice | ALL | 25 | 0 | 25 | Not Started |
| TOTAL | | 130 | 0 | 130 | |
| SOUTH RIBBLE | | | | | |
| CORPORATE GOVERNANCE | | | | | |
| External Inspection (CAA, UofR) | 1 | 20 | 10.9 | 9.1 | Ongoing |
| Governance Assurance Statements | 1 | 20 | 17.7 | 2.3 | Complete |
| Performance Management Framework | 3 | 15 | 0 | 15 | Not Started |
| Sustainability Strategy | 3 | 15 | 0 | 15 | Not Started |
| Data Quality | ALL | 20 | 11 | 9 | In Progress |
| ANTI-FRAUD & CORRUPTION | | | | | |
| NFI | ALL | 30 | 22.4 | 7.6 | In Progress |
| Anti-Fraud & Corruption Policies | 3 | 10 | 0 | 10 | Not Started |
| System Interrogations | 3 | 20 | 0 | 20 | Not Started |
| Fraud Awareness / Bulletins | ALL | 5 | 2.3 | 2.7 | Ongoing |
| KEY BUSINESS SYSTEMS | | | | | |
| External / Partnership Funding | 2 | 15 | 0.5 | 14.5 | In Progress |
| CRB Checks | 2 | 5 | 4.3 | 0.7 | In Progress |
| COMPUTER AUDIT | | | | | |
| Various Areas | 3/4 | 35 | 0.7 | 34.3 | In Progress |
| FINANCIAL SYSTEMS | | | | | |
| Key Systems Review (ISA) | 4 | 30 | 0 | 30 | Not Started |
| Charging Policies | 2 | 20 | 4.8 | 15.2 | In Progress |
| Asset Management / Estates | 2 | 20 | 15.9 | 4.1 | In Progress |
| KEY OPERATIONS | | | | | |
| Election Fees | 3 | 10 | 0 | 10 | Not Started |
| Car Parking (new arrangements) | 3 | 10 | 0 | 10 | Not Started |
| Transport (with Procurement) | 3 | 20 | 0 | 20 | Not Started |
| Leisure Contract | 4 | 20 | 0 | 20 | Not Started |
| Building Control | 2 | 20 | 5.6 | 14.4 | In Progress |
| Housing Grants | 1 | 15 | 19.3 | -4.3 | Complete |
| Commercial Services | 1 | 15 | 18.8 | -3.8 | Complete |
| Regeneration | ALL | 15 | 0 | 15 | Not Started |
| GENERAL AREAS | | | | | |
| Irregularities (Contingency) | ALL | 20 | 3.1 | 16.9 | Ongoing |
| Standards (Contingency) | ALL | 10 | 0.8 | 9.2 | Ongoing |
| Post Audit Reviews | ALL | 25 | 0.3 | 24.7 | Ongoing |
| Residual Work from 2008/9 | 1 | 15 | 35 | -20 | Complete |
| Unplanned Reviews (Contingency) | ALL | 20 | 12.8 | 7.2 | Ongoing |
| Project Support | ALL | 30 | 0 | 30 | Not Started |
| Governance Committee Reporting & Training | ALL | 25 | 13.8 | 11.2 | Ongoing |
| TOTAL | | 550 | 200 | 350 | |

SUMMARY OF INTERNAL AUDIT ACTIVITY APRIL – AUGUST 2009

| | AUDIT AREA | AUDIT INPUT | CONTROLS RATING | KEY CONTROL ISSUES |
|----|---|--|---|---|
| 1. | SHARED SERVICES | | | |
| | All reviews to be undertaken in Quarter 4 | | | |
| 2. | CORPORATE GOVERNANCE | | | |
| | External Inspection (CPA, Use of Resources) | Support was provided in collating information for external inspections particularly in respect of internal control issues. | Not applicable to this item. Proactive input provided rather than an audit / review. | Not applicable to this item. Proactive input provided rather than an audit / review. |
| | Governance Assurance Statements | Co-ordinated a review of the system of governance and provided a gap analysis highlighting areas of control weakness to feed into the Annual Governance Statement. | Not applicable to this item. Proactive input provided rather than an audit / review | Gap analysis provided showing areas of control weakness which were reported in the Annual Governance Statement. |
| | Data Quality | Supporting the ongoing data quality control process, including sample checks of "high risk" National Indicators Remaining indicators due to be reviewed during September. | Not applicable to this item. Proactive input provided rather than an audit / review. | To date, only minor issues have been identified. |

| | AUDIT AREA | AUDIT INPUT | CONTROLS RATING | KEY CONTROL ISSUES |
|--|-------------------|--------------------|------------------------|---------------------------|
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|-----------|---|--|------------------------------|--|
| 3. | ANTI-FRAUD & CORRUPTION | | | |
| | National Fraud Initiative | <p>Co-ordinate and contribute to the investigation of matches from the NFI exercises.</p> <p>Co-ordination of the Council's input to the Council Tax/Electoral Register 2009 national exercise will be undertaken in October and December 2009.</p> <p>This work was previously led by the Benefits Enquiry Unit (BEU) but is now co-ordinated by the Internal Audit Team.</p> | Not applicable to this item. | <p>To date the 2007/2008 Council Tax / Electoral Register data matching exercise has identified the following savings: removal of single person discount £13,304; overpayment of single person discount £15,114.</p> <p>Investigations of the 2008/9 exercise have recently commenced. Overpayment of housing benefit £1037 and overpayment of council tax £90 have been identified to date.</p> <p>Total £29,545</p> <p>No further irregularities have been identified from the main 2008/2009 exercise thus far.</p> |
| | Further planned work to be completed in Quarter 3 | | | |

| | | | | |
|----------|--|--|-------------------|------------------|
| 4 | KEY BUSINESS SYSTEMS | | | |
| | Criminal Record Bureau (CRB) | To determine whether or not CRB checks are being undertaken appropriately. | Not yet available | Work in Progress |
| | All other reviews to be completed in Quarter 3 | | | |

| | AUDIT AREA | AUDIT INPUT | CONTROLS RATING | KEY CONTROL ISSUES |
|--|------------|-------------|-----------------|--------------------|
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| | | | | |
|----|---|--|--|--|
| 5. | COMPUTER AUDIT | | | |
| | All reviews to be undertaken in Quarter 3 | | | |

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|----|--|--|--|--|
| 6. | FINANCIAL SYSTEMS | | | |
| | All reviews to be completed in Quarter 3 & 4 | | | |

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|----|--|--|----------|---|
| 7. | KEY OPERATIONS | | | |
| | Housing Grants | Undertook a full review to verify that the Housing Grants process provides value for money, adheres to best practice and the operational procedures established deliver and control the various streams of housing grants available. | Limited | Recommendations were made to improve the overall arrangements with regard to budget monitoring, performance monitoring, testing of eligibility and the contract with the Home Improvement Agency. |
| | Commercial Services | Undertook a review to assess the soundness and adequacy of the controls within Commercial Services. | Adequate | No key control issues identified. |
| | All remaining reviews to be completed in Quarter 3 & 4 | | | |

| | AUDIT AREA | AUDIT INPUT | CONTROLS RATING | KEY CONTROL ISSUES |
|----|--|---|--|---|
| 8. | GENERAL AREAS | | | |
| | Post Audit Reviews | | | |
| | Formal follow-up reviews of: DWP Standards; Commercial Services; NNDR; National Indicators; Taxi Licensing; PC Workstations; Cash and Bank; Local Development Framework; Ethical Audit. | Following the merger of IA processes, a new data collection process and follow up system was introduced on 1/4/09. At the time of reporting, insufficient data is yet available. This PI will be reported to the January meeting. | | |
| | Residual Work from 2008/9 | | | |
| | Capital | Review of capital spending to determine whether there is adequate monitoring of the capital programme. | Adequate. | No key control issues |
| | Unplanned Reviews | | | |
| | Sanctuary Scheme Tender | Undertook a review of the tender procedures carried out for the Sanctuary Scheme Tender. | Not applicable. Guidance / advice provided | Management were advised of improvements which could be made to future tender exercises. |
| | Housing Capital Allocation | To monitor the allocation and usage of the additional funding received by Housing Services. | Not yet available | Work in progress |
| | Review of procedures for checks of insurance and driving licenses for officers and members. | To ensure compliance with requirements of the council's insurance company. | Not yet available | Work in progress |

KEY TO CONTROL RATINGS

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|--------------------|---|
| Substantial | The Authority can place sufficient reliance on the controls. Only minor control weaknesses exist. |
| Adequate | The Authority can place only partial reliance on the controls. Some control issues need to be resolved. |
| Limited | The Authority cannot place sufficient reliance on the controls. Substantive control weaknesses exist. |

NOTE

The above control ratings relate only to the point in time when the final audit report was issued. They represent a historic rather than a current judgement as managers are charged with implementing corrective action plans to address the control issues raised. This is in turn supported by a programme of follow-up reviews by the Internal Audit Service.

Internal Audit Performance Indicator Table – As At 28th August 2009

| | Local Performance Indicators | Target 09/10 | Target To Date | Actual to Date | Comments |
|---|---|---------------------------------------|---------------------------------------|-------------------------|---|
| 1 | % of audit time utilised | 100 | 42 | 36 | Slightly under target as the audit work to be undertaken by Lancashire Audit Services is scheduled for Q3 & Q4. |
| 2 | % of planned time used | 90 | 37 | 36 | On target |
| 3 | % audit plan completed | 92 | 38 | 30 | A number of reviews are at draft report stage and at the point of being finalised |
| 4 | % management actions agreed | 97 | 97 | 100 | Target exceeded. |
| 5 | % of agreed management actions implemented | Priority 1 100 Priority 2 80 | Priority 1 100 Priority 2 80 | Not currently available | Following the merger of IA processes, a new data collection process and follow up system was introduced on 1/4/09. At the time of reporting, insufficient data is yet available. This PI will be reported to the January meeting. |
| 6 | % of agreed management actions implemented within agreed timescales | Priority 1 100 Priority 2 80 | Priority 1 100 Priority 2 80 | Not currently available | As above. |
| 7 | % overall customer satisfaction rating (assignment level) | 96 | 96 | 96 | On target |

Priority 1 actions are considered essential as they impact significantly on the Council's system of governance and internal control and may influence external inspection outcomes. A lack of timely implementation will be reported to the Governance Committee. **Priority 2** actions will significantly improve the level of control and will be monitored by Internal Audit. A lack of timely implementation may be reported to the Governance Committee.