

REPORT TO	DATE OF MEETING
Governance Committee	12 th January 2010

Report template revised June 2008



SUBJECT	PORTFOLIO	AUTHOR	ITEM
Internal Audit Interim Report as at 27 th November 2009	N/A	G. Barclay C. Ware	4

SUMMARY AND LINK TO CORPORATE PRIORITIES

The purposes of this report are:

- to advise members of the work undertaken since the last meeting in respect of the Annual Internal Audit Plan 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 Members note the report.

That the Committee approves the deferment of several audits to 2010/11, as noted below and for the reasons stated.

DETAILS AND REASONING

Background

This is the second interim progress report for the current financial year and covers the period between 28th August 2009 and 27th November 2009.

Internal Audit Plan

Appendix 1 to this report provides a "snapshot" of the overall progress made in relation to the 2009/10 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 majority of the planned work is on course to be completed. However, senior management have requested that the reviews of the Leisure Contract, External / Partnership Funding, Transport and the new Car Parking arrangements be deferred and included in the 2010/11 Internal Audit Plan, for the following reasons:

- A review of the Leisure Contract was included in the 2008/09 Internal Audit Plan but the report was only finalised and issued in quarter 2 of this financial year. There were no key control issues.
- The £1million external funding in respect of the Local Strategic Partnership, for which the Council will be the Accountable Body is not expected to be received prior to February 2010.
- The Head of Streetscene Services advised that as there are several projects currently ongoing within Transport, it would be more beneficial if this review was undertaken in 2010/11. In addition, he requested that the new car parking arrangements be deferred to enable them to be embedded before an Audit review was undertaken.

All the audit assignments undertaken to date are on or around budget with the exception of Asset Management/Estates, Housing Grants and the Residual Work from 2008/09. In respect of Asset Management / Estates, additional work was required to verify that all income had been received. For Housing Grants, the additional time was spent on mapping out the system for grants for minor works, boiler replacement, electrical rewiring and loft/cavity wall insulation. All of which were new areas of review for Internal Audit this year. The overrun on the Residual Work from 2008/9 was reported at the last meeting.

Appendix 2 provides more detailed information on the audit work undertaken since the last meeting.

Internal Audit Performance

Appendix 3 provides information on Internal Audit performance as at the end of November 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.

The majority of the measures are on or around target. Explanations are provided in the table.

Other Developments

In September, a member of the Team was successful in her application to join the Help Desk Team within Information Services. Whilst this could have impacted on the delivery of the Audit Plan, the deferral of those audits mentioned above has allowed us to manage the situation.

The consultation and risk assessment process for the production of the 2010/11 Internal Audit Plan is progressing. We will explain and consult members on this at the meeting.

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

Internal Audit Plan 2009/10

CIPFA Code of Practice for Internal Audit in Local Government (2006)

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	Due in the Final Quarter
Capital	4	20	0	20	Due in the Final Quarter
Cash and Bank	4	20	0	20	Due in the Final Quarter
Creditors	4	20	0	20	Due in the Final Quarter
Treasury Management	4	15	0	15	Due in the Final Quarter
Risk Management Framework	4	10	0	10	Due in the Final Quarter
General Controls Advice	Any	25	0	25	None requested to date
TOTAL		130	0	130	
SOUTH RIBBLE					
CORPORATE GOVERNANCE					
External Inspection (CAA, UofR)	Any	20	16.1	3.9	Ongoing
Governance Assurance Statements	1	20	18.8	1.2	Complete
Performance Management Framework	4	15	0	15	Due in the Final Quarter
Sustainability Strategy	3	15	0.1	14.9	In Progress
Data Quality	Any	20	16.4	3.6	Complete
ANTI-FRAUD & CORRUPTION					
National Fraud Initiative	Any	30	29.9	0.1	Complete
Anti-Fraud & Corruption Policies	4	10	0	10	Due in the Final Quarter
System Interrogations	3	20	3	17	Ongoing
Fraud Awareness / Bulletins	Any	5	5.4	-0.4	Ongoing
KEY BUSINESS SYSTEMS					
External / Partnership Funding	2	15	2.4	12.6	Proposed Deferral to 2010/11
Criminal Record Bureau Checks	3	5	4.7	0.3	In Progress
COMPUTER AUDIT					
Various Areas	3 & 4	35	15.7	19.3	In Progress
FINANCIAL SYSTEMS					
Key Systems Review (ISA)	4	30	0.6	29.4	In Progress
Charging Policies	3	20	17.7	2.3	In Progress
Asset Management / Estates	2	20	26.4	-6.4	Complete
KEY OPERATIONS					
Election Fees	3	10	0.7	9.3	In Progress
Car Parking (new arrangements)	3	10	2.7	7.3	Proposed Deferral to 2010/11
Transport (with Procurement)	3	20	0.2	19.8	Proposed Deferral to 2010/11
Leisure Contract	4	20	0	20	Proposed Deferral to 2010/11
Building Control	2	20	18	2	Complete
Housing Grants	1	15	19.7	-4.7	Complete
Commercial Services	1	15	19.1	-4.1	Complete
Regeneration	Any	15	1	14	In Progress
GENERAL AREAS					
Irregularities (Contingency)	Any	20	7.5	12.5	Ongoing
Standards (Contingency)	Any	10	0.8	9.2	Ongoing
Post Audit Reviews	Any	25	7.7	17.3	Ongoing
Residual Work from 2008/9	1	15	36.5	-21.5	Complete
Unplanned Reviews (Contingency)	Any	20	31	-11	Ongoing
Project Support	Any	30	0	30	None requested to date
Governance C'ttee Reporting /Training	Any	25	16.6	8.4	Ongoing
TOTAL		550	318.8	231.2	

SUMMARY OF INTERNAL AUDIT ACTIVITY APRIL – NOVEMBER 2009

	AUDIT AREA	AUDIT INPUT	CONTROLS RATING	KEY CONTROL ISSUES
1.	SHARED SERVICES			
	Financial Systems	All reviews to be undertaken in Quarter 4		
2.	CORPORATE GOVERNANCE			
	External Inspection (CPA, Use of Resources)			Already reported to Members in the first Interim Report
	Governance Assurance Statements			Already reported to Members in the first Interim Report
	Performance Management Framework	Review to be undertaken in Quarter 4		
	Sustainability Strategy	To provide assurance that the Council's arrangements to meet its sustainability obligations are adequate and effective, ensuring that the Council's role is appropriate and exposure to risks is minimised.	Not yet available	Work in Progress
	Data Quality	Supporting the ongoing data quality control process, including sample checks of "high risk" National Indicators, and reviewing the Data Quality processes.	Adequate	Management Actions were agreed to raise the profile of data quality throughout the Authority and with Partner organisations.

	AUDIT AREA	AUDIT INPUT	CONTROLS RATING	KEY CONTROL ISSUES
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 in October and December 2009.</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 are ongoing and to date have identified overpayments of housing benefit and council tax benefit of £29,187.45.</p> <p>A further 19 cases are still under investigation.</p>
	Anti Fraud and Corruption Policies	Review to be undertaken in Quarter 4		
	System Interrogations	Using IDEA software, a matching exercise was undertaken. Payroll data was matched to Creditors data to establish if any officers had been paid through the creditors system.	Not applicable to this item.	4 matches were identified and investigated. All of the matches had justifiable explanations for the payments.
	Fraud Awareness / Bulletins	Input to the Council's compliance with CIPFA's document 'Managing the Risk of Fraud' (Red Book 2).	Not applicable to this item.	Ongoing
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

	AUDIT AREA	AUDIT INPUT	CONTROLS RATING	KEY CONTROL ISSUES
5.	COMPUTER AUDIT			
	Review of Government Connect	Review of the Government Connect project to provide assurances that an effective control framework has been developed to deliver the Code of Connection (CoCo) compliance and to establish whether developing processes and procedures will ensure continuing conformity.	Not yet available	Work in progress
	System Access	To review and establish that the IT systems / applications in operation are effectively controlled, secure and monitored.	Not yet available	Work in progress
6.	FINANCIAL SYSTEMS			
	Key Systems Review (ISA)	Review of National Non Domestic Rates (NNDR), Housing & Council Tax Benefits, Debtors, Council Tax and Payroll to provide assurance that all high risk controls are in place and operating effectively.	Not yet available	Work in progress
	Charging Policies	To ensure the Council is maximising its income generating potential.	Not yet available	Work in progress
	Asset Management – Property Rentals	To verify that the systems and procedures in operation for property rentals are effective and comply with relevant policies, plans and procedures.	Adequate	Management Actions were agreed to: improve the tenant risk assessments; the collection of rental income; compliance with Financial Procedures, policies and legislation and general improvements to the administration processes.

	AUDIT AREA	AUDIT INPUT	CONTROLS RATING	KEY CONTROL ISSUES
7.	KEY OPERATIONS			
	Election Fees	To ensure that the basis for setting and administering the election fees and charges locally, reflects any prevailing national, regional or local directives and to evaluate the system controls in place for their subsequent payment.	Not yet available	Work in progress
	Housing Grants			Already reported to Members in the first Interim Report
	Commercial Services			Already reported to Members in the first Interim Report
	Building Control	A full system review to verify that suitable system controls and procedures are in place and operating effectively within the Building Control Service.	Adequate	Management actions were agreed to improve: the overall arrangements with regard to performance monitoring; budget monitoring; recording of information; business continuity planning; the training and cover of support staff and progress of the planned partnership with Preston City Council.
	Regeneration / Civitas	To review the Civitas project documentation and check compliance with external funding requirements	Not applicable	Work in progress

	AUDIT AREA	AUDIT INPUT	CONTROLS RATING	KEY CONTROL ISSUES
8.	GENERAL AREAS			
	Post Audit Reviews			
	Formal follow-up reviews of: Department of Work & Pensions (DWP) Standards; Commercial Services; NNDR; National Indicators; Taxi Licensing; PC Workstations; Cash and Bank; Local Development Framework; Ethical Audit; Capital; Leisure Contract; Housing Grants.	Formal follow up of those agreed management actions due for implementation, to verify that they have been implemented and are operating effectively		
	Residual Work from 2008/9			
	Various areas			Already reported to Members in the first Interim Report
	Unplanned Reviews			
	Sanctuary Scheme Tender			Already reported to Members in the first Interim Report
	Housing Capital Allocation (including the Step - up Grant)	To monitor the allocation and usage of the additional funding received by Housing Services.	Not yet available	Work in progress

	AUDIT AREA	AUDIT INPUT	CONTROLS RATING	KEY CONTROL ISSUES
	Insurance Certificates and Driving Licenses for officers and members.	To ensure compliance with the requirements of the council's insurance company.	Not yet available	Work in progress
	Concessionary Travel	The audit review was undertaken following the receipt of an unexpected refund from the Lancashire, Blackburn with Darwen and Blackpool Joint Concessionary Travel Scheme pool.		Lancashire County Council has accepted and authorised that the payback to the Council is to be refunded.

KEY TO CONTROL RATINGS

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 27th November 2009

	Local Performance Indicators	Target 09/10	Target To Date	Actual to Date	Comments
1	% of audit time utilised	100	65	56	Slightly under target as the majority of audit work to be undertaken by Lancashire Audit Services is scheduled for Q4.
2	% of planned time used	90	60	58	On target
3	% audit plan completed	92	61	50	Slightly under target as the audit work to be undertaken by Lancashire Audit Services is scheduled for Q4.
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	82% P1 83% P2	P1 - Revised dates agreed for 4 management actions. P2 – Target exceeded.
6	Of the agreed management actions implemented – the % implemented on time	Priority 1 100 Priority 2 80	Priority 1 100 Priority 2 80	100% P1 100% P2	On target. All management actions implemented on time
7	% overall customer satisfaction rating (assignment level)	96	96	94	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.