

# **AUDIT COMMITTEE**

## **Internal Audit Monitoring Report 22 January 2014**

### **Report of Internal Audit Manager**

#### **PURPOSE OF REPORT**

To advise Members of the latest monitoring position regarding the 2013/14 Internal Audit Plan, seek approval for proposed variations to the plan, and update Members on the results of recent audits.

Also to provide the Committee with an annual update on the council's position on, and use of, surveillance and seek Members' approval for the continued use of the current RIPA Working Policy.

**This report is public**

#### **RECOMMENDATIONS**

- (1) That the current monitoring position is noted.**
- (2) That the proposed revisions to the audit plan, as set out in the table in §1.2, are approved.**
- (3) That the allocation of further time to undertake work in support of the corporate programme of service reviews, as set out in §1.6, is approved.**
- (4) That the results of recent audits (sections 2-3 of the report) are noted.**
- (5) That the monitoring statement regarding the use of surveillance is noted and the continued use of the current RIPA Working Policy (attached at Appendix B) is approved.**

#### **1.0 Audit Plan Monitoring to 23 December 2013**

- 1.1 The 2013/14 Internal Audit Plan was approved by the Audit Committee at its meeting on 24 April 2013 with minor adjustments approved at subsequent meetings on 26 June 2013 and 18 September 2013. This report is based on the monitoring position up to 23 December 2013 and a detailed monitoring report as at that date is attached as Appendix A. In summary, the position at that date was as shown in the following table.

## 1.2 Summary of monitoring position at 23 December 2013

Area of work	Resources (audit days)					
	Actuals to 23/12/13	Remain-ing	Comm-itted	Current Plan	Variance	Proposed Plan
<b>Assurance Work</b>						
Core Financial Systems	32	0	32	60	28	38
Revenues & Benefits Shared Services	56	20	76	50	(26)	76
Core Management Arrangements	17	23	40	70	30	55
Risk Based Assurance Audits	205	12	217	190	(27)	217
Follow-Up Reviews	56	10	66	60	(6)	66
<b>Sub-Total, Assurance</b>	<b>366</b>	<b>65</b>	<b>431</b>	<b>430</b>	<b>(1)</b>	<b>452</b>
<b>Consultancy Work</b>						
Support Work	9	5	14	25	11	20
Corporate service review work	24	16	40	25	(15)	40
Ad-Hoc Advice	57	13	70	70	0	70
<b>Sub-Total, Consultancy</b>	<b>90</b>	<b>34</b>	<b>124</b>	<b>120</b>	<b>(4)</b>	<b>130</b>
<b>Other Work</b>						
Other Duties (Non-Audit)	5	3	8	10	2	8
Work for Other Bodies	14	11	25	25	0	25
Audit Management	34	16	50	50	0	50
<b>Sub-Total, Other Work</b>	<b>53</b>	<b>30</b>	<b>83</b>	<b>85</b>	<b>2</b>	<b>83</b>
<b>Contingencies</b>						
Investigations	16	0	16	30	14	25
General Contingency	0	0	0	40	40	15
<b>Sub-Total, Contingencies</b>	<b>16</b>	<b>0</b>	<b>16</b>	<b>70</b>	<b>54</b>	<b>40</b>
<b>Total</b>	<b>525</b>	<b>129</b>	<b>654</b>	<b>705</b>	<b>51</b>	<b>705</b>

- 1.3 The monitoring position takes account of ongoing and planned work commitments. This shows that overall, current commitments total 654 days compared with the current plan of 705 days, giving an uncommitted resource of 51 days. This includes both the general contingency of 40 days and the unallocated balance of the contingency for investigation work (14 days).
- 1.4 A review of attendance and work allocations indicates that the previously anticipated 705 chargeable days should be achievable for the year.
- 1.5 Within the Assurance Work section, proposals are made to reallocate resources to reflect an increased commitment to the Revenues & Benefits Shared Service and the Risk Based element of the programme. The total number of days planned on assurance work is increased by 22 to 452.
- 1.6 Members will recall that, at the last meeting of the committee, an allocation of 25 days was approved to support the corporate programme of service reviews. As indicated in the monitoring reports, 24 days have so far been devoted to a review of council-wide arrangements for processing payroll. Following on from this, plans are in place to undertake similar work in relation to other corporate financial systems, and it is proposed to allocate a further 15 days to this programme.

- 1.7 It is proposed to meet these increased allocations from reductions in the investigations contingency (5 days) and the general contingency (25 days). This still leaves 24 days unallocated in these contingencies and provides some flexibility for the last quarter of the year.
- 1.8 Other than the proposals set out above, no other significant pressures have been identified within the plan.

## 2.0 Results of Internal Audit Work to 23 December 2013

- 2.1 This report covers audit work and reports issued since the last report to Committee on 18 September 2013. Summary reports have been issued to Members for consideration and are also posted on the Council's Intranet. The reports issued have been:

Audit Title		Report Date	Assurance Level	
<b>New Audit Reports</b>				
12/0874	Fees & charges - Salt Ayre Sports Centre, Williamson Park & other recreational facilities	26/09/13	Limited	
13/0883	Working time arrangements	13/11/13	Limited	
13/0886	Fees & charges – Planning & Building Control income	16/09/13	Substantial	
13/0889	Debtors 2013/14	05/12/13	Substantial	
13/0890	Fees & charges – private housing and cemeteries income	17/10/13	Limited	
13/0897	CCTV	16/12/13	Limited	
13/0901	NDR retention	11/11/13	Substantial	
13/0902	Housing benefit (welfare reforms)	12/12/13	Maximum	
<b>Follow up Reviews</b>				
11/0837	Complaints	14/10/13	Substantial	
12/0855	Septic tanks	23/09/13	Substantial	
12/0875	Visitor Information Centres	21/10/13	Substantial	
12/0878	Affordable warmth	16/12/13	Limited	
13/0888	Fees & charges – Licensing income	07/10/13	Substantial	
13/0891	Creditors 2013/14	09/12/13	Substantial	

## 3.0 Matters Arising from Audit Reviews

- 3.1 The key conclusions and action points in relation to those reports where a “Limited” or “Minimal” assurance opinion has been given are:

**3.2 12/0874 – Fees & charges - Salt Ayre Sports Centre, Williamson Park and other recreational facilities (Limited)**

There are good arrangements in place to ensure that fees and charges are appropriately set, authorised and reviewed. A limited assurance opinion has been given on the basis that the efficiency and effectiveness of current purchasing and stock management arrangements in respect of catering at SASC need to be improved. Pricing arrangements at recreational grounds seek to encourage maximum usage, however consideration needs to be given to whether the service provided is effectively balanced against the income generated.

**3.3 12/0883 – Working time arrangements (Limited)**

Whilst working time arrangements across the council are generally appropriate to business needs there are areas where there may be scope for greater efficiency, for example in standby and callout arrangements. Not all areas of the council are compliant with Working Time Regulations and/or corporate policies relating to working time arrangements. Policies need reviewing and clarifying for managers to ensure that they are applied fairly and consistently.

In a number of areas, arrangements for the management of non-standard pay are inefficient and prone to error; it is intended to address this through better utilisation of the new HR/Payroll system and a review of related procedures and practices.

There may be scope for efficiencies through better time recording systems and the introduction of a corporate approach where possible. Arrangements for booking and recording annual leave should be improved once the related module of the HR/Payroll system is introduced, which is due by April 2014.

Lone working risk assessments and procedures need to be reviewed.

A corporate approach to home-working and hot-desking is required to maximise the benefits of this flexible approach to working.

**3.4 13/0890 - Private housing and cemeteries income streams (Limited)**

A limited assurance opinion has been given on the basis that the fees for the re-licensing of Houses in Multiple Occupation (HMO) have not been reduced in accordance with the amendment to the Housing Act which came into force in September 2012. Actions have been agreed to review these and all other private housing fees and charges to ensure that they remain appropriate and cover the costs of service provision where required. Implementation of the action plan should result in a substantial level of assurance being achieved.

**3.5 13/0897 – Closed circuit television (CCTV) systems (Limited)**

Policy and procedural documents are to be developed and improved in order to meet the requirements of the Home Office Surveillance Camera Code of Practice issued in June 2013, and demonstrate compliance with legislation. The guiding principles of the Code closely reflect the requirements of the Data Protection Act 1998. Systems and procedures require strengthening to enable the council to evidence that it is fully compliant with data protection obligations in the management of its various CCTV systems.

An action plan has been agreed with a view to ensuring compliance with legislation through documented adoption of the principles of the Code. Officers from those service areas with CCTV management responsibilities have formed a working group to take forward the actions agreed in the plan.

**3.6** In all the above areas, action plans have been developed, setting out measures to address the issues arising from these audits. Progress will be reviewed and reported to the Audit Committee in line with normal follow-up arrangements.

### **3.7 12/0878 - Affordable warmth (follow-up review) (Limited)**

An affordable warmth strategy has been drafted with a view to clearly defining aims and objectives and achieving a co-ordinated approach to helping vulnerable households achieve affordable warmth. However, resources available to deliver the actions within the strategy have not been identified. Therefore the level of assurance that can be provided in relation to the council's arrangements for delivering affordable warmth objectives remains limited at this stage.

Given the current position on this review, it is proposed that Internal Audit continues to track progress over the coming year and report developments to future meetings of the Audit Committee.

## **4.0 Investigations**

4.1 Internal Audit has been involved in two internal investigations so far this year, these being in relation to firstly, the procurement of minor works, and secondly the collection and banking of income. In both instances, appropriate action has been taken by senior management and arrangements are being made corporately to raise awareness in these areas.

## **5.0 Other Matters**

### **5.1 Surveillance and the use of the Regulation of Investigatory Powers Act 2000 (RIPA)**

5.2 The Home Office's recommended practice<sup>1</sup> for local authorities is that elected members "...should review the authority's use of the 2000 Act and set the policy at least once a year and also consider internal reports on use of the 2000 Act on at least a quarterly basis to ensure that it is being used consistently with the local authority's policy and that the policy remains fit for purpose".

5.3 The council's RIPA Working Policy was last endorsed by the Audit Committee at its meeting on 18 April 2012. Since that date, the policy has been updated to address procedural changes brought about by the Protection of Freedoms Act 2012. The principal changes are:

- A requirement for judicial approval to be obtained for any RIPA authorisation prior to undertaking covert surveillance; and
- Further restrictions on the purpose for which for RIPA authorisations may be made, so as to limit their use to "serious crimes". This rules out the use of RIPA in the detection and prevention of what are regarded as minor offences, for example dog fouling.

Together these changes mean that the council's need to employ RIPA in future is very low and is likely to be restricted to the investigation of cases of serious taxation or benefit fraud.

5.4 The council did not raise or rely on any RIPA authorisations during the calendar year 2013. As established in April 2012, any use of RIPA will be reported to Audit Committee in the Internal Audit monitoring reports.

5.5 The current RIPA Working Policy, with the altered sections highlighted, is attached at Appendix B. Members are asked to consider the revised policy and approve its continued use.

## **6.0 Details of Consultation**

6.1 Management Team continues to be consulted in developing the plan.

## **7.0 Options and Options Analysis (including risk assessment)**

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<sup>1</sup> Covert Surveillance and Property Interference - Code of Practice (Home Office)

- 7.1 Regarding the Internal Audit Plan, the options available to the Committee are either to approve the proposed changes or to propose an alternative course of action.
- 7.2 Regarding the RIPA Working Policy, the options available to the Committee are either to approve the policy as it stands or to propose changes to its wording.

**8.0 Conclusion**

- 8.1 There are no unmanageable pressures within the audit plan at present. Some realignment of plan allocations is proposed to reflect demands on audit resources, whilst retaining a reasonable proportion of the contingency provisions to cater for any unforeseen demands during the final quarter of the year. The programme of audits for the rest of the year continues to be developed in consultation with senior management.

<p><b>CONCLUSION OF IMPACT ASSESSMENT</b> (including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)</p> <p>Not applicable</p>	
<p><b>FINANCIAL IMPLICATIONS</b></p> <p>None directly arising from this report</p>	
<p><b>SECTION 151 OFFICER'S COMMENTS</b></p> <p>The Section 151 Officer has been consulted and has no further comments</p>	
<p><b>LEGAL IMPLICATIONS</b></p> <p>None directly arising from this report</p>	
<p><b>MONITORING OFFICER'S COMMENTS</b></p> <p>The Monitoring Officer has been consulted and has no further comments.</p>	
<p><b>BACKGROUND PAPERS</b></p> <p>Internal Audit Plan 2013/14</p>	<p><b>Contact Officer:</b> Derek Whiteway  <b>Telephone:</b> 01524 582028  <b>E-mail:</b> dwhiteway@lancaster.gov.uk  <b>Ref:</b> aud/comm/audit/140122IAMon</p>