

# **AUDIT COMMITTEE**

## **Internal Audit Monitoring Report 21<sup>st</sup> January 2015**

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

#### **PURPOSE OF REPORT**

To advise Members of the latest monitoring position regarding the 2014/15 Internal Audit Plan, seek approval for proposed variations to the plan, and update Members on the results of recent audits.

**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 results of recent audits (sections 2-3 of the report) are noted.**

#### **1.0 Audit Plan Monitoring to 30<sup>th</sup> December 2014**

- 1.1 Audit Committee approved the 2014/15 Internal Audit Plan at its meeting on 18<sup>th</sup> June 2014 and approved a number of adjustments at its meeting on 17<sup>th</sup> September 2014. This report is based on the monitoring position up to 30<sup>th</sup> December 2014 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 30<sup>th</sup> December 2014

Area of work	Resources (audit days)					
	Actuals to 30/12/14	Remain-ing	Comm-itted	Current Plan	Variance	Proposed Plan
<b>Assurance Work</b>						
Core Financial Systems	21	5	26	50	24	40
Revenues & Benefits Shared Services	46	14	60	60	0	60
Core Management Arrangements	31	9	40	50	10	40
Risk Based Assurance Audits	105	0	105	155	50	125
Follow-Up Reviews	53	10	63	50	(13)	63
<b>Sub-Total, Assurance</b>	<b>256</b>	<b>43</b>	<b>299</b>	<b>365</b>	<b>66</b>	<b>328</b>
<b>Consultancy Work</b>						
Support Work	36	8	44	35	(9)	44
Corporate service review work	19	0	19	50	31	19
Ad-Hoc Advice	56	9	65	80	15	65
<b>Sub-Total, Consultancy</b>	<b>111</b>	<b>17</b>	<b>128</b>	<b>165</b>	<b>37</b>	<b>128</b>
<b>Other Work</b>						
Other Duties (Non-Audit)	14	5	19	10	(9)	19
Work for Other Bodies	28	27	55	50	(5)	55
Audit Management	35	15	50	50	0	50
<b>Sub-Total, Other Work</b>	<b>77</b>	<b>47</b>	<b>124</b>	<b>110</b>	<b>(14)</b>	<b>124</b>
<b>Contingencies</b>						
Investigations	7	0	7	30	23	7
General Contingency	0	0	0	20	20	0
<b>Sub-Total, Contingencies</b>	<b>7</b>	<b>0</b>	<b>7</b>	<b>50</b>	<b>43</b>	<b>7</b>
<b>Total</b>	<b>451</b>	<b>107</b>	<b>558</b>	<b>690</b>	<b>132</b>	<b>587</b>

1.3 The monitoring position takes account of ongoing and planned work commitments. This shows that overall, current commitments total 558 days compared with the current plan of 690 days, giving an uncommitted resource of 119 days. This includes both the balance of the general contingency of 20 days and the unallocated balance of the contingency for investigation work (23 days).

1.4 The Internal Audit section currently has a vacancy in the Principal Auditor post. Proposals relating to developing the Council's information governance, anti-fraud and corporate assurance arrangements, all of which are linked with the Internal Audit service are dealt with in a separate report on this agenda.

### Proposals

1.5 The loss of resources from the post vacancy has been partly mitigated by temporarily increasing the Assistant Auditor's working hours. Taking account of these factors, Internal Audit resources available for the remainder of the year amount to 136 days, giving a total for the year of 587. This represents an overall reduction of 103 against the current plan.

1.6 When resource availability is an issue, priority is given to maintaining the programme of Assurance Work. It is therefore proposed that the shortfall is initially met by:

- a reduction of 31 days in work supporting the corporate service review programme. There are no current or planned calls on internal audit time to support this programme;
- reduced levels of ad-hoc advice, freeing up 15 days;
- applying the remaining 20 days of the General Contingency and the remaining 23 days in the contingency to cover investigations.

1.7 Taking account of these adjustments and other variances in the plan, there remains a shortfall of 37 days in the Assurance Work programme. Taken alongside the earlier reduction of 15 days, approved by the Committee in September 2014, this represents a sizeable change (approximately 14%) in the original plan. Options available within existing staffing budgets, including the engagement of temporary staff, are therefore being considered to manage and reduce this impact.

### **Work for Other Bodies**

1.8 As previously reported to the Committee, Internal Audit have been providing services to the Lake District National Park Authority (LDNPA) for the past two years. The LDNPA has recently completed a tendering exercise and appointed an alternative supplier for its future internal audit service. Given the review being undertaken of internal audit and assurance and related functions within the Council and the uncertainties that these presented, a decision was taken not to tender for the contract on this occasion.

## **2.0 Results of Internal Audit Work to 30<sup>th</sup> December 2014**

2.1 This report covers audit work and reports issued since the last update report to Committee on 17<sup>th</sup> September 2014. Summary reports have been issued to Members for consideration and are also posted on the Council's Intranet. The reports issued have been:

<b>Audit Title</b>		<b>Report Date</b>	<b>Assurance Level</b>	
<b>New Audit Reports</b>				
14/0937	Council Tax	27/11/14	Substantial	✓
14/0938	Non-Domestic Rates	03/12/14	Substantial	✓

<b>Follow up Reviews</b>				
13/0871	HR System Replacement	16/12/14	Substantial	✓
13/0877	Corporate Property Related Service Contracts	03/12/14	Limited	⚠
13/0895	Trade Waste and Recycling, Bulky Waste and Litter Enforcement Fees and Charges	19/11/14	Substantial	✓
13/0897	CCTV	16/12/14	Limited	⚠
13/0906	Revenues & Benefits Operational Support	03/12/14	Substantial	✓
14/0916	Fleet Management	12/01/15	Substantial	✓
14/0922	Salt Ayre Sports Centre – Financial Procedures	24/12/14	Limited	⚠

## **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 13/0877 - Corporate Property Related Service Contracts (Limited)**

Good progress has been made with implementation of the action plan resulting from the original review, with all actions agreed being in the process of being implemented. Work is ongoing to centralise the management of property related service contracts with a view to a more coordinated, corporate approach being achieved. A more structured and automated approach to monitoring compliance is also being developed. Once these arrangements have been fully implemented a substantial level of assurance should be achieved.

### **3.3 13/0897 - CCTV (Limited)**

Due to staffing changes in relation to CCTV management, implementation of the agreed action plan has been delayed. However, good progress is now being made to address the issues identified in the original audit. Responsible officers have made significant headway in bringing themselves up to speed with the requirements of the Code of Practice and related legislation. The CCTV Officer Working Group is also keen to make the improvements required to ensure that the council is fully compliant as necessary. Once the agreed action plan has been fully implemented a substantial level of assurance should be achieved.

### **3.4 14/0922 - Salt Ayre - Financial Procedures (Limited)**

Good progress has been made to streamline arrangements at SASC and procedures and processes have been made more efficient and effective in many of the areas identified during the original review. However, stock management arrangements and the streamlining of processes relating to the input and authorisation of overtime claims are still in the process of being addressed and until this work is complete the assurance opinion will remain at limited.

3.5 Given the current position on each of these three reviews, 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 Details of Consultation**

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

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

5.1 Regarding the Internal Audit Plan, the options available to the Committee are either to approve the proposed changes, which seek to maintain as far as possible the level of resources devoted to the provision of assurance, or to propose an alternative course of action.

## **6.0 Conclusion**

6.1 A significant realignment of remaining plan allocations is required to manage the availability and use of internal audit resources over the final quarter of the financial year. Pending the approval and implementation of proposals concerning the future structure and remit of internal audit, arrangements are being made to manage the plan and associated resources so as to maintain the level of independent assurance provided to the Committee and the Council.

**CONCLUSION OF IMPACT ASSESSMENT**

(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

Not applicable

**FINANCIAL IMPLICATIONS**

None directly arising from this report

**SECTION 151 OFFICER'S COMMENTS**

The Section 151 Officer has been consulted and has no further comments

**LEGAL IMPLICATIONS**

None directly arising from this report

**MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no further comments

**BACKGROUND PAPERS**

Internal Audit Plan 2014/15

**Contact Officer:** Derek Whiteway

**Telephone:** 01524 582028

**E-mail:** [dwhiteway@lancaster.gov.uk](mailto:dwhiteway@lancaster.gov.uk)

**Ref:** aud/comm/audit/150121IAMon