

AUDIT COMMITTEE

Internal Audit Monitoring Report 16th September 2015

Report of Internal Audit Manager

PURPOSE OF REPORT

To advise Members of the latest monitoring position regarding the 2015/16 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 proposed rolling programme of Internal Audit work attached as appendix B is noted.
- (4) That the results of recent audit activity (sections 3 - 7 of the report) are noted.

1.0 Audit Plan Monitoring to 21st August 2015

- 1.1 The 2015/16 Internal Audit Plan was approved by the Audit Committee at its meeting on 17th June 2015. This report is based on the monitoring position up to 21st August 2015 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 21st August 2015

Area of work	Resources (audit days)					
	Actuals to 21/08/15	Remain-ing	Comm-itted	Current Plan	Variance	Proposed Plan
Assurance Work						
Core Financial Systems	10	4	14	50	36	40
Revenues & Benefits Shared Services	4	13	17	40	23	35
Core Management Arrangements	14	4	18	50	32	40
Risk Based Assurance Audits	18	11	29	170	141	135
Follow-Up Reviews	35	20	55	50	-5	55
Sub-Total, Assurance	81	52	133	360	227	305
Consultancy Work						
Support Work	10	7	17	50	33	35
Ad-Hoc Advice	29	31	60	65	5	60
Sub-Total, Consultancy	39	38	77	115	38	95
Other Work						
Other Duties (Non-Audit)	19	16	35	35	0	35
Audit Management	30	20	50	50	0	50
Sub-Total, Other Work	49	36	85	85	0	85
Contingencies						
Investigations	9	4	13	30	17	30
General Contingency	0	0	0	40	40	20
Sub-Total, Contingencies	9	4	13	70	57	50
Total	178	130	308	630	322	535

- 1.3 The monitoring position takes account of ongoing and planned work commitments. This shows that overall, current commitments total 308 days compared with the current plan of 630 days, giving an uncommitted resource of 322 days. This includes both the general contingency of 40 days and the unallocated balance of the contingency for investigation work (17 days).
- 1.4 The Internal Audit section currently has a vacant post, the Senior Auditor having been promoted to the post of Principal Auditor in May 2015. Options for the future scope and structure of the Internal Audit service are still under review. The outcomes from this review, and the implications for the Audit Committee in terms of the reliance it can place on Internal Audit, will be reported to the Committee in due course, but at this stage the estimated impact is that a reduction in the plan of approximately 10 to 15% (60 - 95 days) should be expected. The Proposed Plan in the above summary is based on a reduction of 95 days.

Proposals

- 1.5 The proposals incorporate reductions across all work headings with the exception of Non-Audit Duties and Audit Management where commitments already exist and/or it will prove difficult to reduce resources under the current circumstances. The proposals also include application of 20 days, i.e. half of the General Contingency.
- 1.6 As regards the main programme of Assurance Audit work, the proposed reduction amounts to 55 days (15%) against the original plan of 360 days.

2.0 Rolling Internal Audit Plan

- 2.1 An updated rolling programme of Internal Audit work is attached to this report as Appendix B. Members' attention is particularly drawn to the list of potential areas for audit coverage during the forthcoming third quarter. This list has been developed through consultation meetings with Chief Officers. The actual programme and timing of work will be subject to the development of detailed scoping exercises.

3.0 Results of Internal Audit Work to 21st August 2015

- 3.1 This report covers audit work and reports issued since the last update report to Committee on 17th June 2015. 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	
New Audit Reports				
14/0943	Rent Deposit Scheme	29/07/15	Limited	

4.0 Matters Arising from Audit Reviews

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

4.2 14/0943 – Rent Deposit Scheme (Limited)

A 'Limited' assurance opinion was issued on the basis that, whilst good arrangements are in place to ensure that payments made under the Rent Deposit Scheme are legitimate, with checks being carried out to verify that applicants meet set criteria, these checks are not clearly evidenced at present. Record keeping arrangements require improvement therefore to ensure that the council is able to demonstrate transparency, and that a fair and consistent approach has been adopted. A number of actions have been agreed to address this, which once implemented should result in substantial assurance being provided.

A follow-up review is scheduled for January 2016

5.0 Updates on Tracked Items

5.1 12/0857 - Purchases Ordering and Creditor Payment Processes within Environmental Services (Limited)

The original audit carried out in March 2013 found scope for greater efficiencies and a number of areas where processes could be strengthened within the Vehicle Maintenance Unit (VMU), Grounds Maintenance and Waste and Cleansing, Repairs and Maintenance (RMS) Responsive Repairs, RMS Planned Maintenance and Stores.

A number of actions were fully implemented following the original review as reported in January 2014 and further work has taken place since the last report. However the level of assurance has remained at limited on the basis that there are still two large areas of work that need to be completed in order to improve the efficiency of systems

and processes and therefore raise the assurance level to Substantial. These are the Procure to Pay project and the Repairs and Maintenance (RMS) Business Process Review project.

Procure to Pay (P2P) – The Procure to Pay project aims to fundamentally change the way in which orders are raised and invoices are paid and also address concerns regarding the number of different systems in use across Environmental Services. The P2P project will review the appropriateness and role of each system in use (Anite OHMS, Total and Civica Financials) with a view to ensuring systems and processes in place are fit for purpose and are efficient and effective. The project has been delayed in part due to implementation of the new Payroll system and because a decision was taken to roll out P2P to all services at the same time instead of on an ad hoc basis. This means that the more complex services such as Environmental Services need to be addressed before P2P can be rolled out, resulting in significant delays. It is currently planned for P2P to go live in April 2016.

RMS Business Process Review – Work to establish a standard recharge pricelist and a fixed price quotation charging regime which seeks to aid prompt invoicing and payment in advance of works (thus reducing the level of debt), is still ongoing. Base Schedule of Rates (SOR's) were finalised at the beginning of July 2015 and RMS are in the process of ensuring that a standard recharge price list can be produced from the SORs that will drive the 'Repair Finder' diagnostic tool and enable further automation of the raising of repair recharges. It is planned for this piece of work to be fully completed by January 2016.

It is therefore envisaged that the assurance opinion can be raised to Substantial by April 2016 when both the above projects are complete.

5.2 13/0897 – CCTV (Limited)

The Commercial Centre Manager reported that whilst a significant amount of progress has been made in addressing the issues identified in the audit, work is still ongoing and therefore the assurance opinion cannot be raised to Substantial at this time. A consultant has been appointed to advise on the Public Space CCTV system. The consultant has carried out a Technical, Management and Compliance Audit with a view to assessing the system's performance, operation and compliance with relevant legislation, British Standards and Best Practice Guidelines. The results of the Audit, including the required improvements, are currently being assessed and have also been discussed with the company with which the council has a contract for operation of the Public Space CCTV system. In addition to the report, the consultant has also produced a draft Code of Practice, Privacy Impact Assessment and Operation Procedures Manual, these to be subject to consultation as appropriate.

Whilst the scope of the work carried out by the consultant did not extend to other council CCTV systems, work is currently ongoing with a view to improving management of these systems. Further, since specialist advice is required, the same consultant is to be used to assist in this area to ensure consistency across all council CCTV installations

6.0 Investigations

- 6.1 Internal Audit is currently involved in one internal investigation surrounding budget management on one of the Council's capital schemes. Following conclusion of the investigation, members of the Committee will be provided with a report into the issues arising and any action taken.

7.0 Other Activity

- 7.1 At the request of the Public Realm Supervisor, a mini review has been carried out of arrangements for cash collection within Happy Mount Park. This resulted in the production of a briefing note to relevant managers with the overall conclusion that arrangements were generally sound and cost-effective. Some minor improvements were identified to help strengthen systems and procedures.

8.0 Details of Consultation

- 8.1 Management Team continues to be consulted in developing the plan.

9.0 Options and Options Analysis (including risk assessment)

- 9.1 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.

10.0 Conclusion

- 10.1 Reductions in audit plan allocations are being proposed to reflect post vacancies and the likely outcome of an ongoing review of internal audit needs and staffing. The outcomes and implications of this ongoing review will be reported to the Audit Committee in due course.
- 10.2 The programme of audits for the rest of the year continues to be developed in consultation with senior management.

CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)
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Not applicable

FINANCIAL IMPLICATIONS

None directly arising from this report
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SECTION 151 OFFICER'S COMMENTS

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

None directly arising from this report
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MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments

BACKGROUND PAPERS

Internal Audit Plan 2015/16

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