

Audit Committee

Results of Internal Audit Work

23rd April 2008

Report of Internal Audit Manager

PURPOSE OF REPORT

To inform the Committee of the results of Internal Audit work for the period.

This report is public

RECOMMENDATIONS

(1) That the report is noted.

1.0 Introduction

1.1 Part of the Audit Committee's terms of reference is:

"To receive and review the findings of both Internal and External Audit examinations and to ensure that management takes appropriate action to implement agreed recommendations and to remedy any internal accounting, organisational or operational control weaknesses identified." (Constitution part 3, section 7, § 10)

2.0 Results of Internal Audit Work to 31 March 2008

2.1 This report covers audit work and reports issued since the last report to Committee on 23rd January 2008. Summary reports are issued to Members for consideration and are also posted on the Council's Intranet.

2.2 If there are any specific questions about a report, or more detailed information is required, it would be helpful if Members could contact the Internal Audit Manager on telephone number 582028 or email dwhiteway@lancaster.gov.uk prior to the meeting.

2.3 The 'Headline Messages' arising from all audit reports since the January 2008 meeting are attached to this report as Appendix A, with the reports listed below. The list gives the assurance opinion issued for the area audited under the revised reporting processes.

Audit Title		Report Date	Assurance Level	
New Audit Reports				
07/0707	Council Tax 2007/08	08/02/08	Reasonable	✓
07/0694	LAMP Post Project Review	03/03/08	Reasonable	✓
07/0675	Housing Advances	13/03/08	Limited	⚠
07/0719	Income Management (Parking and Administration Webstaff Payments)	20/03/08	Reasonable	✓

Follow-Up Reviews

06/0638	Car Parking – Provision & Control	08/01/08	Reasonable	✓
05/0636	V.A.T.	16/01/08	Limited	⚠
06/0638	Homelessness and Housing Advice	28/01/08	Reasonable	✓
07/0674	Housing Benefits 2007/08 (Payments)	29/01/08	Reasonable	✓
06/0634	Elections and Electoral Registration	01/02/08	Reasonable	✓
06/0647	Creditors 2006/07	21/02/08	Reasonable	✓
07/0673	Right to Buy Scheme	22/02/08	Reasonable	✓
06/0647	Creditors 2006/07	31/03/08	Reasonable	✓

3.0 Matters Arising from Audit Reviews

3.1 Members attention is drawn to the audits where a “limited assurance” opinion was issued:

Housing Advances (07/0675)

The outcome of this review needs to be viewed in the context of the scale of the Council’s ongoing administration of housing advances, which is now limited to just 15 accounts with a total remaining debt of £45,800. Risks for which a reasonable level of assurance could not be given include those relating to:

- Formal authorisation of arrangements to pay mortgage arrears and control of overpayments
- Arrangements for the review of interest rates relating to variable mortgages and monitoring of mortgage redemption dates
- Provision of management information and financial monitoring and reporting arrangements
- Level of supervision and documentation of procedures
- System access, security and backup controls

The Action Plan contained twelve agreed actions, the majority of which are planned to be implemented by 30 April 2008. The Internal Audit Manager will provide Committee with a verbal update on progress made.

3.2 The Internal Audit Manager has responded to a question from a Member of the Committee for further information on the above audit, confirming that interest rate charges do cover the costs of managing Council mortgages.

V.A.T. – Follow up review (05/0636)

The target risk score for all risk covered in the original audit had not been achieved at the time of the follow up review with actions outstanding relating to the provision of up-to-date guidance and training for staff processing invoices. These were to be addressed during the implementation of the Authority Financials system. The Internal Audit Manager will provide Committee with a verbal update on progress made.

4.0 Update on Previous Assurance Opinions

- 4.1 Appendix B provides an updated position for all those audits where the level of assurance provided has not yet reached “reasonable”. These include the two audit reports covered in section 3.0 above. The Internal Audit Manager will provide Committee with a verbal update on each of the audits.

5.0 Results of Responsive Audit Work (Advice, Support and Investigations)

- 5.1 Investigatory work in relation to suspected petty cash handling and banking irregularities was not completed as the employment of the officer under investigation was terminated following disciplinary action for an unrelated matter. Action has, however, been taken to improve supervisory control within the Service concerned.

- 5.2 At the last Audit Committee meeting it was reported that the Council had responded to, and was awaiting answers from, the Audit Commission in relation to their request for the submission of Council Tax records and the full electoral register as part of the 2007/08 Data Matching exercise. This exercise has sparked national debate about its legality relating to the powers of the Audit Commission under the 1998 Audit Commission Act and, in particular, whether submission of the information held on the electoral register would be in breach of the Representation of the People (England and Wales) Regulations 2001.

The final revised deadline for the submission of the requested information passed on 21 January 2008 and to date, no response to the Council’s concerns has been received from the Audit Commission. It now seems unlikely that this information will be requested again under the existing legal framework, a more likely outcome being that, in future, the Audit Commission will rely on new provisions provided by the Serious Crime Act 2007 which is expected to come into force in April of this year.

- 5.3 Internal Audit have been working closely with other Council colleagues to develop a mechanism for identifying the number and type of partnerships the Council is involved in and their level of significance towards the achievement of corporate objectives. A ‘Partnership Development and Evaluation Toolkit’ has also been designed to enable an assessment to be made of the effectiveness of individual partnerships and the Council’s involvement in them. These are to be considered by Management Team and will form part of a wider Internal Audit of the Council’s partnership arrangements, the report for which will be submitted to the next meeting of the Audit Committee.

- 5.4 The Principal Auditor is providing project assurance on four of the Council’s major projects, being two IT projects, namely the implementation of the Authority Financials and Electronic Document Management systems; a building project, the Storey Creative Industries Centre development, and a revenue project for the development and implementation of the Sustainable Communities Strategy. The Internal Audit Manager is also now providing the same role within the Fair Pay Project.

The work requires an involvement throughout the life of the project to ensure, on behalf of the Project Board, that the project remains consistent with, and continues to meet, the specified business need. In a wider corporate sense, it also involves providing assurance on compliance with the LAMP project management methodology and adherence to its standards and principles. Assurance opinion reports on the management of risks relating to the above projects are to be submitted to a future meeting of the Audit Committee.

5.5 Audit staff continue to take an active role in officer groups including the Business Recovery Team, Access to Services Forum and the Local Area Agreement, Child Protection, Procurement, Risk Management and Asset Management Working Groups.

6.0 Details of Consultation

6.1 Not applicable

7.0 Options and Options Analysis (including risk assessment)

7.1 Not applicable

CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing) None identified	
FINANCIAL IMPLICATIONS None arising from this report	
SECTION 151 OFFICER'S COMMENTS The Section 151 Officer has been consulted and has no further comments	
LEGAL IMPLICATIONS Legal Services have been consulted and have no further comments	
MONITORING OFFICER'S COMMENTS The Monitoring Officer has been involved in providing legal advice on the Audit Commission's request for Council Tax data and the electoral register, and her concerns as to the lawfulness of the request have been passed on to the Audit Commission. The Monitoring Officer has no further comments on this report	
BACKGROUND PAPERS Internal Audit Files	Contact Officer: Derek Whiteway Telephone: 01524 582028 E-mail: dwhiteway@lancaster.gov.uk Ref: aud/audcomm/230408

Results of Internal Audit Work

The following paragraphs set out the headline messages from audit reports and follow-up reviews issued since the Audit Committee meeting on 23 January 2008.

1. New Audit Reports

07/0707 Council Tax 2007/08 (issued on 08/02/08)

Assurance Opinion: Reasonable ✓

- Internal Audit can provide reasonable assurance that controls relating to Council Tax are operating effectively in respect of the areas covered.
- There are effective arrangements ensuring the Council Tax system reflects the Valuation Office list.
- Procedures are in place to ensure that the Council Tax section are notified of all information that may affect the accounts.
- Effective arrangements for determining and calculating liability are in place ensuring the Authority is compliant with statute.
- Improvements to year end reconciliation procedures have been agreed.

07/0694 LAMP Post Project Review (issued on 03/03/08)

Assurance Opinion: Reasonable ✓

- Lancaster (City Council's) Approach to Managing Projects (LAMP) project management methodology is being properly applied and proving to be highly effective in practice. All new capital projects from September 2007 are being managed using the LAMP approach in line with a Corporate Plan KPI and are progressing well
- LAMP methodology continues to become firmly established as the corporate project management methodology
- Continued development, training and support of LAMP and programme management will help to realise project benefits and to deliver projects to time, cost and quality
- There needs to be more focus on the benefits of using the LAMP method for revenue and change management projects

07/0675 Housing Advances (issued on 13/03/08)

Assurance Opinion: Limited ⚠

- Effective procedures to manage arrears are in place.
- A system for regular monitoring of redemption dates has been agreed.
- Interest rates are to be reviewed annually and amended in line with government guidance.
- Mortgage statements are to be improved to include more details, including interest rates charged.
- Monitoring and reporting arrangements are to be put in place to keep management properly informed.
- Mortgage system security is to be improved with each user having their own password and the backup of data being stored more securely.

**07/0719 Income Management (Parking and Administration Webstaff Payments)
(issued on 20/03/08)**

Assurance Opinion: Reasonable ✓

- Good arrangements are in place ensuring that the Authority is compliant with current banking rules and regulations for processing card payments via Webstaff.
- Income received via Webstaff is regularly reconciled to the general ledger.
- Data is held/destroyed securely and in accordance with the Data Protection Act.
- Corporate plans to introduce 'chip and pin' facilities will further improve current arrangements.

2. Post Audit Reviews

06/0638 Car Parking – Provision and Control

Assurance Opinion: Reasonable ✓

- Both agreed actions have been fully implemented and associated risks are considered to be well managed.
- The Council is compliant with current banking laws for processing debit/credit card payments.
- Procedures are in place to provide an audit trail for all urgent repairs work in order to defend any potential claims against the Authority.
- Corporate plans to introduce chip and pin payments are in hand and will widen the range of payment options available to customers and strengthen management of the risk.

05/0636 V.A.T. (issued on 16/01/08)

Assurance Opinion: Limited ⚠

- Arrangements are now in place to update and publish the VAT Manual annually.
- Supplementary guidance regarding VAT classifications and the correct use of tax point dates is to be issued by the end of January 2008 with an invitation for staff to request further training.
- The Authority has a valid VAT4 Registration Certificate and arrangements are now in place to ensure VAT returns are submitted on time.
- The introduction of procedures to monitor the VAT element of write-offs for significant amounts warranting a reclaim is to be considered further taking into account the cost-effectiveness of any proposals.
- The exempt supply calculation is to be performed at least annually to ensure it remains within statutory limits. An assessment is to be made of the cost/benefit of undertaking more frequent calculations.

06/0638 Homelessness and Housing Advice (issued on 28/01/08)

Assurance Opinion: Reasonable ✓

- The Service continues to improve across all areas covered by the original review.
- The Service continues to target prevention, is performing well and is achieving its performance targets.
- The Service is proactively working with other agencies to address homelessness within the district and to improve the services provided.

07/0674 Housing Benefits 2007/08 (Payments) (issued on 29/01/08)

Assurance Opinion: Reasonable ✓

- Discretionary housing payments are regularly reconciled to the amounts awarded.
- The Housing Benefits and Council Tax systems are regularly reconciled and differences are promptly investigated.
- Financial Services are to address the issue of a proper segregation of duties.

06/0634 Elections and Electoral Registration (issued on 01/02/08)

Assurance Opinion: Reasonable ✓

- Democratic and Financial Services have agreed new arrangements for the management of election finances which should address all concerns raised at the time of the original review.

06/0647 Creditors 2006/07 (issued on 21/02/08)

Assurance Opinion: Reasonable ✓

- Financial Regulations and Procedures should be reviewed by September.
- Arrangements are in hand to get the creditors bank reconciliation up to date.
- There are still a number of control issues on the new Authority Financials system, including system reporting, to be addressed through the project plan.

07/0673 Council Housing – Right to Buy Scheme (issued on 22/02/08)

Assurance Opinion: Reasonable ✓

- All seven agreed actions have been fully implemented and associated risks are now considered to be well managed.
- Procedures and responsibilities for calculating discounts repayable under the January 2005 regulations have been documented.
- An electronic reminder system has been implemented through MS Outlook to ensure that statutory deadlines are adhered to.
- Correspondence sent to right to buy applicants has been reviewed and revised in order to clarify processes and provide clearer guidance.
- Systems have been introduced to ensure that all relevant parties are informed of right to buy applications/outcomes/sales and that an audit trail in support of decisions made is available.