

# Audit Committee

## Results of Internal Audit Work

25<sup>th</sup> June 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 06 June 2008

2.1 This report covers audit work and reports issued since the last report to Committee on 23<sup>rd</sup> April 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](mailto:dwhiteway@lancaster.gov.uk) prior to the meeting.

2.3 The 'Headline Messages' arising from all audit reports since the April 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	
<b>New Audit Reports</b>				
07/0678	Insurances	10/04/08	Reasonable	✓
06/0660	Housing Rents (Debit Control)	28/04/08	Limited	⚠
07/0717	Income Management (Cultural Service Webstaff Payments)	15/04/08	Limited	⚠
07/0708	Income Management (Housing Rents Direct Debit Payments)	30/04/08	Limited	⚠
07/0688	Income Tax and National Insurance (Expenses and Benefits)	12/05/08	Minimal	⚠
07/0682	Vehicles	09/05/08	Limited	⚠
07/0697	Performance Management 2007/08	19/05/08	Limited	⚠
07/0711	Sundry Debtors 2007/08	06/06/08	Reasonable	✓
07/0704	Partnership Arrangements 2007/08	06/06/08	Limited	⚠

### Follow-Up Reviews

06/0655	Housing Benefits and Council Tax Benefits	15/04/08	Reasonable	✓
06/0680	Housing Benefits (Accounting and Subsidy)	24/04/08	Reasonable	✓
06/0631	Housing Repairs and Maintenance	29/04/08	Reasonable	✓
06/0677	Cemeteries	30/04/08	Reasonable	✓
06/0657	Environmental Protection	08/05/08	Reasonable	✓

### 3.0 Matters Arising from Audit Reviews

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

#### **Housing Rents (Debit Control) (06/06660)**

Risks for which a reasonable level of assurance could not be given include those relating to:

- Arrangements to ensure that the correct rent is charged through an accurate, up-to-date and regularly reconciled Housing Rents system (Anite) and asset registers
- Authorisation and checking arrangements to ensure that amendments to rent debits are legitimate and accurate
- Exception reporting to management on transactions outside the specified parameters set within the Housing Rents system
- Reconciliation of the Housing Net Debit to General Ledger and the accounting for rent voids.

Seven actions have been agreed with management, the majority of which are due to be implemented by 30 June 2008.

### **Income Management (Cultural Service Webstaff Payments) (07/0717)**

Webstaff is the Council's system for processing card payments for customers wishing to make a payment over the telephone. A limited assurance has been given on the basis that arrangements need to be strengthened to ensure that the processing of card payments is compliant with the Data Protection Act and data security standards, and that Webstaff transactions reconcile to the General Ledger.

Four actions have been agreed for early implementation.

### **Income Management (Housing Rents Direct Debit Payments) (07/0708)**

Risk for which a reasonable level of assurance could not be given were in relation to the manual arrangements in place for the management, data security and reconciliation of Housing Rent Direct Debit Payments. These are to be addressed through the implementation of the Council's Electronic Document Management system which is now in place and operation of the automated direct debit module within the Housing Rents system (Anite) which is due to be implemented by the end of October 2008.

### **Income Tax and National Insurance (Expenses and Benefits) (07/0688)**

A "minimal" level of assurance was given on the basis that no officer has overall responsibility for the Council's tax affairs meaning that there is limited scope to ensure compliance with legislation and the proper application of appropriate dispensations.

The audit notes that Expenses and Benefits represents, in financial terms, a relatively small element of the Council's overall tax and NI responsibilities and that the timing of the audit coincided with a period of staffing change within Financial Services. The latter has since been resolved through the appointment of an Exchequer Services Manager who will be responsible for reviewing and managing arrangements in future.

In total thirteen actions have been agreed with management (the most significant of which revolve around the appointment of an Exchequer Services Manager), all of which should be implemented by 31<sup>st</sup> March 2009.

### **Vehicles (07/0682)**

Risks for which a reasonable level of assurance could not be given centred on the need to:

- Strengthen arrangements to ensure the most effective, efficient and economic use of the Council's vehicle fleet maintenance, specifically the daily inspection regime and the establishment of a service/inspection schedule
- Introduce an effective vehicle replacement policy; improve analysis of repairs and maintenance data and have better performance management arrangements in place
- Improve arrangements for reporting and recording accidents involving Council vehicles
- Develop a consistent approach to the use of pooled vehicles

There were a total of nineteen agreed actions, all of which were due to be implemented by the end of May 2008.

### **Performance Management 2007/08 (07/0697)**

This audit recognises that corporate performance management has significantly improved and actions have been agreed to support further development aimed at raising the level of assurance to 'Reasonable' in a relatively short period of time. Specifically these cover the need to:

- Review and improve upon the business planning process
- Overhaul corporate performance indicators and strengthen action planning and performance monitoring through the computerised performance management system, Escendency
- Strengthen further links between corporate and Service objectives through the business planning process
- Develop knowledge on the cost of performance and integrate value for money considerations through balanced indicators measuring economy, efficiency and effectiveness
- Encourage innovation through better engagement of staff on the performance management framework
- Improve reporting arrangements and Member training in the scrutiny of Council performance
- Address ongoing concerns in relation to data control and quality

Fifteen actions have been agreed with management, all of which are expected to have been implemented by 31<sup>st</sup> March 2009.

### **Partnership Arrangements 2007/08 (07/0704)**

This audit focussed on the Council's arrangements for working in partnerships relating to performance and risk management, governance and scrutiny arrangements. The 'limited' assurance opinion was issued on the basis that there is a need to:

- Introduce an effective overarching strategy to guide partnership activity and for an officer and Elected Member to be responsible for taking forward developments in partnership working in a co-ordinated and structured way
- Develop further the arrangements for governance, accountability, scrutiny and risk management within partnerships
- Determine the corporate meaning of a 'partnership' and to undertake a 'mapping' exercise aimed at identifying the type and number of partnerships that the Council is involved in
- Establish a consistent and efficient means of evaluating the effectiveness and performance of partnerships and the Council's involvement in them

A major part of the audit has been work undertaken with other Council officers to develop a mechanism for assessing the level of 'significance' of each partnership towards the achievement of the Council's priorities and objectives, and a 'toolkit' aimed at assessing the effectiveness of individual partnerships and the Council's involvement in them.

This major piece of work is the subject of a separate report being submitted to the Budget and Performance Panel on 15<sup>th</sup> July 2008 and the majority of the actions agreed as a result of the audit (twenty in number) focus on the results of this work which is due to be completed by the end of March 2009.

- 3.2 Five follow up reviews have been completed in the period to 06<sup>th</sup> June 2008, all of which have been issued with a 'Reasonable' level of assurance, including two, Environmental Protection and Cemeteries where sufficient progress has been made to raise the audit opinion from 'Limited'.
- 3.3 The Internal Audit Manager has responded to a question from a Member of the Committee for further information following the Income Management (Cultural Service Webstaff Payments) audit in relation to online booking arrangements for Council events, arrangements for which are currently being considered by the Service.

#### **4.0 Update on Previous Assurance Opinions**

- 4.1 Appendix A provides an updated position for all those audits where the level of assurance provided has not yet reached "reasonable". These include the seven 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 VAT Registration Number validation**

- 5.1 Minute 38(2) of the Audit Committee (April 2008) requested that a report be submitted to the Committee upon VAT number checking and how this could be integrated into the Council's financial systems and procedures. The Internal Audit Manager will report verbally to the Committee.

#### **6.0 Results of Responsive Audit Work (Advice, Support and Investigations)**

- 6.1 Investigatory work arising from concerns in relation to the funding of staff in the West End Team of the Neighbourhood Management Taskforce is nearing completion and will be reported to the Corporate Director (Community Services) to determine what further action, if any, should be taken.
- 6.2 Internal Audit have provided ad-hoc advice and support to all levels of management, the most significant of which relate to arrangements being considered for the 'opening' of Housing Benefit cheques for claimants without a bank account; ongoing project assurance work and developments in project and programme management, and preparations for the 2008/09 National Fraud Initiative.
- 6.3 The Principal Auditor has been heavily involved in developing the Performance Management Framework for the Lancaster District Local Strategic Partnership (LDLSP) which will act as the framework for monitoring and reporting performance of the LDLSP's forthcoming Sustainable Community Strategy (SCS) This work, together with that arising from the recently completed audit of partnerships, should assist strategic partners, elected members and the Lancaster district community to understand all the various elements which contribute to delivering improved performance and help to measure progress towards the achievement of the ambitions within the SCS in a consistent way.
- 6.4 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.

#### **7.0 Details of Consultation**

- 7.1 Not applicable

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

- 8.1 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 additional comments.

**MONITORING OFFICER'S COMMENTS**

The Deputy Monitoring Officer has been consulted and has no further comments.

**BACKGROUND PAPERS**

Internal Audit Files

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