

# Audit Committee

## Results of Internal Audit Work 21<sup>st</sup> January 2009 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<sup>st</sup> December 2008

2.1 This report covers audit work and reports issued since the last report to Committee on 24<sup>th</sup> September 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 list below gives the assurance opinion issued for areas audited since the September 2008 meeting.

Audit Title		Report Date	Assurance Level	
<b>New Audit Reports</b>				
07/0676	Salt Ayre Sports Centre	12/09/08	Limited	
07/0685	Electronic Data Matching System	26/09/08	Reasonable	
07/0701	Procurement & Contract Management	01/10/08	Limited	
07/0684	Civica Authority Financials System	03/10/08	Reasonable	
08/0724	Land Charges	05/11/08	Limited	
07/0683	Storey Creative Industries	18/11/08	Reasonable	
08/0727	Public Health and Safety	02/12/08	Substantial	
07/0709	Payroll	04/12/08	Limited	

Audit Title		Report Date	Assurance Level	
<b>New Audit Reports</b>				
08/0732	Economic Dev Marketing & Promotion	12/12/08	Reasonable	✓
08/0736	Business Continuity Planning	15/12/08	Reasonable	✓
08/0753	Williamson Park – Financial Procedures		Limited	⚠
<b>Follow up Reviews</b>				
05/0610	Internal Communications	09/09/08	Reasonable	✓
07/0707	Council Tax	24/09/08	Reasonable	✓
07/0675	Housing Advances	04/11/08	Reasonable	✓
07/0710	Ordering and Payments 2007/08	11/11/08	Reasonable	✓
07/0658	Licensing	28/11/08	Reasonable	✓

### 3.0 Matters Arising from Audit Reviews

3.1 Members' attention is drawn to the audits where a "Limited" assurance opinion has been issued; there have been no audits resulting in a "Minimal" assurance opinion. The following audits completed since the last meeting of Committee have been issued with a "Limited" assurance opinion:

#### **07/0676 - Salt Ayre Sports Centre**

Risks for which a "Reasonable" level of assurance could not be given include:

- Adequate separation of duties and supervision in relation to the management of the booking system (Scuba) operated at the Centre to reduce the risk of error of fraud being undetected
- Arrangements for the reconciliation of the booking system to the Main Accounting System, to inform decision making, and;
- The potential for inefficiencies in the use of the booking system and poor cost effectiveness in raising and managing debtor invoices

A programme of agreed actions is in place, including a proposed restructure of the Centre to be completed by April 2009. When implemented, these actions will enable the assurance level to be raised to "Reasonable".

#### **07/0701 - Procurement and Contract Management**

This report notes that many improvements have been made in recent years in relation to the Council's procurement arrangements and that the 'Limited' opinion given refers to specific areas of procurement and contract management where it is known that there is scope to improve management of the risks.

Eight actions have been agreed with management to ensure that:

- Strategic procurement aims and objectives are clearly stated and understood;
- Corporate engagement of these stated aims and objectives is enhanced, and;
- To provide an effective means of monitoring procurement progress and performance

The majority of these actions are due to be implemented during 2009.

### **08/0724 - Land Charges**

Several short-term and relatively minor actions have been agreed with management to improve the overall reliability and integrity of the automated Land Charges System (Northgate).

The most significant risks relate to the cost effectiveness of the service and the fact that the Council's 'market share' for the provision of land searches may be compromised if fees do not demonstrably reflect the cost of the service. Actions to mitigate these risks are due for implementation by April 2009, when detailed Government guidance should have been made available and implemented.

### **07/0709 - Payroll 2007/08**

Risks for which a Reasonable level of assurance could not be given include:

- Risks relating to the potential for discrepancies between the computerised Payroll system and the Council's Establishment Book and the independent authorisation of updated and amended payroll data
- Segregation of duties between payroll reconciliations and validation procedures and system integrity checks

A total of seventeen actions have been agreed with management to improve overall management of the risks, although a number of these are longer term (more than 12 months) and are heavily dependent on an ongoing restructure within Exchequer Services, a major review of corporate recruitment arrangements to be undertaken by Legal and Human Resources, and the implementation of a fully integrated Human Resource/Payroll computerised system.

### **08/0753 - Williamson Park Financial Procedures Audit**

Following a formal request, Internal Audit has undertaken a major review of the financial procedures arrangements operated by Williamson Park Ltd. This review has resulted in twenty-two actions covering all aspects of petty cash, ordering and payment, income management and collection and general security and other related operational arrangements. Given the number of control issues that need to be resolved only a '*Limited*' assurance opinion can be given, although there is some confidence that implementation of the agreed actions can result in a '*Reasonable*' opinion in a relatively short period of time.

The action plan arising from the audit has been agreed with management and is to be considered by the Williamson Park Board in early January 2009, with a follow up review to be undertaken by 31 March 2009.

## **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", including the Salt Ayre Sports Centre audit referred to in §3.0 above.

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

- 5.1 Internal Audit have provided ad-hoc advice and support to all levels of management, the most significant of which relate to:
- Ongoing project assurance and related support work, notably the ongoing Fair Pay Project (Internal Audit Manager) and the development of the performance management framework in support of the recently launched Sustainable Community Strategy and the development of the Storey Creative Industries Centre (Principal Auditor)

- Co-ordination and management of the National Fraud Initiative (NFI) requirements, including data extract and submission to the Audit Commission by the specified date, and ensuring that members of the public are informed that the NFI involves the sharing of personal information with other public bodies in order to prevent and detect fraud
- Lead role in developing the framework for the performance management and scrutiny of the Council's major partnerships, including a 'mapping' exercise to identify the number and type of existing partnerships and the introduction of a Partnership Development and Evaluation Toolkit aimed at evaluating the effectiveness of individual partnerships and the Council's involvement in them.

## **6.0 Details of Consultation**

6.1 Not applicable

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

7.1 Not applicable

<p><b>CONCLUSION OF IMPACT ASSESSMENT</b>  <b>(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)</b></p> <p>None identified</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>Legal Services have been consulted and has no further comments</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 Files</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/audcomm/0809/210109/ROI AW</p>