

Audit Committee

Results of Internal Audit Work

23rd September 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 28 August 2009

- 2.1 This report covers audit work and reports issued since the Results of Audit Work were last reported to Committee on 22nd April 2009. 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 list below gives the assurance opinion issued for areas audited since the April 2009 meeting.

Audit Title		Report Date	Assurance Level	
New Audit Reports				
08/0729	Member Expenses & Civic Functions	27/05/09	Reasonable	✓
08/0723	Arts Development	12/06/09	Limited	⚠
Follow up Reviews				
06/0660	Housing Rents (Debit Control)	14/05/09	Reasonable	✓
07/0688	Income Tax & National Insurance – Expenses and Benefits	16/06/09	Reasonable	✓
07/0708	Income Management (Housing Rents Direct Debit Payments)	14/08/09	Limited	⚠
08/0724	Land Charges	18/08/09	Limited	⚠
08/0753	Williamson's Park – Financial Procedures	21/07/09	Limited	⚠

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 meeting held on 22nd April 2009 have been issued with a "Limited" assurance opinion:

08/0723 – Arts Development

The 'Limited' assurance opinion reflects the scope of the audit which concentrated on areas of work that Cultural Services had recognised were in need of improvement.

Good arrangements are being made to ensure that, subject to approval by Cabinet, the Service is in a position to fulfil the Council's strategic role in delivering the District Arts Strategy and to engage with key stakeholders and partners. Some work has commenced to review existing Service Level Agreements with Arts organisations currently in receipt of Arts Development funding, but there is a recognised need to undertake a much wider review of the aims and objectives of the funding policy and its alignment with corporate priorities. Following an externally commissioned 'audit' of public art in the district, there is also a need to develop a corporate strategy which clearly sets out how the Council intends to deliver and maintain an effective service in relation to public art.

A report to Cabinet on both the District Arts Strategy and proposals for a Public Arts Strategy will be submitted in October. The follow-up review, due in November 2009, will assess whether sufficient progress has been made to raise the assurance opinion to 'Reasonable'.

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

Achieving a 'Reasonable' level of assurance has largely been reliant on the implementation of an automated direct debit module for the Housing Rents system in order to reduce the risk of manual error resulting in late, incorrect or non-collection of direct debit payments.

This now seems unlikely to happen as the new providers of the Housing Rents system have signalled their intention to withdraw their support for the current system in the next few years. Given the short-term implications of this management have agreed to implement alternative actions aimed at minimising the risk of error until such time as an automated direct debit module is made available. Implementation of these alternative actions will result in a 'Reasonable' level of assurance.

08/0724 – Land Charges

Good progress has been made to strengthen controls relating to income management, accounting and reconciliation arrangements and the risks mitigated. Land Charges have contributed to a recent consultation on the cost of, and charging responsibilities for, personal searches and are currently awaiting further guidance from Central Government to take this forward. Government guidance is in place, however, regarding the costing and charging of 'Full' searches and work now needs to be completed in order to fully comply with the Local Authorities (Charges for Property Searches) Regulations 2008, which came into force on 1st April 2009. Compliance with this legislation will result in a 'Reasonable' level of assurance.

08/0753 – Williamson Park, Audit of Financial Procedures

The level of assurance remains at 'Limited' following the post audit review of arrangements at Williamson Park as fourteen of the twenty-two agreed actions have yet to be fully implemented.

It is recognised that Parks staff have been in a period of relative uncertainty surrounding the future of the Park and have had to deal with the long-term absence and subsequent resignation of the Parks Manager. Despite this and through support

from Cultural Services and other Council staff, progress is now being made and steps are being taken to implement the majority of the outstanding actions by the end of August 2009.

A new challenge will be the transition of the management and operation of Williamson Park back into Council control. Successful delivery of this project, together with the implementation of the outstanding actions, should result in the assurance opinion being raised to 'Reasonable'.

4.0 Update on Previous Assurance Opinions

- 4.1 The completed follow up reviews of the Housing Rents (Debit Control) and Income Tax and National Insurance (Expenses and Benefits) audits, previously reported to Audit Committee with 'Limited' and 'Minimal' assurance opinions, established that sufficient progress had been made to raise the levels of assurance to 'Reasonable'.
- 4.2 Cultural Services use a computerised system called Webstaff for the receipt of box office payments made by telephone. Following an incident in breach of the Data Protection Act and the Payment Card Industry Data Security Standards (PCIDSS) the level of assurance for the Income Management audit of Cultural Services was reduced to a 'Limited' at the time of the Follow-up review in March 2009. All box office staff have since been fully trained and no further breaches have occurred. In addition, procedures are now in place to ensure that customer details are entered onto Webstaff and credit/debit card authorisations obtained at the point of sale. On this basis the level of assurance has again been raised to 'Reasonable'.
- 4.3 Appendix A provides an updated position for all those audits where the level of assurance provided has not yet reached "Reasonable", including the Income Management (Housing Rents Direct Debit Payments), Land Charges and Williamson Park Audits 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:
 - o Ongoing project assurance and related support work, notably the ongoing Fair Pay Project (Internal Audit Manager). Project assurance on the delivery of the Storey Creative Industries Centre (Principal Auditor) has now ended following its successful completion and handover.
- 5.2 The Principal Auditor is the Council's nominated Key Contact for the 2008/09 National Fraud Initiative (NFI) administered by the Audit Commission. The NFI is a statutory nationwide drive to crack down on the amount of public money lost each year due to fraud.

The Principal Auditor is responsible for managing the NFI which has involved the electronic uploading and subsequent investigation of 'data matches' from a wide range of personal data compared against other data held by the Council as well as that maintained by other public bodies. These include Payroll, Creditors, Housing Rents, Housing Benefit and Council Tax claimants, electoral registration, market traders, parking permits holders and insurance claims.

In total, 5,400 cases were referred back to the Council for follow up and officers have made excellent progress in investigating the data matches, with over 4,700 cases having been processed since February 2009, which is well ahead of the deadlines specified by the Audit Commission.

As at 19th August 2009, 171 'Errors' have been identified, the majority (157) being duplicate creditors with no financial implications for the Council. The remaining cases relate to 'customer errors' that have been or are in the process of being recovered, generating a saving of £11,924.

In addition, there are 129 cases designated as 'Frauds' of which, all but two, are false claims for Single Persons Discount identified through the matching of Council tax data against the Electoral Register. The long term recovery of these frauds will result in a saving of £53,743.

Upon completion of the NFI, the Principal Auditor will provide a full report to the Section 151 officer and Audit Committee on the final outcomes to ensure that steps are taken to improve any significant control weaknesses identified.

- 5.3 The Principal Auditor also continues to manage the work being undertaken to identify (map) the number, type and level of significance of the Council's partnerships and the development of a framework for evaluating their effectiveness and performance.

The 'mapping exercise' has been successfully completed with 23 partnerships being identified as being of 'major' significance to the Council. A work programme has been developed to evaluate these partnerships over the next three years using a *Partnership Development and Evaluation Toolkit*, including eight in 2009/10, the outcomes from which will be scrutinised by the Budget and Performance Panel.

- 5.4 The Senior Auditor continues to undertake a major investigation in accordance with the Council's Disciplinary Policy and Procedure. The investigation has required a substantial amount of audit resources in the last few months, with further work required in preparation for a second Disciplinary Hearing.

6.0 Details of Consultation

- 6.1 Not applicable

7.0 Options and Options Analysis (including risk assessment)

- 7.1 Not applicable

<p>CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)</p> <p>None identified</p>	
<p>FINANCIAL IMPLICATIONS</p> <p>None directly arising from this report</p>	
<p>SECTION 151 OFFICER'S COMMENTS</p> <p>The Section 151 Officer has been consulted and has no further comments.</p>	
<p>LEGAL IMPLICATIONS</p> <p>None directly arising from this report.</p>	
<p>MONITORING OFFICER'S COMMENTS</p> <p>The Monitoring Officer has been consulted and has no further comments.</p>	
<p>BACKGROUND PAPERS</p> <p>Internal Audit Files</p>	<p>Contact Officer: Derek Whiteway Telephone: 01524 582028 E-mail: dwhiteway@lancaster.gov.uk Ref: aud/audcomm/230909/ROIAW</p>