

# **Audit Committee**

## **Results of Internal Audit Work**

**20<sup>th</sup> January 2010**

### **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.
- (2) That in relation to previous audits where the assurance level has not yet reached "reasonable" (as set out in Appendix A):
  - a) Job no 07/0708 - Income Management (Housing Rents Direct Debit Payments)- that Audit Committee request the Head of Council Housing Services to attend the meeting to provide a further update and assurance.
  - b) Job no 07/0676 - Salt Ayre Sports Centre - if the assurance level at the next update has not been raised to 'reasonable', the Head of Cultural Services be asked to attend the Audit Committee meeting to report on the position.
  - c) Job no 07/0701 - Procurement and Contract Management - if the assurance level has not reached "reasonable" by the time of the internal audit follow-up review, Audit Committee should seek a further report and assurance from the Head of Financial Services.
  - d) Job no 08/0724 - Land Charges - should the exercise to establish the cost of providing the local search service not be completed by 31st March 2010, a more detailed report be requested from the Head of Legal and HR.
  - e) Job no 07/0709 – Payroll - that Audit Committee request a progress report on both the Payroll/HR system project and the review of the recruitment policy and procedures, to be presented to the next meeting on 21/04/2010.
  - f) Job no 08/0733 - Planning for Floods - if the assurance level has not reached "reasonable" by the time of the internal audit follow-up review, Audit Committee should seek a further report and assurance from the Head of Planning Services.
  - g) Job no 07/0679 – Markets – that Audit Committee consider what action they would expect to be taken regarding the outstanding issues from the audit.

#### **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 18th December 2009

- 2.1 This report covers audit work and reports issued since the Results of Audit Work were last reported to Committee on 23<sup>rd</sup> September 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](mailto: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				
08/0754	Mod.Gov (Committee Management System)	02/09/09	Reasonable	✔
08/0703	Fraud and Corruption Arrangements	04/09/09	Limited	⚠
Follow up Reviews				
08/0729	Street Cleansing	06/10/09	Reasonable	✔
07/0709	Payroll	30/10/09	Limited	⚠
07/0697	Performance Management	17/11/09	Reasonable	✔
08/0736	Business Continuity Planning	18/11/09	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 meeting held on 23<sup>rd</sup> September 2009 have been issued with a "limited" assurance opinion:

### 08/0703 – Fraud and Corruption Arrangements

Reflecting the increased risk of fraud in the current economic climate the audit concentrated on two key areas relating to the council's arrangements for promoting and ensuring probity and propriety and for preventing and detecting fraud and corruption in the conduct of its business.

The audit concluded that whilst the council has policies and practices in place to support ethical behaviour and anti-fraud and corruption arrangements no corporate assessment of the level of awareness and understanding of these has been undertaken. Agreed actions lead to the recent Ethical Governance Survey for both Members and staff the results of which will be used to assess the effectiveness of established policies and practices and related training and to identify areas where action needs to be taken to demonstrate and support high standards of conduct and a strong anti-fraud and corruption culture.

The audit also identified the need to strengthen arrangements around the corporate management and reporting of complaints, particularly through the computerised complaints system Lagan which had not been introduced across the whole council as planned. Following the audit, work has already started to ensure that this is fully implemented by 1<sup>st</sup> April 2010.

Implementation of the agreed actions will result in a reasonable level of assurance and will help the council to demonstrate clear improvements in governance and internal control arrangements which scored a 2 (only at Minimum Requirements – adequate performance) in the 2007/08 Use of Resources assessment, the report for which was reported to Audit Committee in September 2009.

#### **07/0709 – Payroll**

Despite good progress to address operational matters relating to payroll the assurance opinion remains at 'limited' following the post audit review as actions relating to two key areas of risk have been delayed due to other work, particularly the need to commit resources to the Fair Pay project.

The outstanding matters relate specifically to undertaking a major review of the council's recruitment arrangements and related policies and procedures and the delivery of a computerised system that effectively integrates identified payroll and human resource needs.

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

- 4.1 The completed follow up review of the council's performance management arrangements resulted in the assurance opinion being raised to 'reasonable' as excellent progress has been made to implement agreed actions including a review of the business planning process, improvements in performance monitoring and reporting and the introduction of new arrangements aimed at identifying savings and efficiencies.
- 4.2 The level of assurance relating to Salt Ayre Sports Centre had been raised to 'reasonable' following management responses in March 2009. This has, however, reverted back to a 'limited' assurance opinion after the follow-up review as some significant risks and actions have yet to be addressed as agreed including proper segregation of duties, internal check and supervision arrangements and the reconciliation of income to the general ledger.
- 4.3 On the basis of the management response received the level of assurance related to Building Control has been raised to 'reasonable' as significant improvements have been made in a relatively short period of time since the appointment of the Building Control Manager and less significant actions are to be addressed through the Service restructure currently underway.
- 4.4 Appendix A provides an updated position for all those audits where the level of assurance provided has not yet reached "reasonable", including the Payroll audit referred to in §3.1 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).
  - Managing the project to evaluate the effectiveness and performance of key partnerships and the council's involvement in them and the development of corporate arrangements in partnership working (Principal Auditor – see separate report)

- 5.2 The Principal Auditor has provided support to the newly established Programmes and Funding team responsible for the development and management of strategic programmes and external funding arrangements on behalf of the Council and the LDLSP. Principally this has involved assessing the council's 'maturity' against standards within a model developed by the Office of Government Commerce (OGC) covering programme and project management arrangements and business as usual through portfolio management. The work to date has identified a number of areas where the council can build on existing good arrangements and develop new ones to improve standards, increase capability and realise a range of benefits.
- 5.3 The Senior Auditor has recently completed a major investigation in accordance with the Council's Disciplinary Policy. An internal audit report covering procedural issues related to this investigation is nearing completion and is due to be issued in January.

## **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 directly arising from this report

### **SECTION 151 OFFICER'S COMMENTS**

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

### **LEGAL IMPLICATIONS**

None directly arising from this report.

### **MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no further comments

### **BACKGROUND PAPERS**

Internal Audit Files

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