

# Audit Committee

## Results of Internal Audit Work

30<sup>th</sup> June 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) Regarding audit ref 07/0708 - Income Management (Housing Rents Direct Debit Payments) - that Audit Committee consider the update report of the Head of Council Housing and determine whether they would wish any further action to be taken regarding the outstanding issues from the audit.
  - b) Regarding audit ref 07/0709 – Payroll - that Audit Committee consider the update report of the HR Manager and determine whether they would wish any further action to be taken regarding the outstanding issues.

#### 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 15 June 2010

- 2.1 This report covers audit work and reports issued since the Results of Audit Work were last reported to Committee on 20<sup>th</sup> January 2010. 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 last meeting.

Audit Title		Report Date	Assurance Level	
<b>New Audit Reports</b>				
09/0778	Sundry Debtors	28/01/10	Reasonable	✓
08/0764	Investigation RMS	22/01/10	Minimal	⚠
09/0779	Housing Rents	12/04/10	Reasonable	✓
09/0776	Payroll 2009/10	04/06/10	Limited	⚠
09/0786	Treasury Management	04/06/10	Reasonable	✓
<b>Follow up Reviews</b>				
07/0676	Salt Ayre	23/02/10	Reasonable	✓
09/0779	Mod.gov System	29/04/10	Reasonable	✓

### 3.0 Matters Arising from Audit Reviews

3.1 Members' attention is drawn to the audits where a "reasonable" level of assurance has not been achieved as follows:

#### 08/0764 – Investigation RMS

The investigation focused on subcontracting arrangements and particularly work awarded to the in-house contracting team. The audit report concentrated on system and procedural issues, matters of a disciplinary nature having been dealt with separately.

The report highlighted fundamental cultural problems in the Service relating to relationships within the Section and with sub-contractors, failings in the management structure and instances of staff ignorance of relevant Rules and Regulations. Both the Head of Council Housing Services and the Repairs and Maintenance Manager responded positively to the report, agreeing actions to address all recommendations made, and soon after they issued a discussion paper to relevant staff setting out the main findings and related corporate expectations. Staff receiving the paper were asked to attend workshops/briefing sessions which sought to ensure they understood the expectations whilst enabling frank and open discussions on the associated practicalities of adopting appropriate systems and procedures to move forward. Internal Audit officers attended the workshop involving office based staff to clarify any uncertainties regarding corporate policies and procedures.

It is recognised that it will take time for the Section to achieve a "reasonable" level of assurance and ongoing staffing issues, such as the Operations Manager post having been vacant for some time, will impact upon progress. However it is hoped significant progress will have been made by the time Internal Audit formally follow up progress starting in July 2010.

#### 09/0776 – Payroll

A "limited" assurance opinion was provided, consistent with the previous audit (see Appendix A) on the basis that errors had been found in the Establishment Book. The audit recognised that errors are inherent with manual systems but an integrated HR/Payroll system, which reports by exception on discrepancies between the two modules could significantly improve control. Until such a system is in place HR have reviewed their procedures with a view to improving the accuracy of the

Establishment Book and the effectiveness of those procedures will be evaluated at the follow-up review scheduled for November 2010.

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

- 4.1 The Audit Committee has previously received two updates on progress relating to an Internal Audit review of Salt Ayre Sports Centre. The assurance opinion has now been raised to "reasonable" as good progress has been made in implementing the agreed actions which include the introduction of a system to reconcile income to the general ledger. Management of the Centre's booking system is also under review with a view to introducing an appropriate separation of duties and sufficient internal checking and supervision arrangements.
- 4.2 After three previous updates on progress in respect of implementing actions arising from the Land Charges review "reasonable" assurance has now been achieved. The cost of personal searches has been raised to the rate set by the Government and a review of the cost of full searches has concluded that the rate charged by the Authority was fair and appropriate at the time of the review. The situation is continually changing (e.g. the abolition of HIPs (Home Information Packs) has reduced the number of search requests) but further action by the Authority is considered inappropriate until the results of a pending Government review are published. Ultimately fees may be fixed by the Government, or even abolished given a significant amount of the information provided through searches is currently available free of charge under the Environmental Information Regulations 2004
- 4.3 Appendix A provides the updated position for all audits where the level of assurance has not yet reached "reasonable".

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

- 5.1 Internal Audit has provided ad-hoc advice and support to all levels of management. The most significant was an analysis of overtime paid since April 2009 to enable the HR Manager to start a review with service managers which seeks to ensure arrangements for overtime are appropriate in terms of cost and personnel management.

#### **6.0 Details of Consultation**

- 6.1 Not applicable

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

- 7.1 Not applicable

<b>CONCLUSION OF IMPACT ASSESSMENT</b> (including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)
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None identified

<b>FINANCIAL IMPLICATIONS</b>
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None directly arising from this report

<b>SECTION 151 OFFICER'S COMMENTS</b>
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The Section 151 Officer has been consulted and has no further comments.

<b>LEGAL IMPLICATIONS</b>
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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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