

AUDIT COMMITTEE

Results of Internal Audit Work 19th January 2011 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, regarding audit ref 07/0764 – Council Housing RMS - the Internal Audit Manager continues to track this audit in the normal way and reports to a future meeting of the committee on progress with implementation of the action plan.

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 December 2010

- 2.1 This report covers audit work and reports issued since the Results of Audit Work were last reported to Committee on 22nd September 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 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 | |
|--------------------------|-------------------------------------|-------------|-----------------|---|
| New Audit Reports | | | | |
| 09/0755 | Contaminated Land | 06/09/10 | Limited |  |
| 09/0738 | Information Management and Security | 26/09/10 | Limited |  |
| 10/0789 | Development Management Capacity | 01/12/10 | Limited |  |
| 10/0799 | IT Standards and Change Control | 03/12/10 | Limited |  |
| Follow up Reviews | | | | |
| 08/0725 | Member Expenses and Civic Functions | 02/09/10 | Reasonable |  |
| 09/0786 | Treasury Management | 09/09/10 | Substantial |  |
| 09/0772 | Value Added Tax | 29/09/10 | Reasonable |  |
| 09/0781 | Council Tax | 08/10/10 | Substantial |  |
| 09/0782 | Non-Domestic Rates | 08/10/10 | Substantial |  |
| 07/0703 | Anti-Fraud & Corruption | 20/10/10 | Reasonable |  |
| 09/0750 | Academy/Civica Interfaces | 20/10/10 | Limited |  |
| 08/0764 | Council Housing RMS | 10/12/10 | Limited |  |

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:

09/0755 – Contaminated Land (Limited)

The audit concluded that risks associated with the resources available to implement the Environmental Protection Act, Part IIA regulation, including the development of the Contaminated Land Inspection Strategy were well managed. It was concluded, however, that a more coordinated approach was necessary to manage corporate risks in relation to contaminated land and that the robustness of systems and procedures in place needed some improvement.

An action plan is in place to address these issues and an internal audit follow-up review is scheduled for March 2011.

09/0738 Information Management & Security (Limited)

The audit concluded that effective information management and security is being seen as increasingly important and there is a willingness to improve. The Information Custodian Group (ICG) is providing an effective mechanism to co-ordinate and disseminate best practice. However there is a need to ensure information management and security is properly resourced and responsibilities are clearly defined and appropriately allocated to deliver high standards emanating from senior managers throughout the Authority.

An action plan has been set out aiming to improve information management in the following areas:

- information governance;
- legislative compliance relating to personal data;
- lawful sharing of data;
- controlling access to data by external parties;
- data classification and labeling;
- controlled access to systems and data through physical security arrangements;
- raising awareness through training and education in data management;
- taking appropriate precautions to prevent the loss of information;
- data retention and disposal arrangements.

An internal audit follow-up review is scheduled for March 2011.

10/0789 Development Management Capacity (Limited)

The audit considered arrangements for delivering the development management function following the restructuring of the service and in the light of changes in demand associated with the economic downturn. The audit concluded that, whilst sound arrangements had been put in place to support and guide development management staff, capacity and training issues required further consideration as did arrangements to respond effectively to any further future changes in demand arising from the economic climate.

An action plan has been agreed to address these issues and an internal audit follow-up review is scheduled for June 2011.

10/0799 IT Standards and Change Control (Limited)

The audit concluded that current arrangements need to be strengthened through the introduction of formal change control procedures and proper utilisation of the system for managing changes, to raise standards and reduce the risk of security breaches impacting on service delivery and resources.

An action plan has been agreed aimed at improving change management arrangements in the following areas:

- system security;
- the separation of development and maintenance activities from the live environment;
- establishing change management standards and acceptance arrangements.
- developing appropriate levels of documentation;
- processes to ensure that proposed changes are properly assessed and authorized;
- ensuring that access to personal or sensitive information is maintained and that obsolete equipment is effectively disposed of.

An internal audit follow-up review is scheduled for June 2011.

09/0750 Academy/Civica Interfaces (Limited)

The follow-up audit concluded that the assurance opinion should remain at limited on the basis that issues with the Council Tax feeder were still in the process of being resolved. However, the review also concluded that related figures in Academy are correct, thus enabling the production of accurate year-end accounts.

Financial Services and Information Services are currently working on the feeder issues with a view to having resolved them in time for the 2010/11 year-end.

09/0764 Council Housing RMS (Limited)

Two follow-up reviews have been carried out since the original audit report was issued, the most recent resulting in a report dated 10/12/2010. At that point, it was concluded that significant progress had been made in the previous two months following the appointment of the new Operations Manager. The Operations Manager demonstrates a clear understanding of what needs to be done and has developed his own action plan and work programme to implement the actions arising from the investigation. On this basis, the assurance level was raised from “minimal” to “limited” and it is expected that this can be raised further to “reasonable” with implementation of the action plan.

It is recommended that the Internal Audit Manager continues to track this audit in the normal way and reports to a future meeting of the committee on progress with implementation of the action plan.

4.0 Update on Previous Assurance Opinions

4.1 Appendix A provides the updated position for all previously reported audits where the level of assurance has not yet reached “reasonable”.

5.0 Details of Consultation

5.1 Not applicable

6.0 Options and Options Analysis (including risk assessment)

6.1 Not applicable

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| CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing) None identified |
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| FINANCIAL IMPLICATIONS None directly arising from this report |
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| SECTION 151 OFFICER’S COMMENTS The Section 151 Officer has been consulted and has no further comments |
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| LEGAL IMPLICATIONS None directly arising from this report. |
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| MONITORING OFFICER’S COMMENTS The Monitoring Officer has been consulted and has no further comments |
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| BACKGROUND PAPERS Internal Audit Files |
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| Contact Officer: Derek Whiteway Telephone: 01524 582028 E-mail: dwhiteway@lancaster.gov.uk Ref: aud/audcomm/110119/ROI AW |
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