

AUDIT COMMITTEE

Results of Internal Audit Work 15th February 2012 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 10/0738 – Information Management and Security, the Internal Audit Manager continues to track and report on progress to the committee.
- (3) That, regarding audit ref 10/0795 – Capital Contract Management, Internal Audit should carry out a further follow-up review in 6 months time and report on progress to the committee.
- (4) That, regarding audits ref 07/0708 - Income Management (Housing Rents Direct Debit Payments), and 07/0709 – Payroll, the Internal Audit Manager continues to track and report on progress to the committee.

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 January 2012

- 2.1 This report covers audit work and reports issued since the Results of Audit Work were last reported to Committee on 21st September 2011. 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 At the request of Members, a report covering issues relating to the audit of the RMS Partnering Contract with Herbert T Forrest, and specifically the Hala Flats Rendering project, is included elsewhere on the agenda.

2.4 The list below gives the assurance opinion issued for areas audited since the last meeting.

| Audit Title | | Report Date | Assurance Level | |
|--------------------------|---|-------------|-----------------|----|
| New Audit Reports | | | | |
| 11/0810 | Payroll | 07/09/11 | Substantial | ✓ |
| 11/0822 | NNDR | 15/09/11 | Substantial | ✓ |
| 11/0826 | Consultancy Commissioning & Procurement | 20/09/11 | Substantial | ✓ |
| 11/0821 | RMS Partnering Contract (Forrest) | 27/10/11 | Substantial | ✓ |
| 11/0828 | Business Continuity | 28/11/11 | Substantial | ✓ |
| 11/0824 | Housing & Council Tax Benefits | 02/12/11 | Maximum | ✓✓ |
| Follow up Reviews | | | | |
| 10/0817 | Main Accounting | 27/09/11 | Substantial | ✓ |
| 09/0755 | Contaminated Land | 01/11/11 | Substantial | ✓ |
| 10/0816 | Income Management | 02/11/11 | Maximum | ✓✓ |
| 10/0738 | Information Management & Security | 09/11/11 | Limited | ⚠ |
| 10/0812 | Car Parking | 16/11/11 | Maximum | ✓✓ |
| 10/0795 | Capital Contract Management | 23/12/11 | Limited | ⚠ |

3.0 Matters Arising from Audit Reviews

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

3.2 10/0738 – Information Management and Security Follow-Up Review (Limited)

The audit concluded that, whilst many of the actions from the original review were in the process of being addressed, it had to be recognised that establishing and maintaining an effective information management regime presented an ongoing and developing challenge.

Organisational changes since the audit, alongside developments in information technology and security standards, mean that the programme will not be finite and will need ongoing management and review. The Council's Information Management Group is to take the lead in providing this role.

To promote a prioritized approach to the planned developments, outstanding actions had been organised into the following four categories:

- longer term actions;
- shorter term actions covering policy development, education and promotion;
- actions to be considered as part of a shared service arrangement; and
- physical access controls and overall building security arrangements.

The headline messages resulting from the follow-up review were:

- A new Senior Information Risk Owner and Chair of the Information Management Group has been appointed following the retirement of the Corporate Director (Finance and Performance) who previously carried out this role.
- The authority is now fully compliant with the Code of Connection.
- A three year project to produce a comprehensive corporate information asset register is underway.
- Work is ongoing to review all information management and security policies, procedures and protocols ensuring that they are comprehensive, consistent and linked where appropriate.
- Once all documents relating to information management and security have been reviewed and agreed they will be actively promoted and training appropriate to the employee's role will be provided.
- A number of outstanding actions are to be considered as part of the proposed shared service arrangement with One Connect.
- Physical access controls and overall building security arrangements are to be considered as part of a report to Cabinet on the use of council buildings.

Given the current state of play and the "Limited" assurance opinion, it is proposed that Internal Audit will continue to monitor progress and report to future Audit Committee meetings.

3.3 10/0795 – Capital Contract Management (Limited)

The audit concluded that, whilst much positive action had been taken and good progress made with implementing the agreed action plan, there were a number of issues outstanding which are to be addressed through training associated with the rollout of revised Contract Procedure Rules.

In September 2011 the Procurement Manager provided training for managers responsible for dealing with contracts to reinforce key aspects of contract management. A contract checklist has also recently been developed to assist contract managers with ensuring compliance with Contract Procedure Rules in relation to pre, current and post contract requirements.

The level of audit assurance provided at present remains at "Limited" as it has not been possible to test the effectiveness of training to date. The adoption of new procedures and further related training should result in a raised level of assurance and it is suggested that Internal Audit carry out a further review in six months time to establish whether this has been achieved.

The headline messages resulting from the follow-up review were:

- Arrangements are in place for contract managers to inform the Procurement Section of any new contracts and a record of these is maintained.
- The Procurement Officer has provided training for contract managers to reiterate, and reinforce, the importance of each aspect of contract management.
- A checklist has been developed as an aid for contract managers to ensure that a signed contract is in place and lodged with Legal Services, appropriate checks are made, and key documents obtained, at each stage of contract management.
- Contract Procedure Rules are currently being reviewed to ensure they are up to date and accessible. Once approved, training will be developed and delivered as appropriate.

4.0 Update on Previous Assurance Opinions

4.1 Appendix A provides the updated position and recommendations for further action for all previously reported audits where the level of assurance has not yet reached “substantial”.

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 | |
| 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 | Contact Officer: Derek Whiteway Telephone: 01524 582028 E-mail: dwhiteway@lancaster.gov.uk Ref: aud/audcomm/120215/ROI/AW |