

AUDIT COMMITTEE

Internal Audit Monitoring Report 23rd January 2013

Report of Internal Audit Manager

PURPOSE OF REPORT

To advise Members of the latest monitoring position regarding the 2012/13 Internal Audit Plan, seek Members' approval for a change to planned resource allocations, and advise Members of the results of recent audits.

This report is public

RECOMMENDATIONS

- (1) That the current monitoring position is noted.**
- (2) That the proposed changes to the 2012/13 internal audit plan, as set out in the table in paragraph 1.2 are approved.**
- (3) That the results of recent audits (sections 2-4 of the report) are noted.**

1.0 Audit Plan Monitoring to 17th December 2012

- 1.1 The 2012/13 Internal Audit Plan was approved by the Audit Committee at its meeting on 18th April 2012 and updated at its meeting on 19th September 2012. This report is based on the monitoring position up to 17th December 2012 and a detailed monitoring report as at that date is attached as Appendix A. In summary, the position as that date was as shown in the following table.

1.2 Summary of monitoring position at 17 December 2012

Area of work	Resources (audit days)					
	Actuals to 17/12/12	Remain-ing	Comm-itted	Current Plan	Variance	Proposed Plan
Assurance Work						
Core Financial Systems	101	10	111	60	-51	111
Revenues & Benefits Shared Services	21	43	64	85	21	64
Core Management Arrangements	16	13	29	95	66	40
Risk Based Assurance Audits	117	0	117	125	8	150
Follow-Up Reviews	44	11	55	55	0	55
Sub-Total, Assurance	299	77	376	420	44	420
Consultancy Work						
Support Work	63	16	79	60	-19	79
Ad-Hoc Advice	54	11	65	65	0	65
Sub-Total, Consultancy	117	27	144	125	-19	144
Other Work						
Other Duties (Non-Audit)	18	3	21	15	-6	21
Audit Management	34	15	49	55	6	49
Sub-Total, Other Work	52	18	70	70	0	70
Contingencies						
Investigations	12	0	12	30	18	30
General Contingency	0	0	0	40	40	21
Sub-Total, Contingencies	10	0	10	70	60	51
Total	480	120	600	685	85	685

- 1.3 The monitoring position takes account of ongoing and planned work commitments. The summary shows that overall, current commitments total 600 days compared with the current plan of 685 days, giving an uncommitted resource of 85 days. This includes the general contingency of 40 days and a balance of 18 days set as contingency for investigation work.
- 1.4 Within the main programme of Assurance Work, additional time has been taken on audits of core financial systems, this being mainly in the areas of Purchasing Ordering and Creditor Payment Processes in Environmental Services and in Income Management. At the time of writing both audits were coming to a conclusion and reports were due to be issued early in the New Year. This section of the plan is now estimated to require 111 days this year, exceeding the current approval of 60 days.
- 1.5 It will be possible to meet this variance by reallocating resources from within other sections of Assurance Work, as set out in the table above. This is aimed to provide scope for additional audits to be scheduled within Core Management Arrangements and the Risk Based Assurance sections during the final quarter of the year.

- 1.6 Elsewhere in the plan, the most significant variance is in the time allocated to “Support Work”. The budget for this work was increased at the last meeting of the Committee from 30 to 60 days (met by reducing the allocation to Assurance Work). The projected out-turn for the year is now 79 days (a variance of 19 days). This reflects the work (now complete) associated with the Complaints Officer Working Group resulting in the recent adoption of a new Customer Complaints policy. Other significant areas have been the review of Financial Regulations and Contract Procedure Rules (ongoing) and the emerging work associated with Information Security and the Public Services Network.
- 1.7 To meet the anticipated overspend on the Support Work element of the plan it is proposed to allocate 19 days from the General Contingency of 40 days.
- 1.8 Otherwise, the current position with the plan does not show any particular pressures developing. The remaining balances within the General Contingency (21 days) and Investigations (18 days) will provide further scope to meet emerging demands or permit additional audits to be scheduled.
- 1.9 The Committee is asked to approve these changes.

2.0 Results of Internal Audit Work to 21st December 2012

- 2.1 This report covers audit work and reports issued since the Results of Audit Work were last reported to Committee on 19th September 2012. Summary reports are issued to Members for consideration and are also posted on the Council’s Intranet.
- 2.2 The list below gives the assurance opinion issued for areas audited since the last meeting.

Audit Title		Report Date	Assurance Level	
New Audit Reports				
12/0855	Septic Tanks	24/10/12	Limited	
12/0847	AONB	26/10/12	Substantial	
12/0860	Markets	30/10/12	Limited	
12/0856	Information Security and Use of Emails	21/12/12	Minimal	
Follow up Reviews				
11/0828	Business Continuity	20/08/12	Substantial	
11/0831	Williamson Park	04/09/12	Substantial	
11/0842	Purchase Ordering and Creditor Payments 2011/12	24/09/12	Substantial	
12/0851	Disabled Facilities Grants	26/10/12	Substantial	
11/0829	Housing Rents 2011/12	16/11/12	Substantial	
11/0837	Complaints	27/11/12	Limited	

3.0 Matters Arising from Audit Reviews

- 3.1 The key conclusions and action points in relation to those reports where a “Limited” or “Minimal” assurance opinion has been given are:

3.2 12/0855 Septic Tanks (Limited)

- Arrangements are to be developed to improve management of the contract for septic tank maintenance, including improved performance monitoring of the contractor.
- Invoicing arrangements are to be reviewed and revised with a view to maximising the chances of collection, and reducing customer complaints.
- Outstanding debts are to be reviewed to establish the next course of action with a view to maximising recovery.
- Improved arrangements to ensure effective communication with householders are to be developed.
- A mechanism is to be developed to highlight instances where the transfer of ownership of a shared use of a tank results in it no longer serving any Council properties.

3.3 12/0860 Markets (Limited)

- Rules, licensing arrangements and income management arrangements across the three markets need to be aligned as far as possible.
- Debt management arrangements in respect of the Festival Market have improved since transferring to Exchequer Services. Debts are actively pursued and action taken in the event of non-payment is considered appropriate and has proved effective.
- Responsibilities for invoicing and debt management at the Festival Market provide a good separation of duties but there is a need to ensure that amounts due are received and properly accounted for.
- Action is needed to clear arrears at the Charter Market.
- Records held in respect of each market need to be reviewed and improved to ensure relevant documents are retained and the audit trail is complete.
- Managers need to consider whether any action is necessary to address the risks associated with one officer determining and collecting rents due from casual traders.

3.4 12/0856 Information Security and Use of Emails (Minimal)

- The Authority's arrangements for information security are likely to come under greater external scrutiny thus increasing the urgency to put proper arrangements in place to address current non-compliance.
- Information security/data protection training is not currently supported by a clear and strong policy framework or culture.
- The impact of personal and inappropriate emails on the council's systems and security should be considered so that they can be appropriately addressed.
- Users need to be made aware of the security issues relating to transferring the council's information to PCs outside the council's network (e.g. emailing work home) with a view to the alternative arrangements available being adopted.
- The Council's key data should be classified, thus providing clear direction to users on how the data should be handled and transmitted.
- Users need guidance on heading emails and should be made aware of the implications of inappropriate headings (e.g. those disclosing personal information).

- Guidance is needed on the security of email traffic, the appropriateness of transfer arrangements for different types of data and the use of secure facilities.
- Levels of accountability need to be clear and those with specific responsibilities (e.g. data owners) need to be identified and properly trained so that they understand their role and responsibilities and can help promote a culture of compliance.
- A programme of work addressing the above issues is being taken forward initially by an Officer Task and Finish Group, reporting to Management Team. See paragraph 4.3 below.

3.5 11/0837 Complaints (Limited)

- The Complaints Officer Working Group has carried out a comprehensive review of the complaints process and has developed a revised corporate policy and supporting guidance.
- The new Customer Comments, Compliments, and Complaints Policy and Guidance on Handling Complaints has been approved by Cabinet.
- Systems to manage complaints data are to be reviewed and revised with a view to ensuring consistency and completeness, and to facilitate effective reporting.
- Budget and Performance Panel Members are to receive regular reports on complaints to assist in monitoring performance.

4.0 Update on Previous Assurance Opinions

4.1 Information Management and Security

4.2 The assurance opinion from an audit report issued in September 2010 remained at "Limited" through to the follow-up report which was issued in November 2011. This audit produced an action plan consisting of 33 actions, progress with which has been monitored by the Information Management Group.

4.3 The findings and action plan from the recent audit of Information Security and Emails (reported above) have now superseded the outstanding points from the earlier audit. Following consideration by the Information Management Group and Management Team of these findings, a Task and Finish Group has been established. The Group's remit is to establish a programme of work which aims not only to raise standards within the Council, but also to secure the Council's membership of the Government's national Public Services Network (PSN). The deadline for the Council's submission for the PSN is mid-May 2013.

4.4 Payroll and HR System

4.5 Members will recall that a number of previous audits highlighted issues regarding the lack of integration between HR records and the payroll system, and that the Council had recently purchased a replacement system.

4.6 The new system, known as "ResourceLink Aurora" is in the process of implementation, with the payroll elements being the initial focus. Parallel runs of payroll alongside the existing system have been made in November and December, resulting in plans for the new system to be used "live" for paying salaries in January 2013. The payment of salaries will be accompanied by the introduction of "self-service" on-line payslips for employees and elected Members, whilst separate arrangements will be made for those without on-line access.

4.7 The travel and expenses module of the new system is scheduled to be rolled-out in April 2013.

4.8 The HR Service is preparing for individuals to update their own personal information once the system is available online and is working towards implementation of the HR elements of the system (including on-line forms, leave recording and sickness absence management) in the New Year. The plan for the majority of this part of the implementation is for a live date of 1st April 2013.

5.0 Details of Consultation

5.1 Management Team continues to be consulted in developing the plan.

6.0 Options and Options Analysis (including risk assessment)

6.1 The options available to the Committee are either to endorse the proposed changes to the plan or to propose an alternative course of action.

7.0 Conclusion

7.1 There are no unmanageable pressures within the audit plan at present. Some realignment of plan allocations is required to reflect additional time spent on Core Financial Systems and Support Work issues. The programme of audits for the rest of the year continues to be developed in consultation with senior management.

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

Not applicable

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 Plan 2012/13

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