

Meeting of: AUDIT COMMITTEE
Date: 25 January 2006
Report of: Internal Audit Manager
Reference: aud/audcomm/250106
Title: Results of Internal Audit Work

PUBLIC/EXEMPT ITEM

This item is for consideration in the public part of the meeting.

PURPOSE OF THE REPORT

To inform the Committee of the results of Internal Audit work for the period.

RECOMMENDATIONS

1. That the report is noted
2. That the Audit Committee consider the Internal Audit Manager's report into the Council's handling of property dealings in the Poulton area (Addendum B) and consider whether it would like any further information, or recommend any further action.

REPORT

Introduction

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)

Results of Internal Audit Work to 23 December 2005

The summary report and action plan from each completed audit and the summary report for each follow-up review is submitted for Members' consideration. For each audit, a fuller combined report including the Summary, Action Plan and Detailed Report has been posted on the Council's Intranet under Services→Financial Services →Internal Audit→Audit Reports.

If there are any specific questions about a report, or more detailed information is required, it would help if Members could contact the Internal Audit Manager on telephone number 582045 or email dwhiteway@lancaster.gov.uk prior to the meeting.

The following audit reports are attached to this report as Addendum A:

New Audit Reports

<u>Audit Title</u>	<u>Report Date</u>
Electronic Government 2004/05	17 Aug 2005
Payroll - Salaried Employees and Officer Expenses	02 Nov 2005
Best Value	02 Dec 2005
NDR 2005/06	07 Dec 2005
DDA and Race Equality compliance in relation to recruitment	22 Dec 2005

Follow-Up Reviews

<u>Audit Title</u>	<u>Report Date</u>
Car Parking - Provision and Control	20 Jul 2005
Contaminated Land	20 Jul 2005
Economic Development - Marketing and Promotion	19 Aug 2005
Planning	21 Nov 2005
Software Licensing	23 Dec 2005

Matters Arising from Audit Reviews

The action plans in the attached reports set out the detailed measures agreed to address any control weaknesses. The following issues are worthy of note:

- The majority of e-Government projects are being successfully managed using the "PRINCE 2" project management methodology, although it is recognised that there is scope to improve upon the Council's corporate project management arrangements and this is the subject of a wider Internal Audit review currently underway.
- The segregation of duties in respect of payroll continues to be a concern in that the payroll officer is currently responsible for amending employees' pay and pay scale details. The potential for error and inconsistency is compounded by the higher than acceptable error rate in the establishment book and inadequate documentation in personnel files to support changes made. The current payroll system is due to be replaced and appraisal of options on the way forward will address these issues, Internal Audit to be represented on the HR & Payroll Project Team.
- Progress on the development of a system interface exporting transactions from the Academy NDR system to the general ledger has been slower than expected. It has been agreed that the interface will be developed by the end of January 2006 to enable regular reconciliations between the two systems.

Poulton Property Dealings

Attached to this report as Addendum B is the Internal Audit Manager's report into the Council's handling of property purchases in the Poulton area, primarily linked with the Poulton Home Zone development. Members may be aware that this report was commissioned by the Head of Health & Strategic Housing in response to a number of concerns which were brought forward on behalf of affected property owners in the area.

The attached report has been completed to consider the Council's management of these property dealings, and a number of actions have been agreed and implemented to strengthen procedures, as set out in the accompanying action plan.

Concurrently with the investigation, the Poulton Area Renewal Task Group had included similar matters on its agenda. The Internal Audit Manager submitted a report summarising his findings to the Task Group on 23 June 2005, which was taken into account in the Task Group's final report. Overview & Scrutiny Committee reported to Cabinet on 18 October 2005, who resolved that *"...it be noted that the issues raised in respect of the effectiveness of the Council's consultation and communication and procedures for ensuring that dealings with properties offer a fair deal to all will be the subject of a report to Audit Committee in January 2006 when any recommendations for action will be made."*

The Audit Committee is asked to consider the report and the measures set out in the agreed action plan and also consider whether it would like any further information, or recommend any further action.

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

In addition to scheduled audit work, the following main pieces of responsive work have been undertaken:

▪ Investigations

Internal Audit has provided the Investigating Officer for a disciplinary investigation involving allegations of a financial nature. The investigation took 16 days to complete, including attendance at a disciplinary hearing. The disciplinary process has now been completed in this case.

▪ Procurement Development 2005/06 to date

The Principal Auditor, continues to play a significant role in the Procurement Strategy Group led by the Corporate Director (Central Services), and is currently covering many of the Procurement Officer's duties whilst she is on Maternity leave. After taking a lead role in the major revision of the Council's procurement arrangements and the drafting of the Corporate Procurement Strategy adopted by Council in July 2005, the Principal Auditor drafted an Improvement and Development Plan setting out the Council's current progress towards achieving the National Procurement Strategy targets. This document, approved by the Performance Review Committee, in December, also incorporates actions and targets aimed at meeting strategic/corporate procurement issues and will effectively form the work programme for the Procurement Strategy Group to 2007/08.

The Principal Auditor was also instrumental in drafting the Council's Procurement Concordat for Small and Medium Sized Enterprises (SME's). The main purpose of the Concordat is to recognise the contribution that local business can make to the delivery of public services. It also demonstrates how the Council will promote business opportunities for all SME's in the locality and sets standards, principles and commitments

that the Council, working with SME's, aims to achieve. The document was welcomed by the local Chambers of Commerce as a contribution towards achieving their own strategic objectives and was formally 'signed up' to in December, meeting a key milestone of the National Procurement Strategy for Local Government.

- **Performance Management/Risk Management**

Internal Audit has taken a proactive role in the development of proposals for a new performance management framework, which is currently being introduced. Auditors also continue to support the Risk & Insurance Officer and Risk Management Group in promoting and developing risk management processes and practices throughout the Council.

- **Contract Final Account Audits 2004/05**

Internal Audit has conducted two final account audits on engineering contracts, both of which exceeded the original contract sum by more than 5% because of works being added during the currency of the contract. Whilst both contracts relate to highways maintenance works funded by Lancashire County Council, the Acting Head of Engineering has been reminded of the need to report to Cabinet on the reason(s) for the overspend in line with this Council's Financial Regulations.

FINANCIAL IMPLICATIONS

None arising from this report

LEGAL IMPLICATIONS

Legal Services have been consulted and have no further comments.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer been consulted and has no comments to add

SECTION 151 OFFICER'S COMMENTS

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

BACKGROUND PAPERS

Internal Audit Files