

## **Results of Internal Audit Work**

**20<sup>th</sup> September 2006**

### **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.**

##### **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 31 August 2006**

2.1 At the completion of each audit, the summary report and action plan and the summary report for each follow-up review are issued to Members for consideration. For each audit, a combined report including the Summary Report and Action Plan has also been posted on the Council's Intranet under Services→Financial Services →Internal Audit→Audit Reports.

2.2 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](mailto:dwhiteway@lancaster.gov.uk) prior to the meeting.

2.3 The 'headline messages' arising from the following audit reports are attached to this report as Appendix A:

## **New Audit Reports**

<b><u>Audit Title</u></b>		<b><u>Report Date</u></b>
05/0598	Sundry Debtors	09 June 2006
05/0609	Performance Management	10 July 2006
05/0607	Regeneration Programmes	25 July 2006

## **Follow-Up Reviews**

05/0600	Non-Domestic Rates	20 June 2006
04/0571	Best Value	10 July 2006
04/0588	Payroll	15 August 2006

### **3.0 Matters Arising from Audit Reviews**

- 3.1 The audit reviews of the Council's Performance Management and Best Value arrangements (Follow-up review) has identified that whilst there have been some improvements in performance management, through the development of the new framework and the continuing roll-out of Escendency, there remains some concerns over the recognition within Services of the importance of performance management as a driver for continuous improvement and the quality of performance data provided.

The report sets out agreed actions to address these issues and points out that a number of improvements were made during the conduct of the audit through working closely with officers responsible for providing performance information relating to the Best Value Performance Plan, although the level and nature of Internal Audit's input has raised a concern over the overall independence of the audit.

- 3.2 The audit of Regeneration Programmes identified a recognised need to improve on corporate protect management arrangements and management of risk relating to individual projects. The Principal European and Regeneration Programmes Officer responsible for implementing a number of the agreed actions identified, is now an integral member of the officer Group responsible for developing a structured approach to Project Management, progress on which is set out below.

### **3.3 Results of Responsive Audit Work (Advice, support and investigations)**

- 3.3.1 In addition to scheduled audit work the main piece of responsive work undertaken in the period covered by this report is in relation to the ongoing development of the corporate project management methodology.
- 3.3.2 Audit Committee will be aware that approval for the adoption of a corporate project management methodology was given following completion of an audit on the Council's project management arrangements at the end of April. Since then excellent progress has been made by the officer working group, led by the Head of Financial Services. The Principal Auditor is undertaking a leading role as the appointed Project Manager responsible for the development and implementation of the methodology.
- 3.3.3 Progress since April has included:
- Appointment of the preferred Project Management Training and Development provider
  - Ongoing development of a Handbook and project management documentation to support the methodology
  - Briefing session to all Service Heads (28 June 06) on progress and planned work
  - One day overview training for the Corporate Project Management Group on the developing methodology (18 August 06)
  - Arrangements for a two-day Pilot training course on the methodology to members of the Innovations and Best Practice Forum, including a facilitation workshop on the practicality of the methodology for Council run projects (24 & 25 August 06)

3.3.4 Following the two-day pilot course, it is planned to:

- Refine the methodology based on feedback from the Pilot course;
- Arrange for a one day overview of the methodology to be provided to senior management
- Provide five separate two-day training courses on the corporate project management methodology for up to 50 Council staff
- Report progress on the implementation of the methodology to the Performance Management Group, including options/recommendations on future corporate project/programme monitoring and reporting arrangements as part of the Council's overall Performance Management Framework.

## Investigations

3.3.5 One of the Senior Auditors has assisted with an investigation into a discrepancy of £295 in the collection of car parking monies. As a result of this investigation, which was inconclusive as to the cause of the discrepancy, procedures have been strengthened to prevent a recurrence.

## 4.0 Details of Consultation

4.1 Not applicable

## 5.0 Options and Options Analysis (including risk assessment)

5.1 Not applicable

### CONCLUSION OF IMPACT ASSESSMENT

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

None identified

### FINANCIAL IMPLICATIONS

None arising from this report

### SECTION 151 OFFICER'S COMMENTS

The s151 Officer has been consulted and has no further comments

### LEGAL IMPLICATIONS

None 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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## Results of Internal Audit Work

**Audit Committee Date – Wednesday, 20<sup>th</sup> Sept 2006**

### **1. New Audit Reports**

#### **05/0598 Sundry Debtors (issued on 09/06/06)**

Headline messages:

- A comprehensive Debt Collection and Management Guide is in place which clearly defines corporate standards and establishes a consistent approach to effective debt management.
- The Sundry Debtors system incorporates a good level of control.
- Legal recovery procedures have been defined.
- Approved write-off procedures are in place.
- A formal protocol has been established for Services to report outstanding debt to Members and the position on overall debt outstanding is regularly reported to Cabinet.
- Implementation of a strategy to improve the effectiveness of current arrangements is planned for 2006/07.

#### **05/0609 Performance Management (issued on 10/07/06)**

Headline messages:

- The profile of Performance Management in the last year has been heightened through the new Performance Management Framework and continuing roll-out of Escendency.
- Concerns over the quality of performance data are to be addressed through training to roll-out a new Data Quality Strategy.
- Improved arrangements will seek to ensure staff at all levels know the importance of timely performance information to be used to drive the Authority's continued improvement.

#### **05/0607 Regeneration Programmes (issued on 25/07/06)**

Headline messages:

- Regeneration programmes are considered high risk due to the sums involved and potential for claw-back.
- The Authority, as Accountable Body, has sound financial management systems supporting its obligations.
- There is a recognised need to improve project management.
- Potential risks faced by the Authority as Accountable Body are to be assessed on an ongoing and project by project basis. Risk reporting mechanisms are to be strengthened and the level of risk the Authority is willing to accept determined.
- A better understanding of EU Procurement and State Aid Rules is required.
- Document retention and accessibility issues are to be addressed through a new officer working group.
- The Accountable Body's enforcement role is to be strengthened.
- Measures are to be taken to ensure project managers fulfil ongoing commitments per grant conditions following project closure.

## **2. Follow Up Reports**

### **04/0571 Best Value (issued 10/07/06)**

Key messages:

- Redesigned sickness forms and management checks on the accuracy of returns and the transfer of data to the calculation spreadsheet have improved the accuracy of the outturn for BVPI 12 (the number of days/shifts lost to sickness absence).
- Errors made in calculating the outturn for BVPI199 (the cleanliness of relevant land and highways) in 2004/05 have not been repeated in 2005/06 in that transect selection is in accordance with the statutory definition and the Authority's methodology has been endorsed by DEFRA.
- The Authority is not required to report BVPIs 226a-c (legal and advice services) in 2005/06 though attempts have been made to calculate the outturns. Whilst progress has been made in the last year there are ongoing problems regarding responsibilities and the data needed. Options for improving and streamlining the process of data collection, with a view to accurately calculating an outturn in 2006/07 in accordance with the definitions, are to be explored through the implementation of an agreed action resulting from the IA Review of Performance Management (05/0609).

### **05/0600 NDR (issued 20/06/06)**

Key messages:

- Parameter changes are checked and evidenced.
- Exception reports are produced thus ensuring that arrangements to pay are properly managed.
- Reconciliations procedures carried out at the time of billing have improved.
- A comprehensive procedure manual for the new system is currently being developed and should be in place by the target date of September 2006.
- Officers are still to develop an interface which will export transactions direct from the Academy NDR system to the general ledger, implementation being delayed due to competing work pressures. Progress on the interface will be monitored through the IT Account Managers meetings and is to be fed into the quarterly performance review meetings.

### **04/0588 Payroll (issued 15/08/06)**

Key messages:

- Amendments affecting employees are now recorded in the establishment book when notification is received, and Service Heads are asked to verify the details recorded on a quarterly basis.
- Those actions which remain outstanding in relation to issuing written instructions to Service Heads regarding temporary arrangements and honoraria payments, and the documentary evidence to be retained on personnel files, will be implemented by the 30th September '06.
- As from 30th September the Service also aims to ensure that Service Heads are provided with written notification when the request to change an employees post/grade has been actioned.
- A working group is currently in the early stages of identifying options for future HR/Payroll solutions ensuring efficiency and value for money for the Authority.