



AGENDA ITEM: 6

AUDIT AND GOVERNANCE COMMITTEE:

25 September 2012

Report of: Borough Treasurer

Relevant Managing Director: Managing Director (People and Places)

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SUBJECT: INTERNAL AUDIT ACTIVITY APRIL TO SEPTEMBER 2012

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

1.1 To report on progress against the 2012/13 Audit Plan to date.

2.0 RECOMMENDATION

2.1 That Members note the progress in the year to date and direct any questions to the Internal Audit Manager who will be present at the meeting.

3.0 BACKGROUND

3.1 The April meeting of this Committee approved the Internal Audit Plan for 2012/13 and resolved that a written report be brought back quarterly to enable members to monitor progress against it.

3.2 This is the second such report and covers the first half year's activity against the plan and the information included in it will feed into, and inform my overall opinion in the Internal Audit Annual Report issued at the year end.

4.0 INTERNAL AUDIT ACTIVITY TO DATE

4.1 A report summarising progress for the year to date is attached and the Internal Audit Manager will be present to answer questions in relation to it.

4.2 There are no significant issues arising from Internal Audit's work which need to be brought to the attention of members of the Audit and Governance Committee at this time.

5.0 RESOURCE ISSUES

5.1 The section is currently running with the equivalent of 0.6 of a full time vacancy and approval has been given to filling this temporarily in order to achieve adequate audit coverage in the year. The recruitment process has commenced and it is anticipated that resources across the financial year will equate to the level anticipated when the plan was prepared.

6.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

6.1 There are no significant sustainability impacts associated with this report and, in particular, no significant impact on crime and disorder. The report has no significant links with the Sustainable Community Strategy.

7.0 FINANCIAL AND RESOURCE IMPLICATIONS

7.1 All the activity referred to in this report is covered by existing budget provisions.

8.0 RISK ASSESSMENT

8.1 This report summarises progress against the Internal Audit's work programme for the year. Internal Audit activity is a key element of assurance to this Committee that risks are being properly managed so as to increase the likelihood that the Council will achieve its overall objectives.

Background Documents

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this Report.

Equality Impact Assessment

The decision does not have any direct impact on members of the public, employees, elected members and / or stakeholders. Therefore no Equality Impact Assessment is required.

Appendices

1. Internal Audit Update Report

Audit and Governance Committee September 2012.

Internal Audit Update Report 2012/13 to date

Background

The Audit Manager reports progress against the plan to each meeting of Audit and Governance Committee. The report covers the period to the end the second quarter based on information available when the report is drawn up. During this period 125 days have been lost to a vacancy.

Work to date

Annual Governance Statement

The Annual Governance Statement was approved at the last meeting of this Committee. In carrying out a continuous audit of the Council's business the Internal Audit Section review the effectiveness of key elements of the Council's governance arrangements. The results of these reviews inform the Annual Governance Statement. This is not a one-off task completed annually but rather a continuous process.

National Fraud Initiative 2012/13

Preparatory Work has been undertaken to ensure that data to be extracted will conform to the required specifications and that all the necessary legal requirements have been met in relation to fair processing notices etc. Data sets included in this particular exercise relate to Payroll, Creditor Payments, Housing Rents, Insurance Claims and Licences, including Taxi and Personal Licences required for serving alcohol. In some circumstances WLBC data is provided by third parties on our behalf, e.g. in the case of pension fund data. Data may also be matched against data previously submitted but which is not refreshed at each data upload, for example the Electoral Register or Council Tax information. Data will be extracted from our systems and submitted for matching in October and work on investigation of the results will commence once the matches have been released in January. This process continues until all the matches for which we are the lead agency have been progressed to a satisfactory conclusion in accordance with Audit Commission guidance and enquiries from other organisations in relation to their matches are exhausted.

Contract audit

Internal audit undertake a continuous programme of work in relation to the Council's contracts. This extends beyond scrutiny of procurement process to include contract risk management processes and the operation of management's controls on costs, quality and performance in relation to goods and services secured through contracts.

Matrix Agency agreement

The Council entered into an agreement from March of this year to use the "Matrix" system to obtain agency staff rather than individual services securing agency services independently. Internal audit are examining the operation of this agreement to ensure

that work is commissioned in accordance with Council policy, that the new (electronic) invoice clearance procedures comply with Financial Regulations, the coding structure implemented with the system accounts for the resources used appropriately and that use of the system is universally implemented and that the system is fulfilling its original objectives.

Data Management

This year's audit plan includes a scheduled audit on data management activities. Two incidents that have taken place this year have highlighted our focus on this work and data management arrangements are being reviewed and policies and procedures updated / rationalised to enhance our existing control framework. It is now intended that the audit will be completed during the next quarter once these updates have been put in place.

Customer Services

Customer Services are a vital channel of communication for customers wishing to access Council services dealing with many interactions with customers including for example repairs reporting, answering requests for information, booking appointments, collecting payments and providing standard forms so that back office staff can concentrate on more specialist work. The range of functions offered through customer services has increased over time and is subject to audit examination in the same way as service departments.

QL Procurement

The QL housing management system is used to control and administer the main response maintenance contracts and payments for services under these contracts are raised through this system. In order to avoid inefficiencies through a proliferation of different payment routes provision was made for all housing's property related purchases to be made through QL with the added advantage of improved recording of maintenance jobs against specific properties. Non property related purchases will continue to be made through the council's e-procurement system in accordance with normal procedures. This work is examining the controls on payments through the new system and incorporates checks that this route is only being used to process the classes of items for which it is approved.

Corporate Health & Safety

The Major Service Review process has resulted in changes to responsibility for the central Health and Safety resource and this review is examining the role of the central Health and Safety unit and the implementation of corporate Health and Safety Policy in individual service areas.

Licensing

The licensing service has implemented an electronic document management system since it was last audited. This work is examining the effects of this change on procedures in the service, examining income collection procedures across the service and enforcement procedures in relation to Taxi and Alcohol licensing. In addition other changes to the appointments system and MOT requirements are also being examined.

The governance arrangements around the operation of the Revenues and ITC contract with LCC / OCL have continued to develop and internal audit scrutiny of the development of appropriate procedures and controls has continued.

Investigations

There are no formal investigations in progress at this time.

Progress against the Plan

Title	Position
Annual Governance Statement	Ongoing activity
Shared and Contracted Services	Ongoing activity
MSR and OR implementation	Limited work undertaken to date
Data Management	Audit in progress
ICT	Review of contract implementation
Matrix	Draft Report issued
Human Resources	Limited work undertaken to date
Performance Management	Limited work undertaken to date
Corporate Health and Safety	Audit in progress
Business continuity	Limited work undertaken to date
Contract Audit	Ongoing activity
QL Procurement	Draft Report issued
Procurement through Official Order	Work not commenced
Benefits	Limited work undertaken to date
Council Tax	Work not commenced
NNDR	Work not commenced
Debtors	Audit in progress
Creditors	Work not commenced
Right to Buy / Housing Act Advances	Work not commenced
Accounting Controls	Work not commenced
Payroll	Review of contract implementation
Rents	Limited work undertaken to date
Treasury Management	Work not commenced
Fees and Charges	Work not commenced
Housing Stock Maintenance	Audit in progress
Q.L (Housing Management system)	Limited work undertaken to date
Cash to Leave and Transfer Incentive Schemes	Limited work undertaken to date
Licensing	Audit in progress
Depot	Work not commenced
Transport	Review of contract implementation
Community Safety CCTV	Work not commenced
Leisure	Review of contract implementation
Customer Services	Audit in progress
Strategic Asset Management Plan	Limited work undertaken to date
Building Control	Work not commenced
Estates and Valuation	Work not commenced
National Fraud Initiative	Ongoing activity

Money Laundering Controls	Ongoing activity
Anti Fraud and Corruption Policy and Action Plan	Ongoing activity

Summary	
Report issued	2
Audits in progress	6
Ongoing activities	6
Reviews of contract implementation	4
Limited work undertaken to date	9
Work not yet commenced	12
Total	39

Emerging issues

The audits referred to above will all be the subject of action plans agreed with management as required and there are no significant matters arising from the work requiring a report to this Committee at this time.

A key issue for internal audit in the coming quarter will be the new payroll arrangements following the expiry of the licence with our current software provider at the end of October. Evaluation of the new arrangements will take place at the earliest opportunity.

The move of the Revenues and ICT operations run by Lancashire County Council / One Connect Ltd to the new facility at Lancashire House will enable the start of system migrations from existing WLBC platforms to LCC / OCL systems. This will inevitably remodel controls on the systems involved and internal audit will need to review these as part of the audit of the areas now delivered under the contract.

Summary

The internal audit service is operating with a vacancy. The effects of this have been reduced by temporarily increasing the hours of an existing member of staff. Progress against the plan to date has inevitably been affected but steps are being taken to secure the resources required for satisfactory completion of the remainder of the plan.

As a contingency measure, the remaining items from the plan have been reviewed and as far as practical the most significant areas, particularly financial systems, prioritised so that if coverage over the year were to be reduced appreciably by the vacancy, the significance of areas outstanding will be minimised.

The indications at this time are that if the plan were not entirely completed by the end of the financial year adequate work will still have taken place to enable a valid judgement to be made on the operation of the control environment.