

West Lancashire Borough
Council Internal Audit Service



Annual Report for the year ended
31st March 2014

1.0 INTRODUCTION

- 1.1 The Council is required by the Accounts and Audit Regulations to maintain an internal audit of its accounting records and system of internal control in accordance with proper practices.
- 1.2 For 2013/14 proper practices were established by the Chartered Institute of Public Finance and Accountancy and defined in the Public Sector Internal Audit Standards.
- 1.3 Internal audit provide independent, objective assurance on the effectiveness of the system of control the Council has in place to achieve its objectives. The Standards require the Audit Manager to deliver an annual opinion and report.
- 1.4 The assignments set out in the Internal Audit Plan approved by this Committee are the primary source of assurance on which that opinion is based.
- 1.5 The 2013/14 Internal Audit Plan was substantially completed in the year and sufficient coverage was achieved to enable me to provide an opinion on the control environment.
- 1.6 This report summarises key areas of internal audit activity during 2013-14 and identifies any issues relevant to the overall adequacy and effectiveness of the Council's framework of governance, risk management and control

2.0 INTERNAL AUDIT ASSURANCE ACTIVITY 2013-14

2.1 Treasury Management

Controls were operating effectively. Investments were found to have been made in compliance with the Treasury Management Policy, transactions were adequately documented and reconciled regularly.

2.2 Icon Cash and Income Collection systems

Controls were operating effectively. Daily reconciliations were taking place between ICON cash receipting and the Council Tax, NNDR and Benefits systems.

2.3 Reconciliations

- 2.4 Internal Audit previously reported to Audit and Governance Committee that reconciliations of the Council Tax and NNDR systems to the General Ledger were inadequate following a change of revenues and benefits software. It was recommended that revised procedures should be introduced and the Borough Treasurer has continued to pursue this action point. A solution has now been

implemented and will be reviewed as part of 2014/15 audits of revenues and benefits.

2.5 Council Tax

Controls were operating effectively. The council tax system calculation and billing routines were found to be effective and exemptions applied were adequately supported by appropriate documentation. Adequate records were available to verify account balances on the system. It was noted that changes to procedures relating to single person discounts had affected existing controls in this area. An exercise is underway to review all single person discounts currently in effect after which procedures will be reviewed. Internal audit will continue to monitor developments in this area.

2.6 NNDR

Controls were operating effectively and testing confirmed that NNDR liabilities are correctly calculated and accurately recorded by the system. Improvements to procedures for establishing liability in relation to certain classes of business activity are being actively explored.

2.7 Debtors

Controls on the debtors system were operating effectively. Some minor administrative issues were identified in the services commissioning debtors accounts not relating directly to the operation of the debtors system itself.

2.8 Creditors

Controls on purchasing and payments were operating effectively. Expenditure had been properly authorised in accordance with the Council's purchasing rules. Control has improved following a review of authorisation procedures and the issue of revised purchasing guidance. Procedures relating to purchase orders could be further improved and will be the subject of further review.

2.9 Market

Controls were operating effectively. Recommendations were made in relation to improvements to documentary evidence retained on account files.

2.10 Payroll

2.11 Payroll services for the majority of the Council's staff are provided through a contract with Wigan MBC. The system was the subject of a high level review in 2012/13 when first implemented. A more in depth review has been carried out this year mainly concentrating on controls on the exchange of instructions for variations to pay between West Lancashire and the payroll provider. This is achieved through a "Virtual Private Network". As this is a new system

adjustments are still being made post implementation and areas have been identified where controls will be further developed.

2.12 Benefits

Controls on the system were found to be operating effectively however there are issues with assessments. The administration of benefits has undergone significant change over the last two years including new rules on entitlements to Housing Benefit, the introduction of new software and the replacement of Council Tax Benefits with the Localised Council Tax Support Scheme. Internal and external audit work has identified an increase in the volume of assessment errors over this period which has been reported to Members. An improvement plan drawn up to address the issue has been presented to Members by the B.T.L.S. Director of Revenues and Benefits. The position will be kept under review while the improvement plan is being implemented.

2.13 Private Sector Housing

Controls were found to be operating in accordance with current Council Policy in relation to the administration of grant expenditure, homelessness and enforcement activity. Policy is to be reviewed in a number of areas to ensure it remains consistent with the Council's changing housing priorities.

2.14 Furnished Tenancies

Although the residual risks are not significant, controls on the administration of the service were found to be weakened by procedures reliance on key staff. An action plan was agreed with management to secure improvements to controls.

2.15 Matrix

Controls were found to be operating effectively in relation to the Matrix agency system. Improvements to the operation of the scheme were evident in user services as it is assimilated into day to day procedures following an initial period of bedding in.

2.16 Performance indicators

Procedures were found to be operating effectively in the areas examined and no significant errors were found in the calculations of the indicators that were reviewed.

2.17 Complaints system.

Controls were operating effectively. Actions were agreed in relation to improving uniformity of processes across different service areas. These are intended to improve communication with customers, make handling of complaints more consistent and improve opportunities for the Council to learn from complaints corporately.

2.18 Time recording system

The new time recording system implemented at Derby Street was examined and found to incorporate improved controls compared to the previous system.

2.19 Risk management

Risks are being effectively managed. The corporate system is not applied identically in every service but a "one size fits all" solution could result in wasteful activity in areas where risks are readily manageable by simple means. The operation of the system is scheduled for discussion at the next meeting of the Risk Management Group.

2.20 Corporate Health and Safety

Controls were operating effectively and improvements had been made in both form and content to the Health and Safety Gateway to tailor it to the needs of managers and staff.

2.21 Rents / QL system

The housing management system used for rents is also used to manage other housing activity. While the system for administering rents is well documented, recent audit work has identified issues with the administration of other functions in the wider system which may have implications for effective system maintenance. These are currently being explored with housing staff.

2.22 Human Resources

Internal audit have continued to collaborate closely with human resources on measures to improve controls on systems relating to the management of staff corporately.

2.23 Council Stock Maintenance

Maintenance and improvement of the Council's housing stock has undergone change partly as a result of changes to housing finance but also to personnel. Controls on procedures for identifying, commissioning and controlling works are satisfactory but have been subject to recent revisions with further changes planned. As controls have been amended further work is required in the area including evaluation of budgetary controls.

2.24 Accounting controls

Work has been undertaken in relation to a change of system for former tenant recharges. No major issues have been identified arising from the transfer but further work will be required as associated working procedures are developed to mesh with the new system.

2.25 Contract Audit

Internal audit continue to monitor the operation of Contract Procedure Rules and supporting processes to ensure that they support the delivery of value for money from goods and services procured. Further Improvements in procurement practices have been secured in the year.

2.26 ICT

Internal audit have been involved in reviewing changes to information governance arrangements required by increased sharing of data with partner organisations / contractors. This has included assessment of controls on third party software and the effectiveness of third party applications as well as input to revision of the ICT and Data Security Policy.

2.27 Data protection / SIRO arrangements

Internal audit are represented on the Data Protection Working Group, informing its work through review of the implementation of practical arrangements to secure data security. Improvements to procedures have continued to be made corporately and at service level.

2.28 Anti-fraud activity

The section is involved in a variety of anti-fraud, bribery and corruption activity. While these fall outside planned formal assurance activity they may inform consideration of controls. No significant control issues were identified during this year's anti-fraud work, key components of which are reported on below.

3.0 COUNTER-FRAUD WORK

3.1 Money laundering

Time is included in the Audit Plan for the Audit Manager's role of Money Laundering Reporting Officer. No incidents of money laundering were disclosed during the year.

3.2 National Fraud Initiative

The Council is required to take part in the National Anti Fraud Initiative. This exercise compares data from a variety of public bodies every two years and where the results appear inconsistent the originating bodies are notified. Internal audit co-ordinate this activity corporately and the most recent exercise has resulted in investigation of a number of matches leading to recovery of over £32,000.

3.3 Investigations

In addition to planned anti-fraud activity, internal audit have a role in the investigation of potential fraud, responding to items referred to it in accordance with established procedures. In 2013/14 internal audit were involved in one referral which was progressed to formal investigation stage.

4.0 MANAGEMENT RESPONSES TO INTERNAL AUDIT REPORTS

4.1 During the year recommendations for improvements to controls in various systems have been made by internal audit and agreed by Management. Responses from auditees have been satisfactory and recommendations have been implemented within reasonable timescales.

5.0 ANNUAL GOVERNANCE STATEMENT

5.1 Internal audit work supports the production of the Annual Governance Statement presented elsewhere on this agenda and time is included in the plan for a review of audit findings and other sources of assurance to inform its preparation and review of the final draft of the document before publication.

5.2 Taking into account the annual review of West Lancashire Borough Council's internal controls, as outlined in its Local Code of Governance, there are no issues arising from Internal Audit's work in year 2013/14 which require disclosure in the Annual Governance Statement in addition to those already contained in it.

6.0 OVERALL OPINION

6.1 The Internal Audit Plan was prepared without any limitations on scope and has been substantially completed. No issues were identified during the course of the audit work in 2013/14 that would be likely to have a material effect on the Council's Financial Statements.

6.2 No system of control can eliminate all risk of failure to achieve policies, aims and objectives and this statement is intended to provide reasonable assurance that there is an on-going process for identifying, evaluating and managing key risks. These risks are reflected in the audit plan and subject to separate reports during the course of the year.

6.3 Based on the work which internal audit have carried out and taking into account other sources of assurance available to me, such as the Council's external auditor's Annual Audit and Inspection Letter I conclude that West Lancashire Borough Council's risk management systems are adequate and

operating effectively and can provide assurance that overall there is a sound system of internal control in place.

M.A.Coysh
Internal Audit Manager
West Lancashire Borough Council