



GA.33 12/13
Governance & Audit Committee
21 st March 2013

<p>Subject: Internal Audit Plan 2012/13 – December 2012 to February 2013 Progress report</p>

Report by:

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Purpose / Summary:

The report gives members an update of progress, by the Audit partner, against the annual programme agreed by the Audit Committee on the 12th March 2012.

<p>RECOMMENDATION(S):</p>	<p>1) Members consider the content of the report and identify any actions required.</p>
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IMPLICATIONS

Legal: None directly arising from the report

Financial: None directly arises from the report.

Staffing: None.

Equality and Diversity including Human Rights:
None arising from this report

Risk Assessment: N/A

Climate Related Risks and Opportunities: None arising from this report

Background Papers: No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

Call in and Urgency:

Is the decision one to which Rule 14 of the Scrutiny Procedure Rules apply?

Yes

No

Key Decision:

Yes

No



Internal Audit - Progress Report 2012 / 13



Date: *March 2013*

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Introduction

1. The purpose of this report is to:
 - Advise of progress being made with the Audit Plan
 - Provide details of the audit work during the period
 - Provide details of the current position with agreed management actions in respect of previously issued reports
 - Raise any other matters that may be relevant to the West Lindsey Audit Committee role

Key Messages

2. Delivery of the Internal Audit plan has continued to progress now standing at 81% complete. We have been commissioned to complete an additional review of the Elswitha Quarter Project which impacts upon our audit of investment decisions. Subsequently this will not be completed until after the 31st March 2013. This means that 94% of the plan will be delivered.

Our work has been completed and the Council's Combined Assurance Status report is currently being drafted by the Assistant Chief Executive Officer. The deadline for completion is 31st March 2013.

The Combined Assurance Status Report will inform the production of the Annual Governance Statement of the Council and informs the Head of Internal Audit's annual audit opinion. It is suggested that the Governance and Audit Committee request progress on this report.

Internal Audit work completed from 1st December to 28th February

3. The following audit work has been completed and a final report issued:

Full Assurance	Substantial Assurance	Limited Assurance	No Assurance
No reports	Big Society and Localism Agenda Council Tax Change Programme	National Non-Domestic Rates	No reports

Note: The Audit Committee should note that the assurance expressed is at the time of issue of the report but before the full implementation of the agreed management action plan. Definitions levels are shown in Appendix 1.

4. We are reporting one limited assurance audit in this quarter – National Non-Domestic Rates – the key area where we have recommended improvement is:
 - To ensure continuity of satisfactory service from the NNDR provider management should address the issue with the service level agreement, which expired in 2011.

The executive summary is in Appendix 2.

5. Progress with the implementation of agreed management action on recommendations for audits resulting in 'No' or 'Limited' assurance is followed up and reported in Appendix 3. Project Management and the Joint Planning unit remain areas where agreed actions are outstanding.
6. In the audits giving Substantial Assurance we confirmed that the Council has sound processes in place:

Localism

We identified many positive actions and successes achieved by the programme over the last year including establishing the six areas, aligning staff to these areas, completion of area summits and establishing community funds. Our audit found:

- The priority neighbourhoods on the ex Ministry of Defence sites have a strategy, action plan, and tangible outcomes are visible.
- The localism team are supporting communities to enable them to access to external funding.
- There is a range of community action taking place in the South West of Gainsborough to address issues.

Council Tax

Our work found overall that the service is achieving its aims and objectives as collection rates are on target and performance information shows that workloads are managed. At the time of the audit the backlog of work stood at less than one weeks work.

Change Programme

Our audit on key elements of the 'working where the work is' project:

- The relocation of all second floor staff to the third floor
- The purchase of tablets for all staff
- The development of Minerva as a central hub for staff

Overall we are satisfied with the work that has been done for the key elements of the project:

- There are clear and defined plans in place for how the office moves will take place as well as where teams will be located on the third floor.
- Money has been set aside for the tablets and a procurement process is in place with testing in for different teams.
- Minerva will be available for staff to effectively access key information while away from the office.

We also found that measures were being taken to ensure that staff members are brought up to speed with the changes, and we have made suggestions to improve these processes.

While the Project Management process for WLDC is currently being revised, the current process has been followed by the team. The Project Management documentation was up to date apart from one exception.

Other Significant Work

7. Other audit work undertaken during the period has been

Elswitha Quarter

An independent review of the Elswitha Quarter re-development has been commissioned. This development forms part of the Council's strategy for the long term regeneration and growth of Gainsborough.

A judicial review was lodged against the Council at the end of December around the lawfulness of the Council's decision making process – whilst this was rejected by the High Court - the Council wishes to identify any learning which would help strengthen its governance arrangements.

The review is scheduled for April 2013 and aims to:

- Enable the Council to look openly and critically at processes and decisions made to see whether the Elswitha Development indicates that changes could and should be made to policies and practice.
- To identify how these changes will be bought about.
- Identify any examples of good practice that can be built upon going forward.
- Identify any potential areas where the Council governance arrangements may need to be strengthened.

Combined Assurance Status Report

Our work has been completed and the Council's Combined Assurance Status report is currently being drafted by the Assistant Chief Executive Officer. The deadline for completion is 31st March 2013.

The Combined Assurance Status Report will inform the production of the Annual Governance Statement of the Council and informs the Head of Internal Audit's annual audit opinion. It is suggested that the Governance and Audit Committee request progress on this report.

Audits in Progress

8. The following 2012/13 audits are currently in progress:

Gainsborough Regained

This audit is at draft report stage awaiting confirmation of a closure meeting. Our audit focused on the planning for phase two of this programme of regeneration work.

Investment Decisions

The brief of this audit has been expanded to include procurement and governance in addition to the original focus on how lessons learnt from historic projects have influenced the commercial strategy and the investment decision making process. Field work is well progressed.

Income Generation

This audit is at draft report stage and has focused on how the organisation is attempting to maximise income generation in difficult financial times.

Financial Management

The brief of this audit was to identify how effective finance management systems are in allowing managers to manage and monitor their budgets and understand their costs through their cost centre / business centres. This is also at draft report stage.

Finance Audits

The annual financial audit work is well underway. Income collection is at draft reports stage and payroll is in progress. The work planned on Creditors and Debtors has been changed to focus on General Ledger, Bank Reconciliation and Non-current Assets in order to assist External Audit in their work. These audits are all progressing.

ICT Audits

There are two ICT audits planned which will focus on Infrastructure and Information Governance. These will both be conducted during March 2013.

Performance Information

9. Our current performance against targets is shown below:

Performance Indicator	Target	Actual @ 28/02/2013
Percentage of plan completed.	100% (revised plan)	81%
Percentage of key financial systems completed.	100%	71%
Percentage of recommendations agreed.	100%	100%
Percentage of recommendations implemented.	100% or escalated	100%*
Timescales	Draft report issued within 10 working days of completing audit. Final report issued within 5 working days of closure meeting / receipt of management responses. Period taken to complete audit – by exception	100% 100%
Client Feedback on Audit (average)	Good to excellent	Excellent

*80% implemented and 20% escalated.

Appendix 1 - Assurance Definitions

<p>Full Assurance</p>	<p>Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance.</p> <p>The risk of the activity not achieving its objectives or outcomes is low.</p> <p>As a guide there are a few low risk / priority actions arising from the review.</p>
<p>Substantial Assurance</p>	<p>Our critical review or assessment on the activity gives us a reasonable level of confidence on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are some improvements needed in the application of controls to manage risks. However, the controls are in place and operating sufficiently so that the risk to the activity not achieving its objectives is medium to low.</p> <p>As a guide there are low to medium risk / priority actions arising from the review.</p>
<p>Limited Assurance</p>	<p>Our critical review or assessment on the activity identified some concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>The controls to manage the risks are not always being operated or are inadequate. Therefore, the risk of the activity not achieving its objectives is medium to high.</p> <p>As a guide there are medium and a few high risk / priority actions arising from the review.</p> <p>Our work did not identify system failures that could result in any of the following:</p> <ul style="list-style-type: none"> - damage to the Council's reputation - material financial loss - adverse impact on members of the public - failure to comply with legal requirements
<p>No Assurance</p>	<p>Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>Our work identified system failures that could result in any of the following:</p> <ul style="list-style-type: none"> - damage to the Council's reputation - material financial loss - adverse impact on members of the public - failure to comply with legal requirements <p>The controls to manage the risks are not being operated or are not present. Therefore the risk of the activity not achieving its objectives is high.</p> <p>As a guide there are a large number of medium and high risks / priority actions arising from the review.</p>

Appendix 2 – Audits where assurance is assessed as ‘No’ or ‘Limited’ (Executive Summaries only)

National Non-Domestic Rates

Introduction and Scope

West Lindsey District Council's (WLDC) National Non Domestic Rates (NNDR) has been managed by North Kesteven District Council (NKDC) for the last six years.

The objective of this audit was to review the agreement and performance information provided by NKDC, to provide independent assurance on how this is working for WLDC.

Previously we have reviewed the NNDR section at NKDC through our internal audit work there. These reports have been shared with management at WLDC and used to help provide assurance that the service is being well managed.

The latest report dated February 2012, from North Kesteven DC gave full assurance on the NNDR section.

During 2012 North Kesteven Revenues and Benefits section entered into a shared service with the City of Lincoln Council (CoL) in order to share resources and provide efficiencies. A result of this is that West Lindsey NNDR work is now processed at the City of Lincoln and not at North Kesteven.

Executive Summary

Assurance Opinion Limited

Our opinion is based on the findings that the agreement between West Lindsey and North Kesteven for the provision of NNDR work ran out in January 2011. This means the service provided by North Kesteven is not supported by a current service level agreement.

NNDR work is now carried out by the City of Lincoln due to a merger between North Kesteven and the City of Lincoln. There is a risk that the City of Lincoln does not provide the same level of service.

WLDC should consider future options for the provision of NNDR including bringing the service back in house, renewing the agreement with North Kesteven / City of Lincoln, or looking for a new partner.

Our review found some areas for improvement, the most significant being:

- The agreement between North Kesteven and West Lindsey ended in January 2011. Since then West Lindsey have continued to pay for and receive a service

from North Kesteven but without the assurance of a current service level agreement.

- Review of previous year's collection rates shows that North Kesteven have consistently achieved the target collection rate. A recent merger between the City of Lincoln Council and North Kesteven has resulted in West Lindsey's NNDR work now being carried out by The City of Lincoln Council. This is a significant change in the way NNDR service is provided and there is a risk that the level of service provided could reduce.
- Details on NNDR debt write offs are provide by North Kesteven for authorisation by West Lindsey. Management at West Lindsey no longer receive information on write offs. We have been told there is a current back log on processing write offs on the system.

Changes to NNDR legislation mean that Councils will be able to keep a portion of the rates they collect. Councils can be rewarded and penalised for over and under collection of rates. With this in mind West Lindsey should now be considering the best option for the future provision of collecting Non Domestic Rates, and ensuring that currently they continue to receive a good level of service.

Management Response

Management welcome the findings and will endeavour to prioritise actions and recommendations made in the report. Particular focus will be on our contract position in regard to the provision of NNDR.

We will put in place interim measures to manage the risk while we consider and plan future options.

Appendix 3 - Outstanding recommendations as at 28th February 2013

Audit Area	Date	Assurance	Number of Recs	Implem'd	Outstanding			Not Due Date
					H	M	L	
Business Improvement								
Project Management 11/12	Sept 2011	Limited	16	12	3	1	0	
Risk Management	May 2012	Limited	6	2	3	1	0	
Planning								
Joint Planning Unit 11/12	March 2012	Limited	5	4	0	1	0	
Resources								
NNDR	Nov 2012	Limited	4	0	1	2		1

Appendix 4 – Internal Audit Plan & Schedule 2012/13

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Status / Assurance Level Given
Critical Service Activities						
Planning and Regeneration						
Gainsborough Regained	15	Review of projects within Gainsborough Regained considering the integration of projects focusing on growth point, town centre regeneration and deprivation. Include how Council co-ordinates / works with partners to deliver this initiative / investment	May 2012	August 2012		Draft Report – Indicative is part substantial and part limited.
Resources						
Financial Strategy	5	To ensure the Council has a sustainable medium to long term finance strategy to address future reduced government funding whilst continuing to meet the needs of the community and effective service delivery.	April 2012	April 2012	May 2012	Complete Substantial
Housing Benefits Subsidy & Systems Review	20	Review of the housing benefit systems in conjunction with	July 2012	July 2012	N/A	Complete

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Status / Assurance Level Given
		testing to support the external audit of the subsidy claim.				
Progress and Delivery	10	To review how effective the corporate governance model for programmes, performance / delivery and financial monitoring is in delivering the Corporate Plan priorities.	May 2012	July 2012	28/09/2012	Complete Substantial
Sub Total	50					
Due Diligence						
Resources						
Finance Systems – provisional areas: Creditors Bank reconciliation NNDR Debtors Non-current Assets Payroll Income General ledger	35	To review systems and test transactions for finance systems feeding into the Council's accounts in liaison with external audit.	January 2013	October 2013		NNDR – Limited Council tax – Substantial Income Draft - full
Finance Management	10	Identify how effective finance management systems are in allowing managers to manage and monitor their budgets, understand their costs through their cost centre / business centres.	January 2013			Draft Report – Indicative is limited.

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Status / Assurance Level Given
Sub Total	45					
Strategic Risks						
Income generation	10	Assess the changes in service demand and legislation on income, including: Car parking Rents Planning fees Building Control Land Charges	November 2012	November 2012		Draft Report – Indicative is limited.
Investment decisions	10	Review of the process (due diligence) for major investments decisions , consider: Commercial Strategy Adequacy business cases Decisions Making process Future sustainability / impact of investment I	June 2012	November 2012		In Progress
Sub Total	20					

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Status / Assurance Level Given
Emerging Risks						
Change programme	10	Review of Organisational Development and how effective this has been to embed: New ways of working Delivery of Corporate Objectives	June 2012	August 2012		Complete Substantial
Big Society & localism agenda	10	To Establish how the council is responding to the localism agenda (Big society), including any potential changes to governance arrangements.	August 2012	August 2012		Complete Substantial
Emerging risk contingency	5	To audit any significant emerging risks arising in the year.				
Sub Total	25					
Other relevant Areas						
Assurance mapping	5	Update assurance map with service managers and gain management assurances and third party assurances.	May 2012	May 2012	N/A	Complete
Annual Governance Statement	5	Follow up improvements / actions taken by the Council				Complete

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Status / Assurance Level Given
		to address the areas in the 2012 statement.				
Sub Total	10					
ICT Audit.						
	20	Our ICT audit strategy is being revised. This includes a risk assessment which will identify areas for audit focus.	December 2012			Audits of Infrastructure and Information Governance starting March 2013
Sub Total	20					
Non-Audit						
Advice	5					
Liaison	5					
Annual Report	1					
Audit Committee	5					
Contingency	5					
Sub Total	21					
Total Audit Plan for 2012/13	191					