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| <b>Report of:</b>       | <b>Chief Internal Auditor &amp; Risk Manager</b>   |
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| <b>Report Track:</b>    | <b>Audit &amp; Governance C'ttee:<br/>05/12/17</b> |

**AUDIT & GOVERNANCE COMMITTEE  
5 DECEMBER 2017  
INTERNAL AUDIT – QUARTER 2 REPORT 2017/18**

**1 Purpose of Report**

- 1.1 To present to the Audit & Governance Committee for information the Internal Audit Quarter 2 Report for 2017/18.

**2 Recommendations**

- 2.1 That the Committee notes the contents of the Internal Audit Report for Quarter 2 of 2017/18.

**3 Key Issues and Reasons for Recommendation**

- 3.1 At the end of the quarter seven audits had been completed at least to draft report stage and a further four audits were in progress. No Limited or No Assurance Audits have been issued in the quarter.

**4 Relationship to Corporate Priorities**

- 4.1 The system of internal control is a key element of the Council's corporate governance arrangements which cuts across all corporate priorities.

**5 Report Detail**

- 5.1 The report is a snapshot view of the areas at the time that they were reviewed and does not necessarily reflect the actions that have been or are being taken by managers to address the weaknesses identified. The inclusion or comment on any area or function in this report does not indicate that the matters are being escalated to Members for further action. Internal Audit routinely follow-up the

recommendations that have been made and will bring to the attention of the committee any relevant areas where significant weaknesses have not been addressed by managers.

- 5.2 Appendix 1 shows the performance of the section which whilst below target at the end of quarter is not of significant concern due to the amount of work-in-progress. When this is taken into account there are no major concerns in relation to the completion of the audit plan by the end of the year
- 5.3 The table below gives a summary of the level of assurance for each of the audits completed in the quarter. More detailed information on each of the reports issued is contained in Appendix 2.

| <b>Number of Audits</b> | <b>Assurance</b>         | <b>Definition</b>  |
|-------------------------|--------------------------|--|
| <b>2</b>                | <b>Substantial</b><br>✓  | All High (Red) and Medium (Amber) risks have appropriate controls in place and these controls are operating effectively.<br>No action is required by management.   |
| <b>0</b>                | <b>Partial</b><br>▲      | One or more Medium (Amber) risks are lacking appropriate controls and/or controls are not operating effectively to manage the risks. The residual risk score for the affected Medium risks are 6 or below.<br>Prompt action is required by management to address the weaknesses identified in accordance with the agreed action plan.  |
| <b>0</b>                | <b>Limited</b><br>✘      | One or more Medium (Amber) risks are lacking appropriate controls and/or controls are not operating effectively to manage the risks. The residual risk score for the affected Medium risks are 9 or higher.<br>Prompt action is required by management to address the weaknesses identified in accordance with the agreed action plan. |
| <b>0</b>                | <b>No Assurance</b><br>✘ | One or more High (Red) risks are lacking appropriate controls and/or controls are not operating effectively to manage the risks.<br>Immediate action is required by management to address the weaknesses identified in accordance with the agreed action plan.   |

- 5.4 Appendix 3 lists the audits that were in progress but had not been completed to draft report stage by the end of the quarter.
- 5.5 Appendix 4 contains the details of the follow-up audits issued in the quarter. Three follow-up reports have been issued in Quarter 2 some progress had been made in relation to all 3 areas but not sufficient for a revised assurance to be issued.

**6 Implications****6.1 Financial**

None.

**6.2 Legal**

None.

**6.3 Human Resources**

None.

**6.4 Section 17 (Crime Prevention)**

None.

**6.5 Human Rights Act**

None.

**6.6 Data Protection**

None.

**6.7 Risk Management**

None.

**6.8 Equality & Diversity**

None.

**6.9 Best Value**

None.

**7 Appendices to the Report**

Appendix 1: Audit Performance

Appendix 2: Audits Completed in Quarter 1

Appendix 3: Audits in Progress

Appendix 4: Audit Follow-ups completed in the Quarter

**Previous Consideration**

None.

**Background Papers**

Audit Plan File

Audit Time Recording System


Internal Audit Reports

Appendix 1 - Audit Performance

**Breakdown of the Planned Delivery of the Audit Plan by Quarter**



| Target Completion | Quarter % | No of Audits for Quarter | Cumulative % | Cumulative Total Number of Audits |
|-------------------|-----------|--------------------------|--------------|-----------------------------------|
| Quarter 1         | 11        | 3                        | 11           | 3                                 |
| <b>Quarter 2</b>  | <b>25</b> | <b>7</b>                 | <b>36</b>    | <b>10</b>                         |
| Quarter 3         | 25        | 7                        | 61           | 17                                |
| Quarter 4         | 39        | 11                       | 100          | 28                                |

**Cumulative Performance Information at the end of the Quarter**

|                   | Planned Audits  | Actual Audits |                |                  |   |
|-------------------|---|---------------|----------------|------------------|---|
|                   |   | Complete      | % Of Completed | Work In Progress | % WIP & Complete  |
| <b>Audit Plan</b> | 10  | 7             | 70%            | 4                | 110%  |
| <b>Commentary</b> | The Section is slightly below target for the quarter.<br>The team is currently carrying a number of vacant posts which may have an impact on the completion of the current audit plan although this has been mitigated by the engagement of a contractor. The contractor started to deliver some audit work towards the end of the quarter. |               |                |                  |  |

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**Appendix 2 - Audits Completed in Quarter 1**

| Audit                                     | Head of Service                  | Status | Number of High/Medium Recommendations | Assurance  | Comments & Key Issues |
|---|----------------------------------|--------|---------------------------------------|--|-----------------------|
| Car Parking Arrangements                  | Environment & Healthy Lifestyles | Draft  | 0                                     | Substantial<br> |                       |
| Pensions Assurance for The County Council | HR★                              | Final  | 0                                     | Substantial<br> |                       |





★Services led by Stafford Borough Council as part of Shared Services

Appendix 3 - Audits in Progress

| Audit                                     | Head of Service                  |
|---|----------------------------------|
| Scheme Managers & Sheltered Accommodation | Housing & Partnerships           |
| General Ledger                            | Financial Management             |
| Capital Strategy & Capital Programme      | Financial Management             |
| Pest & Dog Control                        | Environment & Healthy Lifestyles |

★Services led by Stafford Borough Council as part of Shared Services



Appendix 4 - Audit Follow-ups Completed in the Quarter

| Audit                                     | Head of Service        | Original Assurance   | High/Medium Risk Recommendations |             |                 |       | Revised Assurance  | Comments & Key Outstanding Recommendations   |
|---|------------------------|--|----------------------------------|-------------|-----------------|-------|--|--|
|   |                        |  | Implemented                      | In Progress | Not Implemented | Total |  |  |
| Safeguarding Children & Vulnerable Adults | Housing & Partnerships | Partial<br>   | 2                                | 1           | 0               | 3     | Partial<br>   | The Disclosure & Baring Policy was still of need of update. Although a draft had been produced, legislation has since moved on and a full review is needed. However in practice the DBS rules are followed operationally rather than the policy. Whilst the policy still needs to be updated to document Audit will not schedule a follow-up to confirm it has been completed as we are satisfied the procedures in operation are appropriate. |
| Community Infrastructure Levy             | Economic Development   | Partial<br> | 0                                | 10          | 0               | 10    | Partial<br> | Work is ongoing on implementing the recommendations although most rely on the full operation of the scheme to be fully implemented. At present the CIL has not generated sufficient funds to commence funding of schemes.  |



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| Audit                     | Head of Service        | Original Assurance   | High/Medium Risk Recommendations |             |                 |       | Revised Assurance  | Comments & Key Outstanding Recommendations  |
|---------------------------|------------------------|--|----------------------------------|-------------|-----------------|-------|--|---|
|                           |                        |  | Implemented                      | In Progress | Not Implemented | Total |  |   |
| Housing Property Services | Housing & Partnerships | Partial<br> | 0                                | 4           | 0               | 4     | Partial<br> | Most of the recommendations are in progress and no significant issues remain. However there are still no plans to retender the Quantity Surveyor Contract until after the main Partnering Contracts have been let – so it will be 2018-19 before this is put to the market again. |