Report of:	Chief Internal Auditor
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Report Track:	Audit & Governance Committee only

AUDIT & GOVERNANCE COMMITTEE

21 MARCH 2017

INTERNAL AUDIT - QUARTER 3 REPORT FOR 2016-17

1   Purpose of Report

1.1   To present to the Audit & Governance Committee for information the Internal Audit Quarter 3 Report for 2016-17

2   Recommendations

2.1   That the Committee notes the contents of the Internal Audit Report for Quarter 3 of 2016-17.

2.2   That the Committee approves the revision to the Internal Audit Plan set out in in Appendix 5 of the report.

3   Key Issues and Reasons for Recommendation

3.1   At the end of the quarter 8 audits had been completed at least to draft report stage and a further 10 audits were in progress. No Limited 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 is below target at the end of quarter. The delivery of the 2016-17 Audit plan has been hampered by a number of factors including the effect ofa period of long-term sickness in the quarter. The forecast is that the full audit plan will not be completed by the end of the year. The remaining audits have been reviewed to ensure the highest risk areas are completed and a revised Audit Plan is attached as Appendix 5.

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.

Number of Audits	Assurance	Definition
0	**Substantial** ✓	All High (Red) and Medium (Amber) risks have appropriate controls in place and these controls are operating effectively. No action is required by management.
2	**Partial** ▲	One or more Medium (Amber) risks are lacking appropriate controls and/or controls are not operating effectively to manage the risks. Prompt action is required by management to address the weaknesses identified in accordance with the agreed action plan.
0	**Limited** ✖	One or more High (Red) risks are lacking appropriate controls and/or controls are not operating effectively to manage the risks. 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 any follow-up audits issued in the quarter – One follow-up was completed and this remained partial assurance. This will be scheduled for a second follow-up.

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 3
Appendix 3 – Audits In progress
Appendix 4 – Audit Follow-ups completed in the Quarter
Appendix 5 – Revision of the Internal Audit Plan for 2016-17

Previous Consideration

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	10	3	10	3
Quarter 2	25	8	36	11
Quarter 3	**26**	**9**	**61**	**20**
Quarter 4	39	13	100	33

Cumulative Performance Information at the end of the Quarter

	Planned Audits	Actual Audits			
		Complete	% Of Completed	Work In Progress	% WIP & Complete
Audit Plan	20	**8**	**40%**	10	90%
Commentary	Delivery of the 2016-17 Audit plan has been hampered by a number of factors including the effect a period of long-term sickness . A revision to the Audit Plan has been proposed and the details of this is attached as Appendix 5.				

Appendix 2 - Audits Completed in Quarter 3

Audit	Head of Service	Status	Number of High/Medium Recommendations	Assurance	Comments & Key Issues
IT Account Management (IT Audit)	Technology★	Final	5	Partial	The account management process is not being undertaken on a regular, formal and consistent basis. As a result any current or future technology requirements or service provision issues are not being identified and tracked. As Account Management is the key relationship and communication method with users and Technology, this impacts on the overall effectiveness of the governance structures of the Technology provision.
Payroll	HR	Final	1	Partial	Although no issues were identified in the security of data it was found that the Payroll team were not acting in accordance with the Council's external data transfers policy for all transfers of Payroll data.

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

Appendix 3 - Audits in Progress

Audit	Head of Service
Central Control	Commissioning
Private Sector Housing Grants	Environmental Health
Fairer Charging Service	Financial Management
Bank Reconciliation	Financial Management
Housing Benefits	Financial Management
National Non-Domestic Rates	Financial Management
Council Tax	Financial Management
Civil Contingencies (Emergency Planning & Business Continuity)	Governance
Allocations & Voids	Housing & Waste Management
Policy Management & Implementation (IT Audit)	Technology★

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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		
Creditors	Financial Management	Partial	0	4	0	4	Partial	Work is progressing but has been delayed due to sickness absence in the team.

Appendix 5 – Revision of the Internal Audit Plan for 2015-16

Audit	Head of Service	Comments
Public Health & Other Enforcement	Environmental Health	It has been agreed with the Head of Environmental Health to defer this review. The officers who deal with this area have been diverted to deal with the incident at Slitting Mill and its aftermath, as a result there has been very limited use of fixed penalty notices It was agreed that it would not be appropriate to carry out the review in 2016-17 due to this.
Managing Welfare Reform	Financial Management	Due to delays and revised timescales for the roll-out of Universal Credit and other welfare reforms there has been limited impact on the Council so far. As such the initial risk score for this audit has been revised and it has been agreed to defer the audit until the changes take effect.
Central Control (Social Alarms & CCTV) In Progress but agreed not to complete.	Commissioning	It has been agreed with the Head of Commissioning/Head of Governance not to complete this review which had commenced in Quarter 2. The 2 parts of the function will be separated in the Management Restructure and there will be changes to service delivery that will arise from this. The 2 elements of the Audit will be merged with appropriate functions and carried out in due course. (CCTV will be covered with the Crime & Disorder Reduction Partnership and Social Alarms will be merged within the existing Customer Services & CRM audit.)