

# **Cannock Chase District Council Internal Audit Quarter 1 Report 2012-13**

**August 2012**



**Working Together**

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## 1. Introduction

- 1.1 This report is the first progress report to the Audit and Governance Committee on the work carried out in 2012-13 by the Internal Audit Section. It covers the period 1<sup>st</sup> April 2012 to 30<sup>th</sup> June 2012.
- 1.2 The report contains details of:-
- the performance of the section against the Internal Audit Plan for 2012-13 for the year to date;
  - a summary of the level of assurance issued for each of the reports that have been issued in the quarter (A definition of each level of assurance is contained in Appendix 1); and
  - the results of the follow-ups undertaken in the quarter; showing the original and the revised assurance after the follow-up has been completed.

## 2 Audit Performance

- 2.1 The 2012-13 Audit Plan has not allocated specific audits to quarters, however based on last year's profile a target number of audits has been set. The following targets will be used for the cumulative completion of the full year's plan.




	Quarter %	No of Audits for Quarter	Cumulative %	Cumulative Total Number of Audits
<b>Quarter 1</b>	<b>10</b>	<b>3</b>	<b>10</b>	<b>3</b>
Quarter 2	27	8	37	11
Quarter 3	29	9	66	20
Quarter 4	34	10	100	30

- 2.2 The profiling for the first quarter is lower than others due to the finalisation of work from the previous year and likewise the profiling for the fourth quarter is higher as much of the audit work is finalised at the year end.
- 2.3 The following table contains the cumulative performance against the Audit Plan at the end of the first quarter of 2012-13 (April to June 2012):-

	Planned Audits	Actual Audits			
	Number	Complete	% Complete	Work In Progress	% WIP & Complete
<b>Audit Plan</b>	<b>3</b>	<b>3</b>	<b>100%</b>	<b>2</b>	<b>166%</b>

At the end of Quarter 1 of 2012-13, 3 audits have been completed to draft stage and a further 2 were in progress. This is in line with the planned progress at the end of the first quarter in the year.

### 3 Audits Completed

Audit	Head of Service	Council	Risk	Assurance	Status	Number of Recommendations			
						High	Medium	Low	Total
E-Payments	Financial Management	Shared Service	High	Requiring Some Improvement 	Draft	0	4	5	9
General Ledger IT Application	Financial Management	Shared Service	High	Requiring Some Improvement 	Draft	0	6	1	7
Housing Property Services – Partnering Contracts	Housing	CCDC	High	Effective 	Final	0	2	4	6

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

#### **E-payments**

- 3.1 A systems review of the processes and procedures in relation to the operation of the e-payments system was carried out. This reviewed looked at the internal procedures for collecting credit/debit card payments to the Council both via chip and pin machines on reception and remotely via telephone calls or the website. This audit excluded the technical IT aspects of the system which will be reviewed separately.
- 3.2 The main weaknesses identified related to the lack of clearly defined roles and responsibilities for all aspects of the operation of the system. This is a particular issue to the large number of users across many Council departments. However no significant issues were found in relation to the collection and receipt of income.

#### **General Ledger IT Application (IT Audit)**

- 3.3 An IT Audit review was carried out on the management and operational controls of the General Ledger IT Application. This is the IT system used to record the Council's financial transactions and to produce the annual accounts. A new general ledger was introduced in April 2011 and this audit included testing to ensure information had been correctly migrated from the old ledger system.
- 3.4 A number of weaknesses were identified around the management operational controls in the system and the availability of management reports. Whilst not affecting the operation or overall security of the system these weaknesses need to be addressed.

#### **Housing Property Services – Partnering Contracts**







- 3.5 A systems based review was carried out into the management and operational arrangements in relation to the Housing Property Services Partnering Contracts which received an effective assurance. These are the large value contracts to upgrade and refurbishment of the Council's housing stock.

### Audits in Progress

3.6 During the quarter work has commenced, but not yet been completed, on the following audits:

- Elizabeth Road/Moss Road Estate Regeneration Schemes; and
- Countryside Management.

### 4 Follow-ups Completed

Audit	Head of Service	Original Assurance	Implemented or In Progress	Not Implemented	Total	Revised Opinion
Information Management	Policy	Requiring Some Improvement 	18	0	18	Requiring Some Improvement 
Leisure Third Party Procurement Contract	Commissioning	Requiring Some Improvement 	4	3	7	Requiring Some Improvement 
Chase Leisure Centre Refurbishment Contract	Commissioning	Requiring Some Improvement 	2	1	3	Effective 

### Information Management

4.1 Significant work has been carried out in relation to the Council's arrangements for Data Protection and responding to Freedom of Information requests. However the new arrangements for dealing with Data Protection internally and in particular the identification of those responsible for Data Protection in departments have yet to be implemented due to existing resource commitments in the team. Once these changes are implemented it is anticipated that the assurance level will be revised to effective.

### Leisure Third Party Procurement Contract

4.2 A significant amount of work has been carried out to develop the necessary contract monitoring arrangements for this area. Those arrangements are now being rolled out and implemented although at the time of the follow-up we were unable to verify the effectiveness of the arrangements due to it still being early in the life of the contract and practices were still in a state of transition, therefore we have not been able to revise the opinion.

4.3 A full audit of the contract monitoring arrangements is scheduled for later in the year.

### Chase Leisure Centre Refurbishment Contract

4.4 It is pleasing to note that due to the progress made in implementing the recommendations we have been able to revise the assurance level to effective.




**5**     Other Areas

5.1     In addition to the planned audit work and a number of ad hoc queries for advice and guidance, the section has carried out the following pieces of work:-

- a grant claim audit for Environmental Health in relation to a Contaminated Land Grant. No issues were found in relation to the grant claim;
- a review of the monitoring arrangements in relation to the SLA between Housing and the Chase Tenants & Residents Association. An action plan to improve controls and monitoring to ensure compliance with the SLA was agreed with the Head of Housing.

5.2     The Section was also involved in an investigation into the conduct of an employee for misuse of their access to an IT system.

Appendix 1Levels of Assurance for Audit Reports








Assurance Level	Definition
<b>Effective</b> 	<p>There is an acceptable control framework in place. There may be some control weaknesses but the majority of the expected controls are in place and are operating effectively. However some changes to the controls and how they operate may be beneficial</p> <p>An effective opinion will be given where controls are generally operating effectively, minor control weaknesses may have been identified. There are however, no high risk recommendations being made.</p>
<b>Requiring Some Improvement</b> 	<p>The service may be delivering its intended output but the controls in place for some elements of the system are not always appropriate or effective to ensure that this will continue to occur. Controls are not being consistently applied across all elements of the system. This could include breaches of Council policy and the risk of financial or reputational impact on the Council.</p>
<b>Needs Fundamental Change</b> 	<p>The operation of the system is currently providing an unacceptable risk to the Council. There is an inadequate control framework to ensure that the system can deliver its intended objectives. Controls are absent or not operating across the majority of the system. This will include significant breaches of legislation or the potential for significant impact on the Council such as large financial or reputational losses.</p>

Risk Classification of Audit Recommendations

Classification	Description
<b>High Risk</b>	<p>The risk is considered to be major with a high likelihood of occurring, potentially causing a breach of legislation / legal requirements and / or a substantial risk of loss or damage to Council assets, information and reputation.</p> <p><b>Immediate action required, ideally within 1 month although it is recognised that this may be insufficient time to totally address the recommendation.</b></p>
<b>Medium Risk</b>	<p>The risk is considered to be significant with a moderate likelihood of occurring, potentially causing a breach of organisational policies and procedures, loss or damage to Council assets, information and reputation. Action is needed to address weaknesses in the control environment.</p> <p><b>Action required within next 3 to 6 months</b></p>
<b>Low Risk</b>	<p>The risk is considered to be minor with a small likelihood of occurring, and minimal impact on the Councils assets, information and reputation; the area may not be following best practice principles. Controls would be enhanced were the area to be reviewed.</p> <p><b>Action required within next 6 to 12 months</b></p>

## Appendix 2











## Audit Plan Monitoring

Audit Area	Head of Service	Total Risk Score	In Progress	Draft Report	Final Report	Original Assurance	Follow-up Due
2011-12 Audits							
Computer Virus Protection Review (IT Audit)	Technology (SBC) ★	<b>High</b>	Yes	May 2012		RSI 	
Information Security Management (IT Audit)	Technology (SBC) ★	<b>High</b>	Yes	May 2012		RSI 	
Shared Service Financial Arrangements	Financial Management	<b>High</b>	Yes	May 2012		Effective 	
Transparency Agenda Arrangements	Corporate	<b>High</b>	Yes	May 2012		Effective 	
General Ledger Application Review(IT Audit)	Financial Management/ Technology (SBC) ★	<b>High</b>	Yes	May 2012		RSI 	
Website Content Review (IT Audit)	Policy	<b>High</b>	Deferred at the request of Head of Policy to August 2012				
2012-13 Audits							
E-Payments & Residual Cash Income	Financial Management	<b>High</b>	Yes	June 2012		RSI 	
Housing Property Services – Partnering Contracts	Housing	<b>High</b>	Yes	May 2012	June 2012	Effective 	
Countryside Management & Rangers	Environmental Services	<b>High</b>	Yes				
Elizabeth Road/Moss Estate Regeneration Schemes	Housing	<b>High</b>	Yes				



## Appendix 3

## Follow-Up Monitoring Information

Audit Area	Service Lead Officer	Risk	Original Assurance	Follow-up Due	Follow-Up Commenced	Follow-up Completed	Revised Assurance	2nd Follow-Up Due?
<b>2011-12 Follow-ups</b>								
Project Management (2nd Follow-Up)	Corporate Director	<b>High</b>	RSI 	June 2011	July 2011	Awaiting Management Response		
Safeguarding Children & Vulnerable Adults	Corporate Director	<b>High</b>	RSI 	September 2011	September 2011	Awaiting Management Response		
Customer Services & CRM	Policy	<b>Medium</b>	RSI 	April 2011	April 2012	Awaiting Management Response – LTB Manager		
<b>2012-13 Follow-ups</b>								
Payment Card Industry Data Security Standard	Technology (SBC) *	<b>Medium</b>	NFC 	March 2012	April 2012	Awaiting Management Response		
Virtual Servers (IT Audit)	Technology (SBC) *	<b>Medium</b>	NFC 	March 2012	May 2012	Awaiting Management Response		
Information Management	Policy	<b>Medium</b>	RSI 	March 2012	April 2012	May 2012	RSI 	<b>December 2012</b>
Leisure Third Party Procurement Contract	Commissioning	<b>Medium</b>	RSI 	April 2012	May 2012	May 2012	RSI 	<b>2012-13 Audit Plan Item</b>
Leisure Centre Refurbishment Contract	Commissioning	<b>Medium</b>	RSI 	April 2012	May 2012	June 2012	Effective 