

# **Cannock Chase District Council Internal Audit Quarter 2 Report 2012-13**

November 2012



**Working Together**

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## 1. Introduction

- 1.1 This report is the second 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> September 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
Quarter 1	10	3	10	3
<b>Quarter 2</b>	<b>27</b>	<b>8</b>	<b>37</b>	<b>11</b>
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 second quarter of 2012-13 (April to September 2012):-

	Planned Audits	Actual Audits			
	Number	Complete	% Complete	Work In Progress	% WIP & Complete
<b>Audit Plan</b>	<b>11</b>	<b>9</b>	<b>82%</b>	<b>6</b>	<b>136%</b>

- 2.4 At the end of Quarter 2 of 2012-13, 9 audits have been completed to draft. This is slightly behind the planned progress at the end of the second quarter in the year. Some of this slippage can be attributed to a higher than anticipated level of leave in the quarter and also due to the fact that no IT Audit work relating to the 2012-13 plan has been carried out, although one review from 2011-12 was completed.
- 2.5 In addition

- 2.6 In addition to the completed work 6 audits in progress but had not been completed by the end of the quarter. At this time it is anticipated that the Audit Plan will be satisfactorily delivered by the end of the year.

### 3 Audits Completed

Audit	Head of Service	Council	Risk	Assurance	Status	Number of Recommendations			
						High	Medium	Low	Total
Economic Development	Planning & Regeneration	CCDC	<b>High</b>	Effective ✓	Final	0	1	2	3
Private Sector Housing Grants	Environmental Health	CCDC	<b>High</b>	Requiring Some Improvement ▲	Final	0	4	3	7
Property Management	Planning & Regeneration	CCDC	<b>High</b>	Requiring Some Improvement ▲	Draft	2	6	2	10
Countryside Management	Environmental Services	CCDC	<b>High</b>	Requiring Some Improvement ▲	Final	0	22	8	30
Elizabeth Road/Moss Road Estate Redevelopment Schemes	Housing	CCDC	<b>High</b>	Requiring Some Improvement ▲	Draft	0	2	1	3
Website Content Management	Policy & Communications	CCDC	<b>High</b>	Requiring Some Improvement ▲	Draft	0	9	8	17

- 3.1 Summaries of the key findings for those audits which have not been classified as effective can be found below.

#### **Private Sector Housing Grants**

- 3.2 A systems review of the processes and procedures in relation to the operation of the Private Sector Housing Function was undertaken. This review covered Home Security Grants and Disabled Facility Grants. The area was classified as Requiring Some Improvement.
- 3.3 The main weaknesses identified related to the lack of performance monitoring of the body who oversee Disabled Facility Grants on behalf of the Council and the ad hoc way that cases are referred by the Police for Home Security Grants. In addition it was identified that only 2 organisations were currently approved by the Police for the carrying out of Home Security Grant related work. The Council's Financial Regulations require a minimum of three quotations to be obtained for work.

### Property Management

- 3.4 A systems based review was carried out of the arrangements for the management of the Council's Property Portfolio covering industrial units and shops. This area was classified as Requiring Some Improvement.
- 3.5 A number of weaknesses were identified around the management and operational controls in the system and in particular the level of reliance on one member of staff for many aspects of the system, this means that absences or illness could have a significant impact on the service provided. It was also found that there were few documented procedures and processes which provides a higher risk due to the reliance on the knowledge of one officer. The Section made limited use of reports to highlight when rent reviews were due and there was no regular reporting from Finance to identify properties in rent arrears.

### Countryside Management Service

- 3.6 A systems based review was carried out into the management and operational arrangements in relation to the Countryside Service and operation of the Ranger Station. This area was classified as Requiring Some Improvement.
- 3.7 A significant number of weaknesses were identified across the service which were due to operational procedures not being adequately defined or operating effectively. There was limited scheduling and coordination of work, volunteer agreements were not up to date, and management records such as inventories had not been updated for many years. A detailed action plan and revision of operational procedures has been produced to address the weaknesses.

### Elizabeth Road/Moss Road Estate Redevelopment Schemes

- 3.8 A review of the major redevelopment schemes being carried out by Housing was completed. This focused on the Elizabeth Road redevelopment which is nearing completion and the Moss Road redevelopment which is in the early stages of the project. The area was classified as Requiring Some Improvement.
- 3.9 The main weaknesses were around the lack of an agreement with the Valuer appointed to support the residents who were being displaced. In addition there was no formal, standardised process for calculating the discretionary elements of the disturbance payments.

### Website Content Management

- 3.10 An IT audit was carried out on the management of the Council's website including the software used to operate the website. This was originally scheduled for 2011-12 but deferred at the request of management. The area was classified as Requiring Some Improvement.
- 3.11 The main weaknesses related to the lack of a clearly defined strategy for the content and usage of the website and this has led to inconsistencies across various parts of the site; this also meant that some information was not easily accessible. Some weaknesses were also found in the access controls for the software and in the security of the methods by which forms and information completed on the site are sent to departments.

### Audits in Progress

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

- Council Tax
- National Non-Domestic Rates
- Refuse Collection & Recycling
- Central Control
- Creditors
- Culture & Leisure Contract Management

### 4 Follow-ups Completed

Audit	Head of Service	Original Assurance	Implemented or In Progress	Not Implemented	Total	Revised Opinion
Payment Card Industry Data Security Standard	Technology (SBC) ★/ Financial Management	Needs Fundamental Change 	6	2	8	Requiring Some Improvement 
Virtual Servers	Technology (SBC) ★	Needs Fundamental Change 	11	0	11	Effective 

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

#### Payment Card Industry Data Security Standard (PCI)

4.1 Some work had been carried out in relation to the actions identified. The opinion has been revised to Requiring Some Improvement as the PCI policy had not been finalised and issued at the time of the follow-up and there was a lack of clarity over some roles under the new e-payments system.

#### Virtual Servers

4.2 Significant progress was made in relation to this area and we were able to reclassify it as Effective. At the time of the review the Council was still getting to grips with the new technology and had only recently been rolling it out for use. Since the review the IT Section has developed a greater understanding of the way the servers need to be created and managed and have implemented the recommendations made in the original audit report.

## 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 sample check of Housing Benefit applications;
- a final account audit in relation to Rugeley Market Hall Ramp, and
- a number of financial appraisals.

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><a href="#">Immediate action required, ideally within 1 month although it is recognised that this may be insufficient time to totally address the recommendation.</a></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><a href="#">Action required within next 3 to 6 months</a></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><a href="#">Action required within next 6 to 12 months</a></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							
Transparency Agenda Arrangements	Corporate	<b>High</b>	Yes	May 2012		Effective 	N/A
General Ledger Application Review(IT Audit)	Financial Management/Tec hnology (SBC) ★	<b>High</b>	Yes	May 2012	June 2012	Requiring Some Improvement 	December 2012
Website Content Review (IT Audit)	Policy & Communications	<b>High</b>	Yes	Sept 2012		Requiring Some Improvement 	TBC
2012-13 Audits							
Housing Property Services – Partnering Contracts	Housing	<b>High</b>	May 2012	May 2012	June 2012	Effective 	N/A
Countryside Management & Rangers	Environmental Services	<b>High</b>	May 2012	July 2012	August 2012	Requiring Some Improvement 	February 2013
Elizabeth Road/Moss Estate Regeneration Schemes	Housing	<b>High</b>	May 2012	Sept 2012		Requiring Some Improvement 	TBC
Economic Development	Planning & Regeneration	<b>High</b>	June 2012	August 2012	Sept 2012	Effective 	N/A
E-Payments & Residual Cash Income	Financial Management	<b>High</b>	June 2012	July 2012	Sept 2012	Requiring Some Improvement 	March 2013
Private Sector Housing Grants	Environmental Health	<b>High</b>	July 2012	August 2012	August 2012	Requiring Some Improvement 	February 2013
Property Management	Planning & Regeneration	<b>High</b>	July 2012	Sept 2012		Requiring Some Improvement 	TBC
Council Tax	Financial Management	<b>High</b>	Sept 2012				
National Non-Domestic Rates	Financial Management	<b>High</b>	Sept 2012				
Refuse Collection & Recycling	Environmental Services	<b>High</b>	July 2012				
Central Control	Environmental Services	<b>High</b>	August 2012				
Creditors	Financial Management	<b>High</b>	Sept 2012				

Audit Area	Head of Service	Total Risk Score	In Progress	Draft Report	Final Report	Original Assurance	Follow-up Due
Culture & Leisure Services Contract Management	Commissioning	<b>High</b>	August 2012				

## 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?
Payment Card Industry Data Security Standard	Technology (SBC) ★	Medium	NFC 	March 2012	April 2012	July 2012	Requiring Some Improvement 	January 2013
Virtual Servers (IT Audit)	Technology (SBC) ★	Medium	NFC 	March 2012	May 2012	July 2012	Effective 	N/A
Information Management	Policy & Communications	Medium	Requiring Some Improvement 	March 2012	April 2012	May 2012	Requiring Some Improvement 	December 2012
Leisure Third Party Procurement Contract	Commissioning	Medium	Requiring Some Improvement 	April 2012	May 2012	May 2012	Requiring Some Improvement 	2012-13 Audit Plan Item
Leisure Centre Refurbishment Contract	Commissioning	Medium	Requiring Some Improvement 	April 2012	May 2012	June 2012	Effective 	N/A
Landscape Development (2 <sup>nd</sup> Follow-up)	Environmental Services	Medium	Requiring Some Improvement 	Sept 2012	Deferred			

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