

Cannock Chase District Council Internal Audit Quarter 3 Report 2012-13

March 2013



Working Together

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1. Introduction

1.1 This report is the third 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 1st April 2012 to 31st December 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
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 third quarter of 2012-13 (April to December 2012):-

	Planned Audits	Actual Audits			
	Number	Complete	% Complete	Work In Progress	% WIP & Complete
Audit Plan	20	12	60%	12	120%

- 2.4 At the end of Quarter 3 of 2012-13, 12 audits have been completed to draft. This is slightly behind the planned progress at the end of the third quarter in the year. Some of this slippage can be attributed to the fact that no IT Audit work relating to the 2012-13 plan has been completed, although some work was underway in the quarter. In addition a number of audits cover large shared systems and several of these are in progress but not completed by the end of the quarter.
- 2.5 In addition to the completed work 12 audits are 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
Culture & Leisure Contract Management	Commissioning	CCDC	High	Requiring Some Improvement 	Draft	0	13	2	15
Refuse Collection & Recycling	Environmental Services	CCDC	High	Requiring Some Improvement 	Final	0	8	4	12
Homelessness & Housing Advice	Housing	CCDC	High	Requiring Some Improvement 	Draft	0	6	5	11

- 3.1 Summaries of the key findings for these audits can be found below.

Culture & Leisure Contract Management

- 3.2 A systems review of the processes and procedures established to monitor the delivery of the Culture & Leisure Services Contract. The procedures in place at the time of the audit could only be classified as Requiring Some Improvement. The review recognised that the contract was still in its early stages and that some of the monitoring processes may not be fully finalised or established.
- 3.3 A Contract and Performance plan has been produced and agreed by the Council and the Wigan Leisure & Culture Trust. However, at the time of the audit robust procedures for the verification of the performance information supplied to the Council had not been fully established or imbedded.

Refuse Collection & Recycling

- 3.4 A systems based review was carried out of the arrangements for the management of the Refuse Collection & Recycling operations. This area was classified as Requiring Some Improvement.

- 3.5 Overall, the framework in place for the day-to-day operation of the Refuse Collection and Recycling function is now considered to generally be adequate. However the review has highlighted that several issues noted in the 2009/10 audit have not been appropriately addressed and still require further improvements to be made.
- 3.6 The main areas where work is still required relate to the procedures surrounding Trade Refuse accounts and performance monitoring of the Recycling Contractor.

Homelessness and Housing Advice

- 3.7 A systems based review of the processes and procedures relating to the Homelessness and Housing Advice function. This area was classified as Requiring Some Improvement.
- 3.8 The main weaknesses identified related to the lack of documented procedures in relation to the Mortgage Rescue Scheme. In addition it was found that there was no set of criteria or risk assessment mechanism that could be applied when determining whether funds drawn down from the Homelessness Prevention Fund should be categorised as a loan or a grant.
- 3.9 Findings also suggested that the section had carried out only limited work to assess the potential impacts on demands for the service arising from the changes in Housing Benefit payments and Localisation of Council Tax support. This could lead to larger numbers of Homeless cases or higher workloads for Housing Advice.

Audits in Progress

- 3.10 During the quarter work has commenced, but not yet been completed, on the following audits:
- Council Tax;
 - National Non-Domestic Rates;
 - Central Control (CCTV & Social Alarms);
 - Creditors;
 - Debtors;
 - Payroll;
 - General Ledger;
 - Housing Benefit Overpayments;
 - Housing Benefit – Payments & Outputs;
 - BACS Application Review (IT Audit);
 - E-payments Application (IT Audit); and
 - E-Payments Project Management (IT Audit).

4 Follow-ups Completed




- 4.1 No follow-ups have been carried out in the quarter.

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, and
- a number of financial appraisals.

Appendix 1Levels of Assurance for Audit Reports



Assurance Level	Definition
<p>Effective</p> 	<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>
<p>Requiring Some Improvement</p> 	<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>
<p>Needs Fundamental Change</p> 	<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
High Risk	<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>Immediate action required, ideally within 1 month although it is recognised that this may be insufficient time to totally address the recommendation.</p>
Medium Risk	<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>Action required within next 3 to 6 months</p>
Low Risk	<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>Action required within next 6 to 12 months</p>












Appendix 2Audit 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	High	Yes	May 2012		Effective ✓	N/A
General Ledger Application Review(IT Audit)	Financial Management/ Technology (SBC) ★	High	Yes	May 2012	June 2012	Requiring Some Improvement ▲	Dec 2012
Website Content Review (IT Audit)	Policy	High	Yes	Sept 2012	Dec 2012	Requiring Some Improvement ▲	June 13
2012-13 Audits							
Housing Property Services – Partnering Contracts	Housing	High	May 2012	May 2012	June 2012	Effective ✓	N/A
Countryside Management & Rangers	Environmental Services	High	May 2012	July 2012	Aug 2012	Requiring Some Improvement ▲	Feb 2013
Elizabeth Road/Moss Estate Regeneration Schemes	Housing	High	May 2012	Sept 2012	Oct 2012	Requiring Some Improvement ▲	April 2012
Economic Development	Planning & Regeneration	High	June 2012	Aug 2012	Sept 2012	Effective ✓	N/A
E-Payments & Residual Cash Income	Financial Management	High	June 2012	July 2012	Sept 2012	Requiring Some Improvement ▲	March 2013
Private Sector Housing Grants	Environmental Health	High	July 2012	Aug 2012	Aug 2012	Requiring Some Improvement ▲	Feb 2013
Property Management	Planning & Regeneration	High	July 2012	Sept 2012	Nov 2012	Requiring Some Improvement ▲	May 2013
Refuse Collection & Recycling	Environmental Services	High	July 2012	Nov 2012	Dec 2012	Requiring Some Improvement ▲	June 2013

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	High	August 2012	Oct 2012		Requiring Some Improvement 	
Homelessness & Housing Advice	Housing	High	Oct 2012	Dec 2012		Requiring Some Improvement 	
Central Control	Environmental Services	High	August 2012				
Council Tax	Financial Management	High	Sept 2012				
National Non-Domestic Rates	Financial Management	High	Sept 2012				
Creditors	Financial Management	High	Sept 2012				
Sundry Debtors	Financial Management	High	Nov 2012				
Housing Benefits – Overpayments	Financial Management	High	Dec 2012				
Housing Benefits – Payments & Output	Financial Management	High	Dec 2012				
General Ledger	Financial Management	High	Dec 2012				
E-payments Application (IT Audit); and	Financial Management	High	Nov 2012				
E-Payments Project Management (IT Audit).	Technology (SBC) ★	High	Nov 2012				
BACS Applications Review (IT Audit)	Financial Management	High	Nov 2012				
Payroll	Human Resources (SBC) ★	High	Dec 2012				

★ Services Led by Stafford Borough Council

Appendix 3Follow-Up Monitoring Information

Audit Area	Service Lead Officer	Risk	Original Assurance	Follow-up Due	Follow-Up In progress	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 nd Follow-up)	Environmental Services	Medium	Requiring Some Improvement 	Sept 2012	Deferred			

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