

CANNOCK CHASE DISTRICT COUNCIL

INTERNAL AUDIT REPORT

ON QUARTER 3 OF 2006-07

FOR THE

AUDIT & GOVERNANCE COMMITTEE

Audit Report Confidentiality and Freedom of Information Statement

Whilst this report is directed primarily to the recipients named in the report, Audit Reports are subject to the provisions of the Freedom of Information Act and, as such, may be required to be made publicly available upon request.

However, there are several Freedom of Information Act exemptions to which parts, or all, of this report may be subject. Primarily, but not exclusively these are:

- personal information whose release would contravene the data protection legislation;
- information held for the purpose of criminal investigations or proceedings;
- information whose disclosure would be likely to prejudice the enforcement of the law;
- information whose release is likely to prejudice the conduct of public affairs;
- information which is subject to a legal duty of confidentiality; and
- information whose disclosure would prejudice the commercial interests of the Council or some other person.

Before responding to any request to make this report publicly available, or otherwise making it publicly available, you should consult with the Chief Internal Auditor.

Similarly, this Audit Report, or extracts from it, should not be included in, or appended to, any Council Report, nor should it be quoted as a background paper to any Committee Report without firstly consulting with the Chief Internal Auditor.

1 Introduction

- 1.1 This report is the third progress report to the Audit and Governance Committee on the work carried out in 2006-07 by the Internal Audit Section. It covers the period 1st April 2006 to 31st December 2006.
- 1.2 The report contains details of:-
- the performance of the section against the third quarter of the Internal Audit Plan for 2006-07;
 - the performance of the section against the Internal Audit Plan for 2006-07 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; 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 following table contains the performance against the Audit Plan for the third quarter of 2006-07 (October to December 2006).

	Planned Audits	Actual Audits	Audits in Progress	Audits not yet Started
Quarter 3				
High Risk Audits	4	1	2	1
Medium Risk Audits	2	1	0	1
Low Risk Audits	4	0	0	4
<i>Sub-Total</i>	<i>10</i>	<i>2</i>	<i>2</i>	<i>6</i>
Other Quarters				
High Risk Audits		1		
Medium Risk Audits			2	
Low Risk Audits		3	1	
<i>Sub-Total</i>		<i>4</i>	<i>3</i>	
TOTAL	10	6	5	6

- 2.2 Performance against the 10 audits planned for the third quarter of 2006-07 is below target with 6 audits not yet having been started. However, this is partially offset by work being completed or commencing on 7 audits relating to other quarters.
- 2.3 The following table contains the cumulative performance against the Audit Plan for the first 9 months of 2006-07 (April to December 2006).

	Planned Audits	Actual Audits	Work In Progress	Audits not yet Started
Quarters 1 to 3				
High Risk Audits	7	4	2	1
Medium Risk Audits	11	7	2	3
Low Risk Audits	13	7	1	5
<i>Sub-Total</i>	31	18	5	9
Other Quarters				
High Risk Audits				
Medium Risk Audits		1		
Low Risk Audits				
<i>Sub-Total</i>		1		
TOTAL	31	19	5	9

- 2.4 Of the 31 audits planned for the year to date a total of 18 have been completed to at least the draft report stage, one audit outstanding from 2005-06 has been finalised, and 5 others are in progress and will be ready for issue early in the next quarter. Nine audits planned for the period have not yet been started and this is due to :-
- (i) a slightly higher level of consultancy and additional work being undertaken than had been anticipated for the period;
 - (ii) a large number of the audits taking longer than anticipated to review; and
 - (iii) work from other quarters being started/completed.
- 2.5 Progress against the plan will be monitored closely in quarter 4. However, it is unlikely that all of the audits planned for 2006-07 will now be reviewed as, in addition to the factors highlighted above, one of the Senior Auditors left the Council at the end of January to take up a new position. The proposed revisions to the Audit Plan are covered in section 5 of this report.

3 Audits Completed

3.1 The table below contains details of the audits undertaken and the level of assurance offered in relation to each area. The audits are reported here once a draft report has been produced.

Audit	Service Area	Risk	Assurance	Report Status
Housing Benefits	Commercial Operations	High	Adequate	Draft
Housing Benefits (Overpayments & Cheques)	Commercial Operations	High	Limited	Draft
Rent Debit, Collection & Arrears	Housing	Medium	Adequate	Draft
Public Clocks, Public Conveniences and Christmas Decorations	Environmental Services	Low	Adequate	Draft
Concessionary Fares	Financial Management	Low	Adequate	Final
Food & Safety	Environmental Heath	Low	Adequate	Final

3.2 Only one area has been issued with a Limited Assurance this quarter. An action plan has been produced to address the weaknesses identified which if implemented will raise the level of assurance to adequate for this area. The progress in implementing the action plan will be reviewed by Internal Audit and the results will be reported back to the Audit and Governance Committee in due course.

Audits in Progress & Not Yet Started

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

- High Risk – NNDR Council Tax
- Medium Risk – Staff Expenses Allocations and Voids
- Low Risk – VAT

3.4 At the end of quarter 3 (December 2006) the following audits had been planned for review but had not commenced:-

- High Risk – Corporate Governance – Code of Conduct Review
- Medium Risk – Project Management
Budgetary Control & Estimate Preparation
BACS (IT Audit)
- Low Risk – Members Allowances, PCs and Other Expenses
Central Recharges/Time Recording System
Customer Contacts
Legal Admin & Case Management
Leasing

3.5 A review of all audits not yet undertaken for 2006-07 has been undertaken and a revised audit plan has been produced based on an assessment of risk. This is covered in more detail in section 5.

4 Follow-ups Completed

4.1 In addition to the audits completed in quarter 3, Internal Audit have carried out follow-ups in relation to a number of reviews undertaken in the previous six months to examine the progress in implementing the recommendations made. The table below indicates the original assurance offered along with the assurance given at the completion of the follow-up for each area reviewed.

Audit	Service Area	Original Assurance	Revised Opinion
Creditors	Financial Management	Adequate	Adequate
Private Sector Housing Grants	Regeneration and Planning	Adequate	Adequate
Property Management	Regeneration and Planning	Adequate	Adequate
Treasury Management	Financial Management	Adequate	Adequate
Health and Safety	Organisational Development	Limited	Adequate
Housing Benefits (2005-06)	Commercial Operations	Substantial	Substantial

4.2 All of the areas that were followed-up in this quarter had implemented most of the recommendations made in the audit reports and it was possible to provide at least an adequate opinion for each area. Furthermore, it is encouraging to be able to report that the area previously given limited assurance had implemented sufficient actions to revise the level of assurance to adequate.

5 Revision of the Audit Plan

5.1 Due to the factors outlined in 2.4 above and a member of staff leaving the section it has been necessary to review the work planned for the remainder of the year as it will now not be possible to review all of the areas in the original audit plan.

5.2 A risk based review has been carried out of the remaining audits which had been scheduled for review in 2006-07.

5.3 It is proposed that the resources of the section are focused only on the delivery of the High risk areas. Consequently, based on an assessment of the risks involved the following areas will not be reviewed in 2006-07:-

Quarter	Risk	Audit
2	Medium	Budgetary Control & Estimate Preparation
2	Medium	Project Management
4	Medium	Procurement
4	Medium	Risk Management
3	Low	Members Allowances, PCs and Other Expenses
3	Low	Central Recharges/Time Recording System
3	Low	Customer Contacts
3	Low	Legal Admin & Case Management
3	Low	Leasing
4	Low	Members Allowances, PCs and Other Expenses
4	Low	Pollution Control
4	Low	Managing Absence
4	Low	Equalities

5.4 The risk priority of these audits will be reviewed as part of the preparation of the audit plan for 2007-08 and will be rescheduled as appropriate.