

Report of:	Chief Internal Auditor
Contact Officer:	Stephen Baddeley
Telephone No:	4415
Report Track:	Audit & Governance Committee only

Audit & Governance Committee
19th November 2013
Internal Audit - Quarter 2 Report for 2013-14

1 Purpose of Report

- 1.1 To present to the Audit & Governance Committee for information the Internal Audit Quarter 2 Report for 2013-14.

2 Recommendations

- 2.1 That the Committee notes the contents of the Internal Audit Report for Quarter 2 of 2013-14.

3 Key Issues and Reasons for Recommendation

- 3.1 Attached at Appendix 1 is the Internal Audit Report for the second quarter of 2013-14.
- 3.2 Six audits have been completed to draft stage and a further nine audits were in progress at the end of the quarter. Whilst slightly behind the number of completed audits when the work in progress is taken into account it is still anticipated that the audit plan will be completed by the end of the year.
- 3.3 Both audits completed in the quarter were classified as Requiring Some Improvement.
- 3.4 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.

4 Report Detail

4.1 Please see Appendix 1 for the report detail.

5 Implications

5.1 Financial

None

5.2 Legal

None

5.3 Human Resources

None

5.4 Section 17 (Crime Prevention)

None

5.5 Human Rights Act

None

5.6 Data Protection

None

5.7 Risk Management

None

5.8 Equality & Diversity

None

5.9 Best Value

None

6 Appendices to the Report

Appendix 1 – Internal Audit Quarter 2 Report for 2013-14

Background Papers

- Audit Plan File
- Audit Time Recording System
- Internal Audit Reports

Cannock Chase District Council Internal Audit Quarter 2 Report 2013-14

November 2013



Working Together

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- 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
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Internal Audit**Quarter 2 Report 2013-14****1. Introduction**

- 1.1 This report is the second progress report to the Audit and Governance Committee on the work carried out in 2013-14 by the Internal Audit Section. It covers the period 1st April 2013 to 30th September 2013.
- 1.2 The report contains details of:-
- the performance of the section against the Internal Audit Plan for 2013-14 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 2013-14 Audit Plan has been profiled across the year. 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	12	4	12	4
Quarter 2	26	9	38	13
Quarter 3	26	9	64	22
Quarter 4	36	12	100	34

- 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 2013-14 (April to September 2013):-



	Planned Audits	Actual Audits			
	Number	Complete	% Complete	Work In Progress	% WIP & Complete
Audit Plan	13	6	46%	9	115%



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- 2.4 At the end of Quarter 2 of 2013-14, 6 audits have been completed to at least draft stage. This is lower than the anticipated 13 audits at this stage in the year. However a number of audits have been delayed due to key officers being on annual leave and also the amount of annual leave taken by the team in the quarter was higher than originally anticipated.
- 2.5 When the 9 audits in progress are taken into account it is still predicted that the Audit Plan will be completed in full by the end of the year.

3 Audits Completed in the Quarter

Audit	Head of Service	Assurance	Status	Number of Recommendations			
				High	Medium	Low	Total
Housing Maintenance & Stores function	Housing & Waste Management	Requiring Some Improvement 	Final	0	13	10	23
Housing Property Services	Housing & Waste Management	Requiring Some Improvement 	Draft	0	5	4	9

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

Housing Maintenance & Stores function

- 3.2 A systems review of the processes and procedures established for the operation of the Council's Housing Maintenance Team was carried out, this included a review of the Stores function.
- 3.3 The system has a comprehensive control framework in place however it was found that this was not always fully complied with. The main areas of weakness related to the signing off of paperwork relating to job tickets and inspections and in relation to the recording of materials used against specific jobs.

Housing Property Services

- 3.4 A systems based review was carried out of the policies and procedures for Housing Property Services which cover the enhancement and upgrade works on the Council's housing stock. This review was mainly focused on following up the recommendations made in 2012-13.







- 3.5 Overall, the framework in place for the day-to-day operation of the contracts were found to be sound and significant progress had been made in relation to previous recommendations. However a number of final accounts were found to be outstanding partly due to a contractor going into administration in 2010. It was also found that some Contract Documentation held had not been appropriately signed and one contract had arithmetical errors in the uplift calculation which had been supplied by the Quantity Surveyor.

Audits in Progress

- 3.6 During the quarter work has commenced, but not yet been completed, on the following audits:
- Cemeteries
 - Staff Expenses
 - Hednesford Park Heritage Lottery Fund Work Project.
 - Culture & Leisure Services Contract Monitoring (Client Function)
 - Insurance
 - Public Relations & Communications
 - Food and Health Inspections and Enforcement
 - Development Control (Planning Applications & Enforcement)
 - Environmental & Physical Access Controls (IT Audit)



4 Follow-ups Completed

Audit	Head of Service	Original Assurance	Implemented / In Progress	Not Implemented	Total	Revised Opinion
E-Payments and Residual Cash	Financial Management	Requiring Some Improvement 	9	0	9	Effective 
Housing Rents	Housing & Waste Management/ Financial Management	Requiring Some Improvement 	4	0	4	Effective 




- 4.1 It is pleasing to be able to report that sufficient progress has been made to provide a revised opinion for both of these areas which are now classified as Effective.
- 4.2 Some follow-ups which had been scheduled for completion in the quarter slipped due to the impact of the holiday period both in the Audit Team and in other departments. It is anticipated that these will be completed in quarter 3.

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:-
- National Fraud Initiative Datamatching,
 - Ad hoc queries and advice around changes to systems and procedures;
 - a number of financial appraisals for contracts; and
 - revision of policies relating to Anti-fraud & Bribery, Confidential Reporting and Money Laundering – it is anticipated that these policies will come to the Audit Committee in March for approval.



Appendix 1Levels of Assurance for Audit Reports

Assurance Level	Definition
Effective 	<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>
Requiring Some Improvement 	<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>
Needs Fundamental Change 	<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.</p> <p>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</p>

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be enhanced were the area to be reviewed.
 Action required within next 6 to 12 months

Appendix 2Audit Plan Monitoring

Audit Area	Head of Service	In Progress	Draft Report	Final Report	Original Assurance	Follow-up Due
Streetscene – Street Cleansing Function	Housing & Waste Management	June 2013	June 2013	Aug 2013	Needs Fundamental Change 	Feb 2014
Sale of Council Houses	Housing & Waste Management	April 2013	June 2013	Oct 2013	Requiring Some Improvement 	April 2014
Utilities Management	Regeneration & Planning	May 2013	June 2013	Sept 2013	Requiring Some Improvement 	March 2014
Mortuary & Assisted Burials	Environmental Health	April 2013	May 2013	June 2013	Effective 	
Housing Property Services	Housing & Waste Management	June 2013	August 2013		Requiring Some Improvement 	
Housing Maintenance & Stores	Housing & Waste Management	May 2013	August 2013	Sept 2013	Requiring Some Improvement 	March 2014
Cemeteries	Commissioning	July 2013				
Staff Expenses★	Human Resources	August 2013				
Hednesford Park Heritage Lottery Fund Work Project.	Commissioning	July 2013				
Culture & Leisure Services Contract Monitoring (Client Function)	Commissioning	July 2013				
Insurance	Governance	Sept 2013				
Public Relations & Communications	Policy	July 2013				

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Audit Area	Head of Service	In Progress	Draft Report	Final Report	Original Assurance	Follow-up Due
Food and Health Inspections and Enforcement	Environmental Health	Sept 2013				
Development Control (Planning Applications & Enforcement)	Regeneration & Planning	Sept 2013				
Environmental & Physical Access Controls (ICT Audit) *	Technology	July 2013				

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










Appendix 3Follow-Up Monitoring Information

Audit Area	Service Lead Officer	Original Assurance	Follow-up Due	Follow-Up In progress	Follow-up Completed	Revised Assurance	2nd Follow-Up Due?
Landscape Development (2nd)	Commissioning	Requiring Some Improvement 	Sept 2012	Deferred			
Countryside Management	Commissioning	Requiring Some Improvement 	Feb 2013	Delayed			
Computer Virus Protection Review	Technology★	Requiring Some Improvement 	Feb 2013	March 2013	April 2013	Requiring Some Improvement 	October 2013
Information Security Management	Technology★	Requiring Some Improvement 	Feb 2013	March 2013	April 2013	Requiring Some Improvement 	Oct 2013
Local Strategic Partnership	Policy	Requiring Some Improvement 	Mar 2013	June 2013	Completion of the follow-up delayed		
Epayersments & Residual Cash	Financial Management	Requiring Some Improvement 	Mar 2013	July 2013	Sept 2013	Effective 	
Elizabeth Road/Moss Road Regeneration Schemes	Housing & Waste Management	Requiring Some Improvement 	April 2013	Deferred			
Property Management	Regeneration & Planning	Requiring Some Improvement 	May 2013	Aug 2013			
Website Content Review	Policy/Technology★	Requiring Some Improvement 	June 2013				

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Audit Area	Service Lead Officer	Original Assurance	Follow-up Due	Follow-Up In progress	Follow-up Completed	Revised Assurance	2nd Follow-Up Due?
Refuse Collection	Housing & Waste Management	Requiring Some Improvement 	June 2013	Deferred			
Asset Management	Regeneration & Planning	Requiring Some Improvement 	June 2013	June 2013			
Housing Rents	Housing & Waste Management	Requiring Some Improvement 	June 2013	Aug 2013	Aug 2013	Effective 	
BACS Review (IT Audit)	Technology	Requiring Some Improvement 	Aug 2013	Sept 2013			
General Ledger (ICT Audit)	Financial Management/ Technology*	Requiring Some Improvement 	Aug 2013	Aug 2013			
Homelessness	Housing & Waste Management	Requiring Some Improvement 	Sept 2013	Aug 2013			

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

