

Report of:	Chief Internal Auditor
Contact Officer:	Stephen Baddeley
Telephone No:	4415
Portfolio Leader:	
Key Decision:	No
Report Track:	Audit & Governance only

Audit & Governance Committee
24th June 2014
Internal Audit Annual Audit Report 2013-14

1 Purpose of Report

- 1.1 To present the Internal Audit Annual Report for 2013-14

2 Recommendations

- 1.2 That the Committee note the Internal Audit Annual Report for 2013-14.

3 Key Issues and Reasons for Recommendation

- 3.1 Based on the work undertaken during the year and the implementation by management of the audit recommendations, Internal Audit can provide reasonable assurance that the Council's governance arrangements including systems of internal control were operating adequately.

4 Relationship to Corporate Priorities

- 4.1 The system of internal control is a key element of the Council's corporate governance arrangements which cuts across all corporate priorities.

5 Report Detail

- 5.1 Management are responsible for the control environment and should set in place policies and procedures to help ensure that the system is functioning correctly. Internal Audit review, appraise and report on the effectiveness of the system of internal control.

5.2 The Internal Audit Annual Report (attached as Annex 1) is the culmination of the work of the Section during the course of the year and seeks to:-

- provide an opinion on the adequacy of the control environment;
- comment on the nature and extent of significant risks; and
- report the incidence of significant control failings or weaknesses.

5.3 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.

5.4 The Internal Audit Annual Report is one of the sources of assurance that is used to support the Council's Annual Governance Statement

6 Implications

6.1 **Financial**

None.

6.2 **Legal**

None.

6.3 **Human Resources**

None.

6.4 **Section 17 (Crime Prevention)**

None.

6.5 **Human Rights Act**

None.

6.6 **Data Protection**

None.

6.7 **Risk Management**

None.

6.8 **Equality & Diversity**

None.

6.9 Best Value

None.

7 Appendices to the Report

Appendix 1 - Internal Audit Annual Audit Report 2013-14

Previous Consideration

Background Papers

Files held by the Chief Internal Auditor

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Cannock Chase District Council Internal Audit Annual Audit Report 2013-14

June 2014



Working together

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1. INTRODUCTION

- 1.1 The Internal Audit Service is a shared service with Stafford Borough Council led by Cannock Chase District Council. This report highlights the work carried out by Internal Audit to deliver the Annual Audit Opinion for Cannock Chase District Council.

The Annual Reporting Process

- 1.2 Internal Audit is an assurance function that primarily provides an independent and objective opinion to the Council on its governance arrangements comprising of risk management and internal control. Internal Audit objectively examines, evaluates and reports on the adequacy of the Council's governance arrangements as a contribution to the proper, economic, efficient and effective use of resources. Responsibility for governance rests fully with Managers, who should establish and maintain an adequate system of internal control to enable them to discharge their responsibilities and to ensure that the Council's resources are properly applied in the manner and on the activities intended.
- 1.3 This report is the culmination of the work of the Internal Audit Section during the course of the year and seeks to:
- provide an opinion on the adequacy of the control environment;
 - comment on the nature and extent of significant risks; and
 - report the incidence of significant control failings or weaknesses.
- 1.4 This report is a summary of the work of the Section throughout 2013-14. As such it presents a snapshot picture 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 any relevant areas where significant weaknesses have not been addressed by managers to the attention of the Audit & Governance Committee if and when it is deemed appropriate.
- 1.5 This report follows an exception based reporting methodology, as such only those areas where weaknesses have been identified are reported on.

Requirement for Internal Audit

- 1.6 The requirement for an Internal Audit function derives from local government legislation, including section 151 of the Local Government Act 1972 which requires authorities to "make arrangements for the proper administration of their financial affairs". Proper administration includes Internal Audit. More specific requirements are detailed in the Accounts and Audit Regulations 2011, in that a relevant body must "undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control".

2. REVIEW OF CONTROL ENVIRONMENT

How the Control Environment is Reviewed

- 2.1 Internal Audit operates to a risk based audit plan. The audit plan is risk assessed each year to ensure that suitable audit time and resources are devoted to reviewing the more significant areas of risk.
- 2.2 This risk based approach to audit planning results in a comprehensive range of audits that are undertaken during the course of the year to support the overall opinion on the control environment. This is particularly important as there are a number of fundamental financial systems audits which have to be reviewed each year.

Internal Audit Opinion for 2013-14 and the Annual Governance Statement (AGS)

- 2.3 Regulation 4 of the Accounts and Audit Regulations 2011 requires that:-
- “The relevant body is responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body’s functions and which includes arrangements for the management of risk.”*
- “The relevant body must conduct a review at least once in a year of the effectiveness of its system of internal control ... following the review, the body must approve an annual governance statement, prepared in accordance with proper practices in relation to internal control.”*
- 2.4 Internal Audit, along with other assurance processes of the Council, have a responsibility to provide assurance from the work they undertake during the year in respect of the control environment operating within the Council to feed into this review.
- 2.5 Based on the work undertaken during the year and the implementation by management of the audit recommendations, Internal Audit can provide **reasonable assurance** that the Council’s governance arrangements including risk management and systems of internal control were operating adequately and there were no instances where any breakdown of control resulted in a material discrepancy.

Whilst no material discrepancies have been identified, instances of control weaknesses and gaps in management controls have been found. If these are not addressed they could result in significant failings in the Council’s governance arrangements. More details are given in 3.6 below.

2.6 No system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance. This statement is intended to provide reasonable assurance that there is an ongoing process for identifying, evaluating and managing the key risks. These risks are reflected in the audit plan and are the subject of separate reports during the course of the year.

3. SIGNIFICANT ISSUES ARISING 2013-14

3.1 Each system/area audited is given a level of assurance based on the presence and effectiveness of the controls in place. Three levels of assurance are currently used and the definitions for each are contained in appendices 1a to 1c.

3.2 A summary of the level of assurance given to each audit, by risk category, is given in the table below.

Risk	Assurance		
	Effective	Requiring Some Improvement	Needs Fundamental Change
High Risk Audits	8	14	3
Medium Risk Audits	4	2	0
Total	12	16	3

3.3 Three audits have been classified as Needs Fundamental Change two areas classified relate to IT functions and the third is the Street Cleansing Function:

- (i) The two IT areas classed as Needs Fundamental Change are indicators that the Council’s IT Governance arrangements are starting to be an area of concern. Due to the recent issue of new IT policies it is not felt that the situation is significant enough to formally raise as an issue in the Council’s Annual Governance Statement but Internal Audit will continue to monitor this area.
- (ii) The absence of an appropriate control framework for the Street Cleansing function is of concern for that service area, although operational processes are in place to deliver the service on the ground. As management have developed an action plan to address the weaknesses it is not felt that this needs to be considered for inclusion in the Annual Governance Statement in its own right but is one example of the wider issue raised at 3.6 below.

Action plans have been agreed for all of these areas and more details can be found in Appendix 1a.

3.4 16 areas have been classified as Requiring Some Improvement. Action is also planned or in progress in relation to the areas which have been classified as Requiring Some Improvement. More details on those audits can be found in Appendix 1b.

- 3.5 Reoccurring themes were identified across the year by Internal Audit the most common of these related to minor compliance issues such as raising orders after invoices have been received and in not following correctly the requirements to obtain quotations for low value goods or not seeking appropriate authority to waive these requirements.
- 3.6 Through Internal Audit’s planned and responsive work we have identified instances in a number of areas of control weaknesses and lapses or gaps in supervisory/management controls; examples are given throughout the report This would seem to be as a consequence of an increase in managers’ workloads through taking on additional responsibilities and having to increasingly prioritise their tasks. If this trend continues to grow then it may become a significant weakness in the governance framework and leave the Council open to significant risks and threaten the delivery of its main objectives. In view of this, this matter is being flagged as a significant governance issue. Internal Audit will work closely with Leadership Team and managers during 2014-15 to review key management controls, how effective they are and whether they are a priority.
- 3.7 In addition to the main audit work the section also follow-up the progress made in relation to Audit Recommendations, this usually occurs around 6 months after the report has been finalised. In 2013-14 155 recommendations were followed-up from 14 audits of which 142 or 91.6% had been implemented. As the section is only following up lower assurance areas the number of follow-ups is lower than in previous years, however the percentage of recommendations implemented has increased from 80% in 2012-13.
- Ten areas improved from Requiring Some Improvement to Effective
 - One area improved from Needs Fundamental Change to Requiring Some Improvement
 - Three Audits remained as Requiring Some Improvement at the time of the follow-up due to insufficient progress;

More details can be found on the follow-ups in Appendix 2.

4. AUDIT PERFORMANCE

- 4.1 The table below indicates the Section’s performance against the audit plan for 2012-13.

	2013-14				2012-13	2011-12
	Planned	Actual	Actual %	Target %	Actual	Actual
Audit Plan	33	31	94%	90%	100%	100%

- 4.2 Thirty one audits were completed during 2013-14 out of 33 in the original Audit Plan. Two audits originally planned for 2013-14 were not completed in the year; these were Fleet Management and Capital Strategy & Capital Programme Delivery which were deferred at the request of managers due to changes in the service areas being delayed in the year.
- 4.3 The team had insufficient resources to complete the audits due to:
- a period of unplanned sickness within the team
 - a number of audits took longer than anticipated to review
- 4.4 The Section uses a contractor to supplement the work of the in-house team for IT Audit work. The Contractor provided 60 days work across Stafford and Cannock as part of the 2013-14 plan covering specialist IT Audit. ICT is a Shared Service led by Stafford BC.
- 4.5 In addition to the audit plan the Section has also carried out a number of other pieces of ad hoc work and minor consultancy exercises.

5 FRAUD & IRREGULARITY WORK

Policies & Procedures

- 5.1 The Internal Audit section has taken a proactive approach to the prevention / detection of fraud and corruption. During the year it has:-
- Continued membership of the Midlands Fraud Sub Group;
 - The Anti Fraud and Corruption Strategy was updated and renamed the Anti-fraud & Bribery Framework to incorporate the Bribery Act;
 - The Confidential Reporting Framework was updated; and
 - A Money Laundering Framework was produced

National Fraud Initiative

- 5.2 The Council is a statutory participant in the Audit Commission's National Fraud Initiative (NFI) exercise which is carried out every 2 years. The 2012 Exercise is coming to a conclusion and has resulted in the identification of £125,968.78 of overpayments caused by fraud or error for the Council.
- 5.3 The bulk of the overpayments relate to Housing Benefit due to the identification of undeclared changes of circumstances or income. A total of £122,278.87 of overpayments is being recovered to date relating to 12 cases of fraud, 66 cases of customer error and 4 due to official errors. To date 2 prosecutions and 2 official cautions have been issued as a result of the NFI exercise and 2 further cases are pending a decision relating to sanctions.
- 5.4 In addition to the Housing Benefit cases one Right to Buy application was identified as suspicious. When this was queried the application was withdrawn.

Fraud/Irregularity Investigations

- 5.5 Two whistleblowing allegations were received and investigated by the Team in the year. Both were found to be unsubstantiated at the end of the initial investigation and resulted in no further action being taken.
- 5.6 A further investigation is currently in progress and any control failings arising from this will be reported in due course.

6. REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

- 6.1 A review of the effectiveness of the system of Internal Audit has been undertaken. There were two key elements to the review:-
- i. the Chief Internal Auditor has conducted a self-assessment of the section in relation to compliance with the Public Sector Internal Audit Standards and the Local Government Application Note; and
 - ii. an independent review of the self-assessment was conducted by the Head of Governance.
- 6.2 The review concluded that Internal Audit is effective and sufficiently compliant with the requirements of the PSIAS/LGAN to ensure that the opinion given in this Annual Report can be relied upon for assurance purposes. The full results of the review are given in a separate report to the Audit and Accounts Committee.
- 6.3 One area of significant non-conformance with the standards was identified and this relates to PSIAS 1110 Organisational Independence. The standards require the “Chief Audit Executive” to report functionally to the Board and indicate that this includes the Audit Committee Chair and Chief Executive commenting on the PDR and the Audit Committee setting remuneration for the “Chief Audit Executive”. This is not a common practice in Local Government where Members do not routinely get involved in detailed employment matters. It is also felt that sufficient other safeguards to the independence of Internal Audit are currently in place within the Council such as allowing the Chief Internal Auditor the unfettered right of access to the Audit Committee Chair and Chief Executive to raise any concerns. It is therefore felt that this area of non-conformance does not compromise the effectiveness of Internal Audit although PSIAS/LGAN require it to be disclosed in the Annual Audit Report.
- 6.4 In addition to the formal review the Section has carried out an exercise to review internal working practices within the team with the support of an experienced Internal Audit Practitioner. This review provided an overview assessment of 3 key areas and provided a view on the team for each along with an action plan for improvement – it is proposed to provide focused workshop training with the team to address the points raised in the action plan. The opinion relating to each review area is as follows:

Review Area	Opinion	Narrative
RESOURCES	Established	The resources of the team are appropriate and deployed effectively to deliver the service.
COMPETENCY	Established	The team has appropriate skills and experience in line with PSIAS and internal procedures are effective.
DELIVERY	Developing	The team delivers an adequate service, however it was identified that the work of the team was not sufficiently focused on key risk areas for the Council when carrying out each assignment and in the classification of recommendations.

6.5 The External Auditors, Grant Thornton, have concluded that “the internal audit service continues to provide an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment at the Council”.

6.6 Satisfaction surveys are issued at the end of each audit. These showed general satisfaction with the work of the section. The overall level of satisfaction is shown in the table below.

	2011-12 Actual	2012-13 Actual	2013-14 Actual	Target
Audit Satisfaction Survey	97.84%	92.01	94.78	90%

6.7 The level of satisfaction has increased following from a drop in 2012-13, however the number of satisfaction surveys returned is very low. Only 8 returns were received by the section in the 2012-13 and 12 in 2013-14.

6.8 In addition to the usage of satisfaction surveys one of the Senior Auditors or the Principal Auditor carries out a file review for each audit prior to the reports being issued and the Chief Internal Auditor reviews each report and sample checks files. These processes form part of the internal quality assurance process and helps to provide a consistent approach between the auditors.

AUDITS PLANNED AND COMPLETED IN 2013-14 BY ASSURANCE LEVEL

NEEDS FUNDAMENTAL CHANGE

Definition



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.

AUDIT AREA	SERVICE LEAD OFFICER	NO OF RECOMMENDATIONS & CLASSIFICATION			TOTAL
		HIGH	MEDIUM	LOW	
HIGH RISK					
Streetscene – Street Cleansing	Housing & Waste Management	2	21	1	24
End-user/Bespoke IT Development (IT Audit)	Technology★	3	1	0	4
Mobile Computing◆	Technology★	14	12	1	27

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

◆ Reports which had not been finalised at the year end.

SUMMARY OF SIGNIFICANT FINDINGS

Streetscene – Street Cleansing Function

A systems review of the processes and procedures established for the operation of the Street Cleansing element of the Council’s Streetscene provision was carried out. Although the function was appropriately delivering its core operation function it was found that this was not supported by an adequate or effective control framework and has therefore been classified as Needs Fundamental Change.

It is acknowledged, that the initial urgency to bring the Street Cleansing service in-house and ensuring that there was minimal service disruption following the former contractor going into administration, resulted in limited attention being given to the establishment of an appropriate control framework to underpin the service.

Consequently, in our opinion, the “new management” of the in-house service has inherited a less than robust overall framework which needs considerable development in a number of key areas. We recognise that this will provide a significant challenge for the new management and acknowledge that this will take time to achieve. A detailed action plan has been agreed with management to ensure that the necessary improvements can be prioritised and actioned.

End-user/Bespoke IT Development (IT Audit)

Overall the review has highlighted a lack of expected IT management controls for both End User and Bespoke IT Developments. There is no corporate documented guidance available to advise staff whose work involves end user development applications. Updated policies have been issued in the year, in respect of the operation and management of IT equipment and operations, these include reference to the need for change management processes i.e. testing and sign offs, but relevant staff are not yet fully aware of these. This review has not examined in any detail those policies but has highlighted some gaps remain which need to be addressed.

Mobile Computing

Overall the review has highlighted the lack of key controls relating to the use of mobile devices. Weaknesses were identified in the governance arrangements and policies in place to advise staff and control the use of mobile devices and in the consistent deployment of relevant security solutions to protect the devices and data held on them.

Issues were also identified in the arrangements for recording and monitoring the number and type of devices. There is also a lack of enforcement of the requirement for mobile devices to all be purchased by IT, particularly for usb memory sticks.

REQUIRING SOME IMPROVEMENT

Definition



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.

AUDIT AREA	SERVICE LEAD OFFICER	NO OF RECOMMENDATIONS & CLASSIFICATION			TOTAL
		HIGH	MEDIUM	LOW	
HIGH RISK					
Council Tax ♦	Financial Management	4	7	4	15
National Non-Domestic Rates ♦	Financial Management				
Cemeteries	Commissioning	0	6	8	14
Housing Maintenance (Including Stores function)	Housing & Waste Management	0	13	10	23
Housing Benefits ♦	Financial Management	0	7	5	12
Sundry Debtors ♦	Financial Management	0	10	5	15
Culture & Leisure Services Contract Monitoring (Client Function)	Commissioning	0	13	1	14
Central Control (Social Alarms & CCTV)	Corporate Director	0	14	1	15
Sale of Council Houses	Housing & Waste Management	0	13	5	18
Members Allowances, PCs & Other Expenses	Governance	0	3	3	6
ICT Disaster Recovery Arrangements (IT Audit) ♦	Technology ★	9	7	2	18
Environmental & Physical Access Controls (IT Audit) ♦	Technology ★	15	17	4	36

INTERNAL AUDIT – ANNUAL REPORT 2013-14

AUDIT AREA	SERVICE LEAD OFFICER	NO OF RECOMMENDATIONS & CLASSIFICATION			TOTAL
		HIGH	MEDIUM	LOW	
Staff Expenses ♦	Human Resources	0	4	7	11
Hednesford Park Lottery Fund Project ♦	Commissioning	0	10	3	13
MEDIUM RISK					
Housing Property Services	Housing & Waste Management	0	5	4	9
Utilities Management	Regeneration & Planning	0	5	4	9

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

♦ Reports which had not been finalised at the year end.

SUMMARY OF SIGNIFICANT FINDINGS

Council Tax & National Non-Domestic Rates

The service has been classified as “requiring some improvement”, in terms of the service areas’ key objective of initiating prompt recovery action where required in order to recover monies due to the Council.

It is acknowledged that there is an appropriate process and framework in place in respect of recovery. However at the time of the audit it was felt that work needed to be undertaken to ensure that adequate controls are in place within this framework and are operating effectively to minimise the risk to the Council of not receiving monies that are due. This includes arrangements to review the status of accounts where recovery has been inhibited.

Cemeteries

It has been identified that there is an appropriate and effective operating framework in place in respect of the administration of the Cemeteries, from liaising with funeral directors to arranging funerals, approving memorials to be erected by approved memorial masons, to ensuring that all relevant paperwork is completed and statutory records including the appropriate registers and maps are being maintained.

The main weakness identified related to the lack of a robust framework of policies and procedures for the day to day operation and routine maintenance tasks carried out by the Cemeteries operatives. There is an over reliance on the knowledge and experience of the team rather than formally documented and agreed working practices. This could impact on Health & Safety arrangements.

In addition formal tenancy agreements were not available for the resident employees at all of the sites and an issue was identified in relation to whether VAT was included in one of the standard charges.

Housing Maintenance (Including Stores function)

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 Benefits

It is recognised that 2013-14 has been a particularly challenging year for the Benefits service; with the introduction of the spare room subsidy, the replacement of the Council Tax Benefit with the Local Council Tax Support Scheme and the introduction of the Benefits Cap. These changes have impacted on the team's performance in the early part of 2013-14

Weaknesses were identified in relation to the effectiveness of the verification of information provided in support of claims and in the accuracy of processing of claims. This was compounded by the low level of management and supervisory review of the work carried out by members of the team.

Sundry Debtors

The main weaknesses related to a lack of progress in the transformation of the service. This has meant that there are still two distinct processes in place. Work is ongoing to establish a common Credit Policy and to align corporate Financial Guidance and procedures across both Councils but progress has been slow

Culture & Leisure Services Contract Monitoring (Client Function)

Whilst the Council has established some monitoring arrangements due to the limited resources available the Council relies fully on the information supplied by the Contractor and does not carry out any independent verification. Based on this the area is classified as Requiring Some Improvement.

Management currently accepts the level of risks in the current process and stated that they have a very good working relationship with the Contractor and are happy to rely on the information provided. This position was noted by the Audit & Governance Committee in April 2014.

Central Control (Social Alarms & CCTV)

In the original audit report, issued during April 2013, we assessed the internal control environment as Needs Fundamental Change. The original audit report acknowledged that it would take time to implement changes. In most cases work is ongoing and revised timescales have been set for the full implementation of the agreed recommendations. In other areas, however, there has been no significant progress. It is also recognised that some actions are partly dependent on inputs from other sections of the Council (e.g. ICT) and / or external organisations (e.g. Staffordshire Police).

We are satisfied that management are working to address the weaknesses identified but that some areas still require time to be fully addressed and we have therefore classified the function as Requiring Some Improvement. It should be noted that this is a significant improvement from the previous position.

Sale of Council Houses

Overall, the framework in place for the day-to-day operation of the scheme was found to be solid. However a few weaknesses were identified in the monitoring of delays in the processes for the completion of sales and in receiving confirmation from other sections. In addition the guidance documents available to tenants need to be updated to reflect the current legislation.

Members Allowances, PCs & Other Expenses

The overall findings of the review were that the Council's arrangements for administration and payment of Members Allowances are sound. However, the control rating reflects the fact that there are a number of areas where previous audit recommendations have not yet been implemented, and where some aspects of the Members Allowances Scheme are not enforced strictly.

ICT Disaster Recovery Arrangements

A detailed disaster recovery policy has not yet been produced and guidance on IT matters has not been provided to service users. The service is exploring how to make best use of the resilience offered by the two Council's IT facilities but progress on this is slow due to resourcing issues. It was also identified that the latest back-ups were held on site for up to a month before being taken off-site for storage.

Environmental & Physical Access Controls

A number of weaknesses were identified around some of the server rooms particularly at outlying sites. A significant risk was identified in relation to the operation and notification of procedures for the Fire Suppression System at Stafford when employees are working in the server room which presented a significant Health & Safety risk. We did identify a breach of the IT Security Policy in relation to a member of IT sharing their password to allow an agency worker to access the network.

Housing Property Services

This review was mainly focused on following up the recommendations made in 2012-13.

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.

Utilities Management

It was found that the Council is using the Government Procurement Service as the route for purchasing energy supplies. However following the recent retirement of the Council's Strategic Asset Manager responsibility and procedures for the monitoring of energy usage on a timely basis need to be documented and strengthened. It appears that monitoring and consumption analysis has been completed only at year end rather than throughout the year which does not allow any issues to be investigated and resolved on a timely basis. Although targets for reduced consumption had been set it was unclear what the baseline figures were to measure the reduction against.

Staff Expenses

Many of the schemes are long-standing and the documentation and in some cases the operation of the schemes themselves is in need of updating and review. In particular the processes for reviewing and uprating allowances on a regular basis needs to be addressed.

EFFECTIVE

Definition



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. 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.

AUDIT AREA	SERVICE LEAD OFFICER	NO OF RECOMMENDATIONS & CLASSIFICATION			TOTAL
		HIGH	MEDIUM	LOW	
HIGH RISK					
Insurance	Governance	0	0	7	7
General Ledger	Financial Management	0	1	5	6
Creditors ♦	Financial Management	0	1	3	4
Regulation of Investigatory Powers Act Compliance Review	Law & Administration ★	0	1	4	5
Payroll	Human Resources ★	0	1	2	3
Public Relations & Communications	Chief Executive	0	2	3	5
Housing Benefit Fraud Investigation Team	Financial Management	0	1	1	2
Food Safety Inspections and Enforcement	Environmental Health	0	2	2	4
MEDIUM RISK					
Mortuary & Assisted Burials	Environmental Health	0	0	1	1
Development Control (Planning Applications & Enforcement)	Regeneration & Planning	0	2	2	4
Support Services Admin	Chief Executive	0	0	5	5
Licensing & Hackney Carriages ♦	Environmental Health	0	4	8	12

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

♦ Reports which had not been finalised at the year end.

Housing Benefit Fraud Investigation Team – when reported to Audit Committee in March 2014 a query was outstanding and this led to a classification of Requiring Some Improvement to be issued. The relevant information was subsequently received and as a result one recommendation was removed from the report and the audit was re-classified as Effective.

RESULTS OF FOLLOW-UPS UNDERTAKEN IN THE YEAR BY ASSURANCE LEVEL

Audit	Service Lead Officer	Original Assurance	Implemented or In Progress	Not Implemented	Total	Revised Opinion
Central Control	Corporate Director	Needs Fundamental Change 	16	4	20	Requiring Some Improvement 
Information Security Management	Technology★	Requiring Some Improvement 	18	4	22	Requiring Some Improvement 
Computer Virus Protection Review	Technology★	Requiring Some Improvement 	9	0	9	Requiring Some Improvement 
General Ledger (IT) (2011-12) 2nd follow up	Financial Management	Requiring Some Improvement 	7	0	7	Requiring Some Improvement 
Epayers System	Financial Management	Requiring Some Improvement 	9	0	9	Effective 
Property Management	Planning & Regeneration	Requiring Some Improvement 	9	0	10	Effective 
Refuse Collection	Environmental Services	Requiring Some Improvement 	9	1	10	Effective 
Housing Rents	Housing & Waste Management/ Financial Management	Requiring Some Improvement 	4	0	4	Effective 
BACS Review	Technology★	Requiring Some Improvement 	5	0	5	Effective 
Homelessness	Housing	Requiring Some Improvement 	11	0	11	Effective 
Information Security Management (2nd)	Technology★	Requiring Some Improvement 	20	2	22	Effective 
Computer Virus Protection Review (2nd)	Technology★	Requiring Some Improvement 	9	0	9	Effective 
E Payments Project Management & Post Implementation Review	Technology★	Requiring Some Improvement 	10	0	10	Effective 

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Audit	<i>Service Lead Officer</i>	Original Assurance	Implemented or In Progress	Not Implemented	Total	Revised Opinion
General Ledger (IT) (2011-12) 3rd follow up	Financial Management	Requiring Some Improvement 	6	1	7	Effective 

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

Central Control

In the original audit report, issued during April 2013, we assessed the internal control environment as Needs Fundamental Change. The original audit report acknowledged that it would take time to implement changes. The follow-up audit found that progress has been made in a number of areas and although there is still a way to go it was possible to recognise the progress by re-classifying the area to Requiring Some Improvement.

General Ledger (IT) (2011-12) 2nd follow up

This was the second follow-up of the General Ledger Application as it remained Requiring Some Improvement at the time of the first follow-up.

It was found that some progress has been made and one recommendation had been implemented in full. However six medium risk recommendations remained in progress at the time of the audit and as such it was not possible to revise the level of assurance for this area.

It is recognised that the majority of these areas were likely to be addressed as part of the scheduled upgrade of the Ledger application due to be carried out before the end of March 2014. A 3rd follow-up was completed at the end of the year and this confirmed that the upgrade had been actioned and this had addressed most of the outstanding issues allowing a revised assurance to be issued.

Information Security Management and Computer Virus Protection

Although work is progressing on these two areas most of the recommendations were still in progress at the time of the follow-up and as such it was felt that insufficient progress had been made to revise the level of assurance for the audits.

The approval of the new IT Policies has helped to progress the actions for these two audits but the policies had yet to become embedded in the working practices of IT and other employees.