

Report of:	Chief Internal Auditor
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Report Track:	Audit & Governance Committee only

Audit & Governance Committee
18th November 2014
Internal Audit - Quarter 2 Report for 2014-15

1 Purpose of Report

- 1.1 To present to the Audit & Governance Committee for information the Internal Audit Quarter 2 Report for 2014-15.

2 Recommendations

- 2.1 That the Committee notes the contents of the Internal Audit Report for Quarter 2 of 2014-15.

3 Key Issues and Reasons for Recommendation

- 3.1 Attached at Appendix 1 is the Internal Audit Report for the second quarter of 2014-15.
- 3.2 Ten audits have been completed to draft stage and a further five audits were in progress at the end of the quarter. Whilst this is slightly behind the planned completion of four audits, when the work in progress is taken into account it does not give rise for concern. However due to known future resource reductions it is anticipated that all of the audit plan will not now be completed within the year.
- 3.3 Four audits completed in the quarter were classified as Requiring Some Improvement and four audits classified as Effective.
- 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.

- 3.5 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 2014-15

Background Papers

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

Cannock Chase District Council Internal Audit Quarter 2 Report 2014-15

November 2014



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 2014-15 by the Internal Audit Section. It covers the period 1st April 2014 to 30th September 2014.

1.2 The report contains details of:-

- the performance of the section against the Internal Audit Plan for 2014-15 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 2014-15 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	13	100	35

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 2014-15 (April to September 2014):-

	Planned Audits	Actual Audits			
	Number	Complete	% Complete	Work In Progress	% WIP & Complete
Audit Plan	13	10	77%	5	115%

2.4 At the end of Quarter 2 , 10 audits have been completed to at least draft stage.

- 2.5 In addition to the completed work 5 audits are in progress but had not been completed by the end of the quarter.
- 2.6 Whilst progress against the plan is currently on target it is likely that we will not be able to complete all of the Audit Plan for 2014-15 due to a member of the team going on maternity leave before the end of the financial year. This will reduce the resources available in the team. In addition the team has been working on revising our processes and procedures which has led to an increase in non-operational time. A revised Audit Plan will be prepared and presented to the next meeting of the Audit Committee.

3 Audits Completed

Audit	Head of Service	Assurance	Status	Number of Recommendations			
				High	Medium	Low	Total
Reprographics (Including Photocopiers)	Technology★	Requiring Some Improvement 	Draft	1	1	4	6
Local Strategic Partnership	Chief Executive	Requiring Some Improvement 	Draft	0	2	0	2
Environmental Protection & Pollution Control	Environmental Health	Requiring Some Improvement 	Draft	0	2	0	2
Dog Control	Environmental Health	Requiring Some Improvement 	Draft	0	5	2	7
Local Authority Health & Safety Inspections & Enforcement	Environmental Health	Effective 	Final	0	0	0	0
Treasury Management	Finance	Effective 	Draft	0	2	8	10
Benefits Intervention Team	Finance	Effective 	Final	0	0	3	3
Markets	Planning & Regeneration	Effective 	Draft	0	3	1	4

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

Reprographics (Including Photocopiers)

- 3.2 A systems review of the processes and procedures established for the Reprographics function which includes the arrangements for managing the photocopiers/multi-functional devices. This review covered the arrangements at both the Stafford and Cannock sites.
- 3.3 Generally arrangements were found to be operating effectively, the main areas for improvement related to the Health & Safety risk assessments which were not comprehensive.

Local Strategic Partnership

- 3.4 A systems based review was carried out of the arrangements to manage the Local Strategic Partnership.
- 3.5 Overall arrangements were found to be operating effectively, however we did identify that the Sustainable Community Strategy was in need of updating as it was last issued in 2011. In addition it was identified that the LSP had not produced a specific risk register for the partnership.

Environmental Protection & Pollution Control

- 3.6 A systems based review was carried out of the Environmental Protection & Pollution Control functions.
- 3.7 Overall arrangements were found to be sound. However weaknesses were identified in relation to the identifying and testing potential sites of Contaminated Land following the withdrawal of DEFRA funding for this activity. Management are happy to accept the risk of this due to the low number of sites identified in the District from previous work.
- 3.8 In addition it was identified that Environmental Health were carrying out monitoring at the 2 zones of the A5 corridor classed as Air Quality Management Areas but were not actively working to proactively manage air quality which may leave the Council open to fines. Work is however being undertaken to obtain external funding which may address this.

Dog Control

- 3.9 A systems based review was carried out of the Dog Control function.





Overall arrangements were found to be sound. However weaknesses were identified in relation the lack of a signed copy of the kennelling contract and the overall lack of formalised contract monitoring arrangements for the kennelling and stray collection contracts. Issues were also identified in the recording of Fixed Penalty Notices onto Environmental Health database system.

Audits in Progress

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

- Governance Framework;
- Telecommunication Arrangements;
- Fleet Management & Garage Workshop;
- Bank Reconciliation; and
- Wireless Networks Security.

4 Follow-ups Completed




Audit	Head of Service	Original Assurance	Implemented or In Progress	Not Implemented	Total	Revised Opinion
Website Content Review	Chief Executive	Requiring Some Improvement 	12	0	12	Effective 
Central Control (2 nd Follow-up)	Corporate Director	Requiring Some Improvement 	6	9	15	Requiring Some Improvement 

- 4.1 It is pleasing to be able to report that the Website Content Review has been revised to be classified as Effective

Central Control – 2nd Follow-up

- 4.2 Significant progress has been made since the original report was issued in April 2013. However due to changes within the service area some of the required changes have not been progressed and at this 2nd Follow-up we are unable to revise the audit opinion and the area remains classified as Requiring Some Improvement. Management are currently looking at significant changes to the operation of the service and no further follow-up work is going to be carried out until these changes have been rolled out.










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.</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 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	In Progress	Draft Report	Final Report	Original Assurance	Follow-up Due
Local Authority Health & Safety Inspections & Enforcement	Environmental Health	April 2014	Aug 2014	Aug 2014	Effective 	
Treasury Management	Financial Management	April 2014	Sept 2014		Effective 	
Grants to Voluntary Organisations and Subscriptions	Financial Management/ Commissioning	May 2014	July 2014		Requiring Some Improvement 	
Wireless Network Security	Technology★	June 2014				
Use of Purchasing Cards	Financial Management	June 2014	July 2014		Requiring Some Improvement 	
Environmental Protection / Pollution Control	Environmental Health	June 2014	July 2014		Requiring Some Improvement 	
Reprographics (inc photocopiers)	Technology★	June 2014	Aug 2014		Requiring Some Improvement 	
Governance Framework	Governance	July 2014				
Telecommunication Arrangements	Technology★	July 2014				
Markets	Planning & Regeneration	July 2014	Sept 2014	Sept 2014	Effective 	
Housing Benefit Interventions Team	Finance	August 2014	Sept 2014	Sept 2014	Effective 	
Local Strategic Partnership	Chief Executive	Sept 2014	Sept 2014		Requiring Some Improvement 	
Dog Control	Environmental Health	July 2014	August 2014		Requiring Some Improvement 	
Bank Reconciliation	Finance					

Audit Area	Head of Service	In Progress	Draft Report	Final Report	Original Assurance	Follow-up Due
Fleet Management & Garage Workshop	Housing & Waste	Sept 2014				

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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?
Website Content Review	Policy/ Technology★	Requiring Some Improvement 	June 2013	September 2014	September 2014	Effective 	
Utilities Management	Planning & Regeneration	Requiring Some Improvement 	February 2014	On hold - Awaiting Management Confirmation			
Sale of Council Houses	Housing	Requiring Some Improvement 	March 2014	July 2014	Awaiting Management Comment		
Housing Maintenance & Stores	Housing & Waste Management	Requiring Some Improvement 	April 2014	May 2014	Awaiting Management Comment		
Cemeteries	Commissioning	Requiring Some Improvement 	May 2014	May 2014	May 2014	Requiring Some Improvement 	Nov 2014
Central Control – 2 nd Follow-up	Corporate Director	Requiring Some Improvement 	June 2014	August 2014	September 2014	Requiring Some Improvement 	
Physical & Environmental Controls	Technology★	Requiring Some Improvement 	Sept 2014	Sept 2014	Awaiting Management Comment		
ICT Business Continuity Arrangements	Technology★	Requiring Some Improvement 	Sept 2014	Sept 2014	Awaiting Management Comment		
Mobile Computing	Technology★	Requiring Some Improvement 	Oct 2014	Sept 2014	Awaiting Management Comment		

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