

Report of:	Chief Internal Auditor
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Key Decision:	No
Report Track:	Audit & Governance only

Audit & Governance Committee
25th June 2013
Internal Audit Annual Audit Report 2012-13

1 Purpose of Report

- 1.1 To present the Internal Audit Annual Report for 2012-13

2 Recommendations

- 2.1 That the Committee note the Internal Audit Annual Report for 2012-13.

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 2012-13

Previous Consideration

Internal Audit Plan – Audit & Governance Committee 26th March 2013

Background Papers

File with the Chief Internal Auditor

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Cannock Chase District Council Internal Audit Annual Audit Report 2012-13

June 2013



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 2012-13. 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. The absence of comment on areas of good control should not be taken to indicate that services are not working effectively or best practices are not being adopted.

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 2012-13 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.

It was noted that in the year a number of issues have been identified which raise concern over the level of awareness and lack of compliance with the Council’s Financial Regulations and Contract Procedure Rules. It is recognised that both documents are in need of updating and the opportunity should be taken to provide clearer guidance and offer further awareness training to ensure full compliance with the Council’s procedures and align where appropriate. At the moment we do not feel that these findings have led to significant control failings but there is the potential for this to occur in the future if action is not taken.

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 2012-13

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			Total
	Effective	Requiring Some Improvement	Needs Fundamental Change	
High Risk Audits	8	21	1	30

3.3 For 2012-13 no medium risk audits were carried out as part of Cannock’s Internal Audit Plan. This was due to the reduction of resources in the team during the maternity leave of one of the auditors.

3.4 There is only 1 audit which has been classified as Needs Fundamental Change and this is Central Control. Work is progressing and the day to day service is being delivered however the procedures and working methods need some attention to ensure an appropriate internal control system is in place to reduce the current risks. More detail on the audit can be found in Appendix 1a.

- 3.5 Action is planned or in progress in relation to the areas which have been classified as Requiring Some Improvement or Needs Fundamental Change. More detail on these audits can be found in Appendix 1a and 1 b.
- 3.6 The Internal Audit Section did not identify any significant weaknesses in relation to any of the Council's key financial systems and core governance processes which were examined in 2012-13. Although Housing Benefits, Sundry Debtors and Creditors were classed as Requiring Some Improvements the areas identified did not significantly impact on the core activities.
- 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 2012-13 92 recommendations were followed-up of which 80 or 87% had been implemented. As the section is only following up lower assurance areas the number of follow-ups in 2012-13 is lower than in previous years.
- One area improved from Needs Fundamental Change to Requiring Some Improvement;
 - Five audits remained as Requiring Some Improvement at the time of the follow-up due to insufficient progress;
 - Sufficient progress had been made on one Needs Fundamental Change and 2 Requiring Some Improvement areas to allow them to be reclassified as Effective.
- 3.8 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.

	2012-13				2011-12	2010-11
	Planned	Actual	Actual %	Target %	Actual	Actual
Audit Plan	30	30	100%	90%	100%	90%

- 4.2 Thirty Audits were planned and completed in the year for the 2012-13 Audit Plan. Three planned audits for 2012-13 were not completed in the year. These were Capital Strategy & Capital Programme, Cemeteries and Streetscene which were all deferred with the agreement of managers. All three areas have been included in the 2013-14 Internal Audit Plan.
- 4.3 The deferred audits were offset by the inclusion of an audit of the Housing Regeneration Schemes which had not originally been included in the audit plan and the completion of the two audits deferred from the 2011-12 Audit Plan, the General Ledger IT Review and Website Content 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 2012-13 plan covering specialist IT Audit. ICT is a Shared Service led by Stafford BC. In addition a number of audits were carried out by a general audit contractor to reduce the impact of a member of staff being on maternity leave in the year.
- 4.5 In addition to the audit plan the Section has also carried out a number of other pieces of work relating to Cannock Chase Council including:-
- A number of Special Investigations including a significant piece of work relating to controls around Capital Project spending;
 - a grant claim audit for Environmental Health in relation to a Contaminated Land Grant. No issues were found in relation to the grant claim;
 - a review of the monitoring arrangements in relation to the SLA between Housing and the Chase Tenants & Residents Association. An action plan to improve controls and monitoring to ensure compliance with the SLA was agreed with the Head of Housing;
 - a sample check of Housing Benefit applications;
 - a final account audit in relation to Rugeley Market Hall Ramp, and
 - a number of financial appraisals.

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;
 - Carried out a review of the Council against the Cipfa Red Book 2 – Managing the Risk of Fraud;
 - Work commenced to update the Anti Fraud and Corruption Strategy to incorporate the Bribery Act and the Money Laundering Policy and Whistleblowing Policies were also under review. These updates will be issued in 2013-14

National Fraud Initiative

- 5.2 Work has started on the 2012-13 exercise matches. To date no savings have been identified from the matches. However it is recognised that the matches were only released in January 2013 and many had not been reviewed and concluded by the 31st March.

Fraud/Irregularity Investigations

- 5.3 A number of minor investigations have been carried out by the Internal Audit Section in the year which did not lead to any significant control weakness being identified.
- 5.4 One investigation was undertaken in support of a wider disciplinary matter identified a number of issues around the lack of compliance and awareness of financial regulations. As a consequence of the investigation a separate document is being prepared to identify weaknesses and make recommendations for required improvements in training provided and the procedures to follow.
- 5.5 The Section was also involved in an investigation into the conduct of an employee for misuse of their access to an IT system. The employee subsequently left the Council's employment.

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 CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006; and
 - ii. an independent review was conducted by the Head of Governance and the s151 Officer.
- 6.2 The review concluded that Internal Audit is effective and sufficiently compliant with the requirements of the Cipfa Code of Practice 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 Governance Committee.
- 6.3 From 1st April 2013 the Cipfa Code is being replaced as proper practice for Internal Audit in Local Government by the Public Sector Internal Audit Standards. A separate review of these standards leading including a gap analysis will be prepared and reported to Members early in 2013-14. However it was not deemed appropriate to include this as part of the review of the effectiveness for the 2012-13 year as the work of the section was required to be carried out under the Cipfa Code for the year concerned.
- 6.4 The External Auditors changed to Grant Thornton for the 2012-13 year and they have stated that they do not have any concerns over relying on the work of the Internal Audit Section for 2012-13.

6.5 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.

	2009-10 Actual	2010-11 Actual	2011-12 Actual	2012-13 Actual	Target
Audit Satisfaction Survey	88.82	80%	92.26%	92.01	90%

6.6 In addition to the usage of satisfaction surveys the Chief Internal Auditor also carries out file reviews for each audit prior to the reports being issued. This forms part of the internal quality assurance process and helps to provide a consistent approach between the auditors.

7 Transformation Plan

7.1 The Section has also been working towards the delivery of the Transformation Plan agreed as part of the Shared Service project. Most of the key actions relating to transformation have now been completed or are on-going as part of day-to-day working practices. Report formats and general processes have now been aligned across the service.

7.2 The remaining key actions are as follows:

- Establish a training skills matrix for the team – this will be picked up as part of the Quality Assurance and Improvement Programme;
- Financial Appraisals to be undertaken by departments with finance having final sign off – this has yet to be progressed;
- Review of who carries out Confidential Searches – no discussions as yet with Finance.

7.3 It is now considered appropriate to close off the Transformation Plan and no further monitoring of it as a separate document will be carried out.

Audits Planned and Completed in 2012-13 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					
Central Control ♦	Environmental Services	0	19	2	21

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

Summary Of Significant Findings

Central Control

Whilst this area has been categorised as Needs Fundamental Change it is recognised that the outcome of the review does not fully fit the definition for this classification but it was felt that the weaknesses in the control framework were greater than those covered by the Requiring Some Improvement classification. It is recognised that controls do exist and are operating in part across the system however there is a general requirement for significant improvements to be made.

The Central Control function has undergone a period of significant change over the last few years in terms of management and operational procedures. The current Service Manager was appointed in April 2012 and has worked with Internal Audit in developing and agreeing an action plan to address weaknesses previously identified in the procedures and operational framework of the function. Weaknesses included the need to define and document operational and staffing procedures across the whole function. Work has commenced to implement the necessary changes but as this is still in the early stages the Internal Audit section has had to issue a Needs Fundamental Change classification for this area.

Whilst it is recognised that the Service Manager is working to deliver the agreed action plan and if it is successfully implemented then a revised classification can be issued. However, it should be noted that the action plan will take a significant amount of time to deliver in full the necessary improvements needed to ensure a robust governance framework and internal control environment for the function.

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					
Culture & Leisure Contract Management	Commissioning	0	13	2	15
Private Sector Housing Grants	Environmental Health	0	4	3	7
Refuse Collection & Recycling	Environmental Services	0	8	4	12
Countryside Management & Rangers Service	Environmental Services	0	22	5	27
E-Payments	Financial Management	0	4	5	9
General Ledger Application (IT Audit)	Financial Management	0	6	1	7
Housing Benefits	Financial Management	0	5	1	6
Creditors ♦	Financial Management	0	17	5	22
Sundry Debtors ♦	Financial Management	0	8	2	10
Procurement ♦	Governance	0	4	1	5
Homelessness & Housing Advice	Housing	0	7	4	11
Elizabeth Road/Moss Road Estate Redevelopment Schemes	Housing	0	2	1	3
Housing Rents	Housing	0	2	1	3
Website Content Review (IT Audit)	Policy	0	9	8	17
Property Management	Regeneration & Planning	2	6	2	10

INTERNAL AUDIT – ANNUAL REPORT 2012-13

Audit Area	Service Lead Officer	No Of Recommendations & Classification			Total
		High	Medium	Low	
Project Management/Post Implementation Review – E Payments (IT Audit)	Technology★	0	5	5	10
IT/IS Structure, Strategy and IT Governance (IT Audit)	Technology★	0	5	2	7
Review of Technical Operational Tasks (IT Audit)	Technology★	0	3	3	6
Remote Access and Support (IT Audit)	Technology★	0	4	2	6
BACS Application & Processing (IT Audit)	Technology★/ Financial Management	0	2	3	5
E- Payments System (IT Audit)	Technology★/ Financial Management	0	7	2	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

Culture and Leisure Client Monitoring Procedures

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. It was noted that 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 embedded.

Private Sector Housing Grants

The main weaknesses identified related to the lack of performance monitoring of the body who oversee Disabled Facility Grants on behalf of the Council and the ad hoc way that cases are referred by the Police for Home Security Grants. In addition it was identified that only 2 organisations were currently approved by the Police for the carrying out of Home Security Grant related work. The Council's Financial Regulations require a minimum of three quotations to be obtained for work.

Refuse Collection and Recycling

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. The main areas where work is still required relate to the procedures surrounding Trade Refuse accounts and performance monitoring of the Recycling Contractor.

Countryside Management and Rangers Service

A significant number of weaknesses were identified across the service which were due to operational procedures not being adequately defined or operating effectively. There was limited scheduling and coordination of work, volunteer agreements were not up to date, and management records such as inventories had not been updated for many years. A detailed action plan and revision of operational procedures has been produced to address the weaknesses

E-payments/ E-payments System and Project Management/Post Implementation Review – E Payments

A number of audits were carried out which covered the implementation and operation of the new e-payments system. The main weaknesses identified related to the lack of clearly defined roles and responsibilities for all aspects of the operation of the system. This is a particular issue due to the large number of users across many Council departments. It should be noted that no significant issues were found in relation to the collection and receipt of income.

Some of these elements are due to the system only recently being operational and to staff taking on new responsibilities and the changes to working practices needed due to the application being cloud-based and Countywide.

Whilst it is acknowledged that the project led to the successful installation and set-up of the E-payments system the review identified some weaknesses in the governance of the project and the administration procedures for project documentation. Some of these issues were due to the Staffordshire Connects Partnership managing elements of the project on a Countywide basis leading to not all information being held locally. Although the same system was installed for both Stafford and Cannock separate project managers dealt with the process and this led to inconsistencies in the way it has been installed.

None of the issues identified have fundamentally affected the Council's ability to collect payments.

General Ledger Application (IT Audit)

A new general ledger was introduced in April 2011 and this audit included testing to ensure information had been correctly migrated from the old ledger system. A number of weaknesses were identified around the management operational controls in the system and the availability of management reports. No significant issues were identified in relation to the migration of data. Whilst not affecting the operation or overall security of the system these weaknesses need to be addressed.

Housing Benefits

Although the main system appears to be operating effectively weaknesses were identified in the accuracy of some of the claim information which has an effect on the subsidy this issue has also been reported by the External Auditors. It was also found that additional information or queries on evidence submitted were not always sought when processing claims leading to possible errors in payments. Limited work is being carried out to investigate/follow-up on uncashed cheques.

Creditors & Sundry Debtors

As the systems are linked common weaknesses were identified. Overall an appropriate framework is in place for the management of Creditors and Debtors which is supported by well established and effective procedures. However, we feel that controls and procedures relating to the undertaking of amendments to the system, such as changes of address/bank account details or changes to system parameters, are not robust and reconciliations between the Creditors/Debtors Module and the General Ledger have not been carried out. The weaknesses relate to areas which are being addressed through the Shared Service Transformation Process following the implementation of a shared service but which have yet to be fully worked out and embedded effectively across the function.

Procurement

There was evidence of non-compliance with corporate requirements relating to obtaining quotations or seeking the relevant exemptions for the procurement of goods, works or services for exercises below the specified tender threshold. In most instances managers provided reasonable explanations for why the processes hadn't been followed correctly but had rarely followed the correct route to obtain authorisation for this. The review has identified a need for some elements of Financial Procedure Rules and Contract Procedure Rules to be reviewed to provide clarity and additional guidance. Once this has been done training should be provided on the correct process to be followed and additional guidance to managers. Consideration should also be given to introducing a process/documentation to evidence quotes sought or obtaining of a waiver for all elements of market testing.

Homelessness and Housing Advice

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. 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.

Elizabeth Road/Moss Road Estate Redevelopment Schemes

A review of the major redevelopment schemes being carried out by Housing was completed. This focused on the Elizabeth Road redevelopment which is nearing completion and the Moss Road redevelopment which is in the early stages of the project. The main weaknesses were around the lack of an agreement with the Valuer appointed to support the residents who were being displaced. In addition there was no formal, standardised process for calculating the discretionary elements of the disturbance payments.

Housing Rents

Overall, the framework in place for the day-to-day operation of the Housing Rents function is considered adequate. However, in order for the day-to-day operations to be actioned appropriately reliance is placed on key staff to ensure that procedures are consistently and appropriately applied as there are only informal documented procedures in place for staff to refer to. Also, the Council does not have a formal 'Debt Recovery' policy in place that would provide guidance on how to deal with debt across the Council in a uniform manner – although identified in this audit the lack of the Debt Recovery Policy is a weakness across all systems dealing with the collection of income.

Website Content Review (IT Audit)

The main weaknesses related to the lack of a clearly defined strategy for the content and usage of the website and this has led to inconsistencies across various parts of the site; this also meant that some information was not easily accessible. Some weaknesses were also found in the access controls for the software and in the security of the methods by which forms and information completed on the site are sent to departments.

Property Management

This review covered the arrangements for the management of the Council's Property Portfolio covering industrial units and shops. A number of weaknesses were identified around the management and operational controls in the system and in particular the level of reliance on one member of staff for many aspects of the system, this means that absences or illness could have a significant impact on the service provided. It was also found that there were few documented procedures and processes which provides a higher risk due to the reliance on the knowledge of one officer. The Section made limited use of reports to highlight when rent reviews were due and there was no regular reporting from Finance to identify properties in rent arrears.

IS/IT Structure Strategy and IT Governance (IT Audit)

A significant number of IT Policies and the IT Strategy have been revised following the development of the shared service. However all of the policies are still in draft and need to be approved and issued to staff. There is a lack of clarity around the support agreement between the two Councils and significant differences in the procedures for the budgets and procurement of IT hardware corporate software which could lead to confusion and inconsistent working methods. Whilst designated members of IT have been nominated to liaise as contacts with service areas these meetings have not been organised on a regularly or programmed basis in many areas and as such are failing to provide adequate dialogue between IT and managers regarding the service and expectations.

Review of Technical Operational Tasks (IT Audit) and Remote Access and Support (IT Audit)

Some common issues were found in these reports. Generally tasks are carried out effectively and efficiently however a number of weaknesses were identified. These relate to differences in the way scanning for vulnerabilities in the network are carried out for each Council, a lack of Penetration testing for more than 12 months and no periodic testing of the ability to restore in full back-ups taken.

BACS Application and Processing (IT Audit)

The main weaknesses related to the permissions to the folders containing files waiting processing not being restricted to users from the specific department. This is a long standing issue for which a workable solution has yet to be identified. Some additional compensating controls are needed to mitigate the risk.

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					
Council Tax	Financial Management	0	1	2	3
National Non-Domestic Rates	Financial Management	0	0	1	1
Treasury Management	Financial Management	0	0	3	3
General Ledger	Financial Management	0	0	5	5
Housing Property Services Partnering Contracts	Financial Management	0	2	4	6
Budgetary Control	Financial Management	0	1	4	5
Payroll ♦	Human Resources ★	0	15	3	18
Economic Development & LEP	Regeneration & Planning	0	1	2	3

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

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

Results of Follow-ups Undertaken in the Year By Assurance Level

Requiring Some Improvement

Audit	Service Lead Officer	Original Assurance	Implemented or In Progress	Not Implemented	Total	Revised Opinion
Information Management	Policy	Requiring Some Improvement 	18	0	18	Requiring Some Improvement 
Leisure Third Party Procurement Contract	Commissioning	Requiring Some Improvement 	4	3	7	Requiring Some Improvement 
Payment Card Industry Data Security Standard	Technology★/ Financial Management	Needs Fundamental Change 	6	2	8	Requiring Some Improvement 
General Ledger (IT Audit)	Financial Management/ Technology★	Requiring Some Improvement 	6	0	6	Requiring Some Improvement 
Information Security Management	Technology★	Requiring Some Improvement 	18	4	22	Requiring Some Improvement 
Computer Virus Protection	Technology★	Requiring Some Improvement 	9	0	9	Requiring Some Improvement 

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

Information Management

Significant work has been carried out in relation to the Council's arrangements for Data Protection and responding to Freedom of Information requests. However the new arrangements for dealing with Data Protection internally and in particular the identification of those responsible for Data Protection in departments have yet to be implemented due to existing resource commitments in the team. Once these changes are implemented it is anticipated that the assurance level will be revised to effective.

Leisure Third Party Procurement Contract

A significant amount of work has been carried out to develop the necessary contract monitoring arrangements for this area. Those arrangements are now being rolled out and implemented although at the time of the follow-up we were unable to verify the effectiveness of the arrangements due to it still being early in the life of the contract and practices were still in a state of transition, therefore we have not been able to revise the opinion. A full audit of the area is covered in appendix 1b.

Payment Card Industry Data Security Standard (PCI)

Some work had been carried out in relation to the actions identified. The opinion has been revised to Requiring Some Improvement as the PCI policy had not been finalised and issued at the time of the follow-up and there was a lack of clarity over some roles under the new e-payments system.

General Ledger (IT Audit)

Progress has been made in relation to the General Ledger IT application, however most of the actions are still in progress and it was felt that sufficient progress had not been made to allow the classification to be revised at the time of the follow-up.

Information Security Management and Computer Virus Protection

At the time of the follow-up the revised IT Policies had not been approved and this was holding back progress on the outstanding recommendations in relation to Information Security Management and Computer Virus Protection. Both areas therefore remained Requiring Some Improvement.

INTERNAL AUDIT – ANNUAL REPORT 2012-13

Effective

Audit	Service Lead Officer	Original Assurance	Implemented or In Progress	Not Implemented	Total	Revised Opinion
Virtual Servers	Technology ★	Needs Fundamental Change 	11	0	11	Effective 
Chase Leisure Centre Refurbishment Contract	Commissioning	Requiring Some Improvement 	2	1	3	Effective 
Private Sector Housing	Environmental Health	Requiring Some Improvement 	8	0	8	Effective 

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

Comments

It is pleasing to be able to report significant improvements in these areas which have enabled a revised assurance to be issued due to the progress made in implementing the Audit Recommendation identified at the time of the follow-up.