

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

Audit & Governance Committee**1st April 2014****Internal Audit Plan for 2014-15****1 Purpose of Report**

- 1.1 To present to the Audit & Governance Committee the Internal Audit Plan for 2014-15

2 Recommendations

- 2.1 That the Committee approves the Audit Plan for 2014-15.
- 2.2 That the Committee determines whether they are satisfied with omitting the audit of Leisure Contract Monitoring Arrangements from the 2014-15 audit plan.

3 Key Issues and Reasons for Recommendation

- 3.1 Internal Audit has a duty to provide the Council with an annual opinion on the effectiveness of its internal control environment and governance arrangements. The work of Internal Audit is also used as one of the sources of assurance for the Annual Governance Statement.
- 3.2 Internal Audit is required to produce a plan of work to ensure that it can give an appropriate opinion on the Council's key risk areas and systems and provide sufficient coverage for the production of the Annual Governance Statement.
- 3.3 The Audit Plan is determined via a risk assessment exercise and the results of that exercise are detailed in the report along with the resources available within the team to deliver the work. The planned work is deemed to be sufficient to ensure that Internal Audit can deliver an appropriate opinion on the control environment and governance arrangements at the Council.

4 Report Detail

- 4.1 Internal Audit is an assurance function which primarily provides an independent and objective opinion to the Council on its governance arrangements and internal controls. The Internal Audit Section does this by conducting an independent appraisal of all the Council's activities, financial and otherwise. It provides a service to the whole of the Council and to all levels of management.
- 4.2 To provide this assurance Internal Audit conducts an annual risk assessment and determines an audit plan for the year. We have identified the systems affected by shared services and planned to audit them across both Councils as one review. This is particularly important as there are a number of fundamental financial systems audits which have to be reviewed each year.
- 4.3 Meetings are held with Heads of Service and the Council's s151 Officer as part of the risk assessment process to obtain views and comments in relation to the composition of the Internal Audit Plan. Comments are also invited from the External Auditor.
- 4.4 A copy of the full audit needs assessment undertaken for 2014-15 is attached as Appendix 2. This shows two elements:-
- The areas delivered as a Shared Service with Stafford Borough Council; and
 - Those services solely delivered by Cannock Chase District Council.
- 4.5 The risk assessment uses a number of factors to calculate a risk score for each area and the resulting scores are banded into three risk categories
- High (scores over 100);
 - Medium (scores 50-99); and
 - Low (scores upto 49).
- 4.6 As in previous years the audit areas have then been ranked by the risk category and score to determine those audits that will be undertaken in 2014-15. The outcome of the risk assessment has resulted in the following categorisation of risk scores:

Audit Universe – Number of Audits by Risk

	Cannock Chase	Shared
High	1	5
Medium	61	34
Low	0	1
Total	62	40

- 4.7 The resources available within the Internal Audit Section were then compared to the risk assessment in order to determine those audits that will be undertaken in 2014-15 and form the basis of the Audit Plan, with priority given to the highest risk scoring areas. Although most of the work of the team is contained in the Audit Plan some time is also set-aside for other work carried out by the team. This includes fraud related work, other consultancy reviews, provision of ad hoc advice and special investigations.
- 4.8 The resource available for the delivery of the Audit Plan across both authorities in 2014-15 is 965 days the full details are show in Appendix 3. This is broken down into

Allocation of Resources to Audit Plan Requirements

Shared Service Audits	305
Cannock Specific Audits	268
Stafford Specific Audits	332
IT Audit Plan	60
Total Days	965

- 4.9 Internal Audit has sufficient resources to review all of the High Risk areas in the risk assessment for the Cannock Chase specific audits (those scoring 100 or higher) and a proportion of the medium risk areas, i.e. those with a score over 85.
- 4.10 However it is proposed to not include the one High Risk area in the work for 2014-15, this is the Leisure Contract Monitoring Arrangements Audit. This area was reviewed in detail in 2013-14 and classified as Requiring Some Improvement. Whilst the recommendations of that review have been agreed in principal the Head of Commissioning has deemed that he is not able to progress most of the recommendations due to the limited resources available to monitor the contract and the fact that they believe that the Council has a good working relationship with the Contractor who is delivering the requirements of the contract.
- 4.11 Management have accepted the risks of not progressing the recommendations highlighted by Internal Audit as reported in the Quarter 3 report. Given that nothing has changed and management have chosen to accept the risk it is not considered worthwhile spending audit time on this area in 2014-15. Internal Audit will review the position annually as part of our Audit Needs Assessment.
- 4.12 In addition 3 Medium risk areas scoring over 85 are also being excluded from the Audit Plan for 2014-15. These are:
- Street Cleansing – a detailed review was carried out in 2013-14 following the service coming back in house. A number of recommendations were made in this review and it is considered that the service area need time to implement the recommendations from this review before it is subjected to a further audit.

- Asset Management & Non-Housing Maintenance Audits– Following the retirement of the Strategic Asset Manager the Property Services Team are currently going through a period of restructure and are heavily involved in the Accommodation Review. It has therefore been deemed not appropriate to review this area in 2014-15.
- 4.13 An allocation of 40 days has also been built into the Cannock Chase Specific plan for the audit of large projects/large contracts that the Council. This will enable individual reviews to be carried out within the year and enable an ongoing review of some of the largest projects being carried out. In 2014-15 it is proposed to include the Accommodation Review, Hednesford Park HLF work and Town Centre Developments. Further areas will be identified throughout the year.
- 4.14 The Audit Plan for 2014-15 covering the Shared Service Audits and the Cannock Chase Specific Audits is included in Annex 1.
- 4.15 The Cannock Chase Specific Audit Plan equates to 15 out of a possible 62 audits that have been risk assessed (approximately 24%) and comprises 0% (0/1) of the High Risk areas and 25% (15/61) of the medium risk areas (those scoring over 85).
- 4.16 In addition to the Cannock Chase Specific work 14 audits have been included for Shared Service areas. This comprises all 5 of the High Risk areas and 9 of the 34 (26%) medium risk areas (those scoring over 90) and equates to 35% of the 40 Shared Service Audits that have been identified.
- 4.17 For the large financial systems which appear on the Audit Plan annually (Housing Benefits, Council Tax, NNDR and Payroll) the section reviews a portion of the system in detail each year. This provides full coverage of the system over a 2-3 year period.
- 4.18 It is considered that the current resources of the Internal Audit section will allow sufficient work for an appropriate opinion to be given on the Council's key risk areas and systems and provide sufficient coverage for the production of the Annual Governance Statement.
- 4.19 The 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. Examples include:-
- system based reviews of all key financial systems that could have a material impact on the Council's financial statements e.g. payroll, creditors;
 - regulatory audits of Council establishments e.g. Sheltered Housing Schemes; and
 - system based reviews of departmental systems/service areas e.g. Homelessness, Procurement and corporate processes.

4.20 The IT Audit Plan for 2014-15 is also contained in Annex 1. This is a shared plan which will be delivered across both Councils. The IT Audit Plan has been derived from the IT Audit Risk Assessment conducted in 2011. In total 7 IT Audits will be delivered by the IT Audit Contractor.

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 Plan 2014-15 & IT Audit Plan 2014-15

Appendix 2 – Audit Needs Assessment 2014-15

Appendix 3 – Available Audit Resources 2014-15

Background Papers

- Audit Plan File

Audit Plan 2014-15

Shared Service Audits

Audit Area	System Description	Service Lead Officer	Planned Days	Total Risk Score
Housing Benefits	A review of the systems and procedures in place to assess entitlement and to make payments in relation to Housing & Council Tax Benefit.	Head of Financial Management	40	High
Council Tax	A review of the systems and procedures in place to calculate the liability, issue bills, collect income and monitor arrears in relation to Council Tax.	Head of Financial Management	20	High
National Non-Domestic Rates	A review of the systems and procedures in place to calculate the liability, issue bills, collect income and monitor arrears in relation to NNDR (business rates).	Head of Financial Management	20	High
Payroll	A review of the systems and procedures for the accurate payment of employees and other costs associated with employment to other bodies e.g. Tax, NI and Pensions.	Head of HR	25	High
Creditors	A review of the systems and procedures in place to accurately pay all invoices for services and supplies used by the Council. This review will cover all aspects of the system not just the functions carried out by the Accounts Payable Team.	Head of Financial Management	25	High
Telecommunication Arrangements	A review of the telecommunications provision including landlines and mobile phones.	Head of Technology	20	Medium
Treasury Management	A review of the systems and procedures in place to arrange and record the Council's loans and investments and to ensure that the Council has sufficient cash flow to meet its needs and any surpluses are invested.	Head of Financial Management	20	Medium
Bank Reconciliation & Banking Arrangements	A review of the Banking operation of the Council and the reconciliation of the bank account.	Head of Financial Management	20	Medium

Audit Area	System Description	Service Lead Officer	Planned Days	Total Risk Score
Budgetary Control & Budget Setting	A review of the Council's budgeting process including the delivering change policy option process and the ongoing arrangements to monitor actual spend against the Council's budget.	Head of Financial Management	25	Medium
Benefits - Interventions Team	A review of the Housing Benefit Interventions team. The team review high risk claims and those which we are aware may have had undeclared changes such as rises in occupational pensions to ensure that correct assessments are carried out.	Head of Financial Management	15	Medium
Procurement	A review of the systems, procedures and strategy in place to support the Council's purchasing processes, including tendering requirements, and evidencing value for money in purchasing. Including the Tendering Procedures.	Head of Governance	20	Medium
Reprographics (inc photocopiers)	A review of the Council's reprographics functions used for printing committee papers and other printing/duplication requirements.	Head of Technology	15	Medium
Use of Purchasing Cards	A review of the systems in place for the control and use of the Council's purchasing cards and for the recording and verification of purchases made by this method.	Head of Financial Management	15	Medium
Civil Contingencies (Emergency Planning, Business Continuity)	A review of the systems and procedures to comply with the Council's duties under the Civil Contingencies Act. Also the procedures established by the Council to ensure its functions can continue to be delivered after events such as a fire in the Civic Offices	Head of Governance	20	Medium

Cannock Chase Specific

Audit Area	System Description	Service Lead Officer	Planned Days	Total Risk Score
Business Planning, Performance Management & Corporate Plans	A review of the systems and procedures relating to the Council's Business Planning Process and the linkages from the Operational/Service Business Plans through to the Portfolio Delivery Plans and the Corporate Plan including the management of performance of PIs	Chief Executive	20	Medium
Grounds Maintenance	A review of the management arrangements and contract monitoring of the Council's and Grounds Maintenance provision	Head of Commissioning	15	Medium
Fleet Management & Garage Workshop	A review of the operation and management of the Garage Workshop including the services provided to the Public and the operation of the Council's fleet of vehicles.	Head of Housing & Waste Management	15	Medium
Markets	A review of the Council's Markets provision but excluding street markets.	Head of Regeneration & Planning	15	Medium
Environmental Protection/Pollution Control	A review of the operation of the Council's responsibilities in relation to Environmental Protection and preventing and investigating pollution related incidents.	Head of Environmental Health	15	Medium
Local Authority Health & Safety Inspection & Enforcement	Health & Safety Inspections and Enforcement role of the Council.	Head of Environmental Health	15	Medium
Local Strategic Partnership	A review of the arrangements that the Council has for working in partnership with others. Will include reviews of the governance arrangements and the partnership management procedures.	Chief Executive	15	Medium
Rent Debit, Collection & Arrears	A review of the systems and procedures in place to issue bills, collect income and recover arrears in relation to rents for Council Houses.	Head of Housing & Waste Management	15	Medium
Miscellaneous Housing Act Responsibilities & Empty Homes Scheme	A review of the Council's arrangements for a variety of Private Sector Housing Responsibilities including multiple occupation, defective dwellings and Empty Property Responsibilities	Head of Environmental Health	15	Medium
Grants to Voluntary Organisations & Subscriptions	A review of the financial grants issued by the Council to voluntary organisations and a review of subscriptions/membership to groups etc.	Head of Financial Management	15	Medium
Pest Control & Dog Control	A review of the systems and procedures in place to monitor the contracts which provide a range of pest control services within the district including the dog catching and kennelling provision.	Head of Environmental Health	15	Medium

Audit Area	System Description	Service Lead Officer	Planned Days	Total Risk Score
Civic Expenses, (Hospitality, Regalia, Chairman's Fundraising & Ball etc.) to include Town Twinning	A review of the operation of Civic expenditure and the Chairman's fundraising activities and Ball.	Chief Executive	10	Medium
Governance Framework	Review of the Council's Governance Arrangements including Constitution, Code of Conduct, Gifts & Hospitality	Head of Governance	15	Medium
Health & Safety	A review of the systems and procedures in place to manage the Council's Health & Safety responsibilities.	Head of Governance	15	Medium
Urban Forestry Management & Tree Preservation Orders	A review of the operation and management of the Council's Tree related responsibilities.	Head of Commissioning	15	Medium

IT Audit Plan

Audit Area	System Description	Service Lead Officer	Planned Days	Total Risk Score
Theatre Booking System and Leisure Activities Booking System	A review of the booking system used at the Gatehouse Theatre and a review of the system used to book Sports Development and Holiday Activities. (Including a review of the associated paypal account)	Head of Leisure & Culture/Head of Technology (SBC only)	10	High
Webservers and Booking Systems Security	A review of the security and set-up of the webservers and third party booking systems operated by the Councils.	Head of Technology	8	High
Cloud Computing	A review of the Council's arrangements for Cloud Computing	Head of Technology	8	High
Wireless Networks	A review of the security and set-up of the Council's wireless networks.	Head of Technology	10	High
Upgrade/Patch Management (Thematic Review)	A review of the Council's arrangements for upgrading software and applying security and other patches from the suppliers.	Head of Technology	12	
Application Management & Operations (Thematic Review)	A review of the processes and procedures used by the Council to operate and manage the various IT applications in use.	Head of Technology	12	High
Total			60	

Audit Needs Assessment 2014-15

Shared Service Audits

Audit Area	Service Lead Officer	Planned Days	Risk Category
Housing Benefits	Head of Financial Management	40	High
Council Tax	Head of Financial Management	20	High
National Non-Domestic Rates	Head of Financial Management	20	High
Payroll	Head of HR	25	High
Creditors	Head of Financial Management	25	High
Telecommunications Costs	Head of Technology	20	Medium
Treasury Management	Head of Financial Management	20	Medium
Bank Reconciliation & Banking Arrangements	Head of Financial Management	20	Medium
Budgetary Control & Budget Setting	Head of Financial Management	25	Medium
Benefits - Interventions Team	Head of Financial Management	15	Medium
Procurement	Head of Governance	20	Medium
Reprographics (inc photocopiers)	Head of Technology	15	Medium
Use of Purchasing Cards	Head of Financial Management	15	Medium
Civil Contingencies (Emergency Planning, Business Continuity)	Head of Governance	20	Medium
Grants Procedures (Grants to the Council)	Head of Financial Management	10	Medium
E-Payments & residual cash income	Head of Financial Management	10	Medium
Capital Strategy & Capital Programme	Head of Financial Management	20	Medium
Value Added Tax	Head of Financial Management	20	Medium
Capital Accounting	Head of Financial Management	20	Medium
Managing Absence	Head of HR	15	Medium
Leasing	Head of Financial Management	20	Medium
Staff Timekeeping & Leave	Head of HR	20	Medium
Building Control & Inspection	Head of Regeneration & Planning	15	Medium
Sundry Debtors	Head of Financial Management	25	Medium
Recruitment & Selection Procedures	Head of HR	15	Medium
Staff Expenses	Head of HR	20	Medium
Housing Benefits Overpayment Team	Head of Financial Management	15	Medium
General Ledger	Head of Financial Management	25	Medium
Central Recharge Processes	Head of Financial Management	14	Medium
CRB Policy & Procedures	Head of HR	10	Medium
Training/Development, Staff Appraisals & PETS	Head of HR	14	Medium
Court Fees & Recovery, Legal Admin & Case Management System	Head of Law & Administration	14	Medium
Housing Benefit Fraud Investigation team	Head of Financial Management	20	Medium
LTB Control Section (Include DIPS)	Head of Financial Management	20	Medium
Re-evaluation, Regrade and Honoraria Procedures	Head of HR	15	Medium
Insurance	Head of Governance	25	Medium

Audit Area	Service Lead Officer	Planned Days	Risk Category
Regulation of Investigatory Powers Act Compliance	Head of Law & Administration	15	Medium
Risk Management	Head of Governance	15	Medium
Car Loans/Leasing	Head of HR	14	Medium
Mortgages	Head of Financial Management	14	Low
	Total Days	740	

Cannock Specific Audits

Audit Area	Service Lead Officer	Planned Days	Rank
Culture & Leisure Services Contract Monitoring (Client Function)	Head of Commissioning	15	High
Business Planning, Performance Management & Corporate Plans	Chief Executive	20	Medium
Grounds Maintenance	Head of Commissioning	15	Medium
Fleet Management & Garage Workshop	Head of Housing & Waste Management	15	Medium
Markets	Head of Regeneration & Planning	15	Medium
Environmental Protection/Pollution Control	Head of Environmental Health	15	Medium
Local Authority Health & Safety Inspection & Enforcement	Head of Environmental Health	15	Medium
Local Strategic Partnership	Chief Executive	15	Medium
Rent Debit, Collection & Arrears	Head of Housing & Waste Management	15	Medium
Miscellaneous Housing Act Responsibilities & Empty Homes Scheme	Head of Environmental Health	15	Medium
Grants to Voluntary Organisations & Subscriptions	Head of Financial Management	15	Medium
Pest Control & Dog Control	Head of Environmental Health	15	Medium
Civic Expenses, (Hospitality, Regalia, Chairman's Fundraising & Ball etc.) to include Town Twinning	Chief Executive	10	Medium
Street Cleansing	Head of Housing & Waste Management	15	Medium
Governance Framework	Head of Governance	15	Medium
Health & Safety	Head of Governance	15	Medium
Asset Management	Head of Regeneration & Planning	20	Medium
Non-Housing Maintenance	Head of Regeneration & Planning	15	Medium
Urban Forestry Management & Tree Preservation Orders	Head of Commissioning	15	Medium
Electoral Registration & Elections	Head of Governance	15	Medium
Lease Holder Recharges	Head of Housing & Waste Management	5	Medium
Land charges	Head of Governance	15	Medium
Private Sector Housing Grants	Head of Environmental Health	15	Medium
Community Engagement & Consultations	Chief Executive	10	Medium
Equality and Diversity	Chief Executive	14	Medium
Landscape Development	Head of Commissioning	14	Medium
Licensing & Hackney carriages	Head of Environmental Health	15	Medium

Audit Area	Service Lead Officer	Planned Days	Rank
Customer Services (CRM, Reception etc.)	Chief Executive	10	Medium
Strategic Housing	Head of Housing & Waste Management	10	Medium
Safeguarding Children & Vulnerable Adults	Head of Commissioning	10	Medium
Housing Property Services	Head of Housing & Waste Management	15	Medium
Information Management	Chief Executive	15	Medium
Utilities Management	Head of Regeneration & Planning	15	Medium
Housing Maintenance	Head of Housing & Waste Management	20	Medium
Refuse Collection and Recycling	Head of Housing & Waste Management	14	Medium
Cleaning & Caretaking Provision	Head of Regeneration & Planning		Medium
Allocations & Voids	Head of Housing & Waste Management	15	Medium
Property Management	Head of Regeneration & Planning	14	Medium
Scheme Managers and Sheltered Accommodation	Head of Housing & Waste Management	14	Medium
Sale of Council Houses	Head of Housing & Waste Management	10	Medium
Planning - Local Plan/Forward Planning	Head of Regeneration & Planning	14	Medium
Miscellaneous Engineering Functions (Christmas Decorations, Public Clocks, Bus Stations, Street Furniture & Land Drainage)	Head of Housing & Waste Management	9	Medium
Democratic Services	Head of Governance	14	Medium
Stores Function	Head of Housing & Waste Management	10	Medium
Allotments	Head of Commissioning	14	Medium
Members Allowances, PCs & Other Expenses	Head of Governance	15	Medium
Homelessness Provisions & Housing Options Team	Head of Housing & Waste Management	14	Medium
Home Security Grants	Head of Environmental Health	14	Medium
Countryside Management & Rangers Service	Head of Commissioning	14	Medium
Mortuary & Assisted Burials	Head of Environmental Health	15	Medium
Cemeteries	Head of Commissioning	15	Medium
Car Parks & Decriminalised Parking Enforcement	Head of Housing & Waste Management	15	Medium
Central Control (Social Alarms & CCTV)	Corporate Director	15	Medium
Localism Act and Transparency Agenda arrangements	Corporate	10	Medium
Estate Management & Caretakers	Head of Housing & Waste Management	15	Medium
Development Control (Planning Applications & Enforcement)	Head of Regeneration & Planning	14	Medium
Tenant Participation	Head of Housing & Waste Management	5	Medium
Support Services Admin	Chief Executive	15	Medium
Economic Development & Tourism (Including the LEP)	Head of Regeneration & Planning	14	Medium

Audit Area	Service Lead Officer	Planned Days	Rank
Public Relations & Communications	Chief Executive	15	Medium
Public Health & Other Enforcement	Head of Environmental Health	10	Medium
Food Safety Inspections and Enforcement	Head of Environmental Health	15	Medium
	Total Days	733	

Available Audit Resources 2014-15

	General Audit Total 5.6	IT Audit Support	Total Days
Staffing of the Team (Excludes Chief Internal Auditor)			
In House Total Days	1460		1460
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Plus External Support	0	60	
Days Available	1460	60	1520
Less Non Operational (Leave, training etc)	386		386
Chargeable Days	1074	60	1134
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<u>Chargeable Work</u>			
Financial Appraisals	9		9
Fraud	10		10
Advice, Consultancy	60		60
Contingency Budget	60		60
Follow-ups	30		30
Audits	905	60	965
Chargeable Days	1074	60	1134
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<u>Allocation of Resources to Audit Plan Requirements</u>			
Shared Service Audits	305		
Cannock Chase Specific Audits (see breakdown below)	268		
Stafford Specific Audits	332		
IT Audit Plan	60		
Total Days	965		
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Cannock Chase Specific Days			
Audit Plan Items	228		
Project/Contract Reviews	40		
	268		
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