

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

Audit & Governance Committee
20th August 2013
Internal Audit - Quarter 1 Report for 2013-14

1 Purpose of Report

- 1.1 To present to the Audit & Governance Committee for information the Internal Audit Quarter 1 Report for 2013-14.

2 Recommendations

- 2.1 That the Committee notes the contents of the Internal Audit Report for Quarter 1 of 2013-14.

3 Key Issues and Reasons for Recommendation

- 3.1 Attached at Appendix 1 is the Internal Audit Report for the first quarter of 2013-14.
- 3.2 Four audits have been completed to draft stage and a further two audits were in progress at the end of the quarter. This is in line with the planned performance of the section at the end of the first quarter.
- 3.3 One audit has been classified as Needs Fundamental Change, two as Requiring Some Improvement and one 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. 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 1 Report for 2013-14

Background Papers

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

Cannock Chase District Council Internal Audit Quarter 1 Report 2013-14

August 2013



Working Together

Audit Report Confidentiality and Freedom of Information Statement

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1. Introduction

1.1 This report is the first progress report to the Audit and Governance Committee on the work carried out in 2013-14 by the Internal Audit Section. It covers the period 1st April 2013 to 30th June 2013.

1.2 The report contains details of:-

- the performance of the section against the Internal Audit Plan for 2013-14 for the year to date;
- a summary of the level of assurance issued for each of the reports that have been issued in the quarter (a definition of each level of assurance is contained in Appendix 1); and
- the results of the follow-ups undertaken in the quarter; showing the original and the revised assurance after the follow-up has been completed.

2 Audit Performance

2.1 The 2013-14 Audit Plan has been profiled across the year. The following targets will be used for the cumulative completion of the full year's plan.

	Quarter %	No of Audits for Quarter	Cumulative %	Cumulative Total Number of Audits
Quarter 1	12	4	12	4
Quarter 2	26	9	38	13
Quarter 3	26	9	64	22
Quarter 4	36	12	100	34

2.2 The profiling for the first quarter is lower than others due to the finalisation of work from the previous year and likewise the profiling for the fourth quarter is higher as much of the audit work is finalised at the year end.

2.3 The following table contains the cumulative performance against the Audit Plan at the end of the first quarter of 2013-14 (April to June 2013):-





	Planned Audits	Actual Audits			
	Number	Complete	% Complete	Work In Progress	% WIP & Complete
Audit Plan	4	4	100%	2	150%

2.4 At the end of Quarter 1 of 2013-14, 4 audits have been completed to at least draft stage. This is on target for the planned progress for the team.

2.5 In addition to the completed work 2 audits are in progress but had not been completed by the end of the quarter.

- 2.6 At this time it is anticipated that the Audit Plan will be satisfactorily delivered by the end of the year.

3 Audits Completed

Audit	Head of Service	Risk	Assurance	Status	Number of Recommendations			
					High	Medium	Low	Total
Streetscene – Street Cleansing Function	Housing & Waste Management	High	Needs Fundamental Change 	Draft	2	21	1	24
Sale of Council Houses	Housing & Waste Management	High	Requiring Some Improvement 	Draft	0	13	5	18
Utilities Management	Regeneration & Planning	Medium	Requiring Some Improvement 	Draft	0	5	4	9
Mortuary & Assisted Burials	Environmental Health	Medium	Effective 	Final	0	0	1	1

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

Streetscene – Street Cleansing Function

- 3.2 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.
- 3.3 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.
- 3.4 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 is currently being agreed with management to ensure that the necessary improvements can be prioritised and actioned.

Sale of Council Houses

- 3.5 A systems based review was carried out of the arrangements for the Sale of Council houses under the Right to Buy Scheme.
- 3.6 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.





Utilities Management

- 3.7 A systems based review of the processes and procedures for the management and monitoring of payments for gas, electricity and water at Council owned premises was carried out.
- 3.8 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.

Audits in Progress

- 3.9 During the quarter work has commenced, but not yet been completed, on the following audits:
- Housing Property Services; and
 - Housing Maintenance & Stores;

4 Follow-ups Completed




Audit	Head of Service	Original Assurance	Implemented or In Progress	Not Implemented	Total	Revised Opinion
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 

- 4.1 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. Both of these areas will have a second follow-up later in the year.
- 4.2 The follow-ups in relation to Local Strategic Partnership, Countryside Management and Asset Management have commenced but were not completed in the quarter.

5 Other Areas

- 5.1 In addition to the planned audit work and a number of ad hoc queries for advice and guidance, the section has carried out the following pieces of work:-
- National Fraud Initiative Datamatching, and
 - a number of financial appraisals for contracts.





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. 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	Total Risk Score	In Progress	Draft Report	Final Report	Original Assurance	Follow-up Due
Streetscene – Street Cleansing Function	Housing & Waste Management	High	June 2013	June 2013		Needs Fundamental Change 	
Sale of Council Houses	Housing & Waste Management	High	April 2013	June 2013		Requiring Some Improvement 	
Utilities Management	Regeneration & Planning	Medium	May 2013	June 2013		Requiring Some Improvement 	
Mortuary & Assisted Burials	Environmental Health	Medium	April 2013	May 2013	June 2013	Effective 	
Housing Property Services	Housing & Waste Management	Medium	June 2013				
Housing Maintenance & Stores	Housing & Waste Management	Medium	May 2013				

Appendix 3Follow-Up Monitoring Information

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

Internal Audit

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Audit Area	Service Lead Officer	Risk	Original Assurance	Follow-up Due	Follow-Up In progress	Follow-up Completed	Revised Assurance	2nd Follow-Up Due?
Refuse Collection	Housing & Waste Management		Requiring Some Improvement 	June 2013	Deferred			
Housing Rents	Housing & Waste Management		Requiring Some Improvement 	June 2013				

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