

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

Audit & Governance Committee
27th November 2018
Internal Audit - Quarter 1 & 2 Report for 2018-19

1 Purpose of Report

- 1.1 To present to the Audit & Governance Committee for information the Internal Audit Quarter 1 & 2 Report for 2018-19

2 Recommendations

- 2.1 That the Committee notes the contents of the Internal Audit Report for Quarter 2 of 2018-19.
- 2.2 That the committee approves the IT Audit Plan set out in Appendix 5.

3 Key Issues and Reasons for Recommendation

- 3.1 At the end of the quarter nine audits had been completed at least to draft report stage and a further eight audits were in progress. No Limited or No Assurance Audits have been issued in the quarter.

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 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.

- 5.2 Appendix 1 shows the performance of the section which whilst below target at the end of quarter is not of significant concern due to the amount of work-in-progress. When this is taken into account there are no major concerns in relation to the completion of the audit plan by the end of the year
- 5.3 The table below gives a summary of the level of assurance for each of the audits completed in the quarter. More detailed information on each of the reports issued is contained in Appendix 2.

Number of Audits	Assurance	Definition
4	Substantial ✓	All High (Red) and Medium (Amber) risks have appropriate controls in place and these controls are operating effectively. No action is required by management.
5	Partial ▲	One or more Medium (Amber) risks are lacking appropriate controls and/or controls are not operating effectively to manage the risks. The residual risk score for the affected Medium risks are 6 or below. Prompt action is required by management to address the weaknesses identified in accordance with the agreed action plan.
0	Limited !	One or more Medium (Amber) risks are lacking appropriate controls and/or controls are not operating effectively to manage the risks. The residual risk score for the affected Medium risks are 9 or higher. Prompt action is required by management to address the weaknesses identified in accordance with the agreed action plan.
0	No Assurance ✘	One or more High (Red) risks are lacking appropriate controls and/or controls are not operating effectively to manage the risks. Immediate action is required by management to address the weaknesses identified in accordance with the agreed action plan.

- 5.4 Appendix 3 lists the audits that were in progress but had not been completed to draft report stage by the end of the quarter.
- 5.5 Appendix 4 contains the details of the follow-up audits issued in the quarter. Three follow-up reports have been issued in Quarter 2 some progress had been made in relation to all 3 areas but not sufficient for a revised assurance to be issued.

- 5.6 Appendix 5 contains the proposed IT Audit Plan for 2018-19 which has been agreed following an IT Audit Needs Assessment exercise carried out by the Council's IT Audit Contractor.

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 – Audit Performance

Appendix 2 – Audits Completed in Quarter 1

Appendix 3 – Audits In progress
Appendix 4 – Audit Follow-ups completed in the Quarter
Appendix 5 – IT Audit Plan for 2018-19

Previous Consideration


Background Papers

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




Appendix 1 - Audit Performance**Breakdown of the Planned Delivery of the Audit Plan by Quarter**






Target Completion	Quarter %	No of Audits for Quarter	Cumulative %	Cumulative Total Number of Audits
Quarter 1	10	3	10	3
Quarter 2	25	8	35	11
Quarter 3	25	8	60	19
Quarter 4	40	13	100	32


Cumulative Performance Information at the end of the Quarter

	Planned Audits	Actual Audits			
		Complete	% Of Completed	Work In Progress	% WIP & Complete
Audit Plan	11	9	82%	8	155%
Commentary	<p>The Section is slightly below target for the number of audits completed in the quarter.</p> <p>The Team has been carrying vacancies, but a new postholder started late in Q2. Additional Support has been provided through use of a Contractor but their work did not commence until Q2. We anticipate the situation will improve in later quarters.</p>				

Appendix 2 - Audits Completed in Quarters 1 & 2

Audit	Head of Service	Status	Number of High/Medium Recommendations	Assurance	Comments & Key Issues
Stores Function	Housing & Partnerships	Final	9	Partial 	<p>The issues identified during the audit were -</p> <ul style="list-style-type: none"> • procedure notes were not comprehensive and up to date; • risk assessments are not reviewed, updated and monitored on an ongoing basis; • stock taking procedures do not comply fully with insurance requirements; • security procedures within stores need to be tightened in relation to access to materials; and • market testing is not undertaken on a regular basis as in respect of suppliers for Stores items.
Street Cleansing	Environment & Healthy Lifestyles	Draft	8	Partial 	<p>The key weaknesses identified relate to -</p> <ul style="list-style-type: none"> • the overarching framework/specification for the operation of the function needs to be reviewed and updated • inspections need to be planned and programmed and an appropriate performance monitoring regime established.
Miscellaneous Engineering Functions (Public Clocks, Bus Stations, Street Furniture & Land Drainage)	Environment & Healthy Lifestyles	Final	4	Partial 	<p>The key weaknesses identified relate to –</p> <ul style="list-style-type: none"> • inspection documentation needs to be reviewed to ensure that it is robust and where possible includes photographic evidence • defects should be logged to allow common issues or trends to be identified. • departure data should be verified prior to payment agreements being made

Audit	Head of Service	Status	Number of High/Medium Recommendations	Assurance	Comments & Key Issues
Insurance	Governance & Corporate Services	Draft	2	Partial 	The key weaknesses identified relate to – <ul style="list-style-type: none"> the lack of a detailed documented insurance needs assessment being carried out in recent years to ensure the insurance cover remains appropriate and has taken account of all relevant emerging risks there are no regular performance reports issued to Heads of Service.
Public Relations & Marketing including Graphic Design	Governance & Corporate Services	Final	4	Partial 	The issues identified during the audit were - <ul style="list-style-type: none"> there was a need to update and reissue the communications strategy attempts should be made to develop a more formalised timetable with departments so that demands in work can be effectively planned for better records are needed to ensure the cost of campaigns can be monitored
Customer Services (CRM, Reception)	Governance & Corporate Services	Final	0	Substantial 	
Sale of Council Houses	Housing & Partnerships	Draft	0	Substantial 	
Banking Arrangements	Financial Management	Draft	0	Substantial 	

Audit	Head of Service	Status	Number of High/Medium Recommendations	Assurance	Comments & Key Issues
Pensions Assurance for the County	HR★	Final	0	Substantial 	







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



Appendix 3 - Audits in Progress

Audit	Head of Service
Fleet Management & Garage Workshop	Environment & Healthy Lifestyles
Culture and Leisure Services Contract Monitoring (Client Function)	Environment & Healthy Lifestyles
Housing Benefits	Financial Management
Council Tax	Financial Management
National Non Domestic Rates	Financial Management
Creditors	Financial Management
Partnerships & CCTV	Housing & Partnerships
Payroll	HR★

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Appendix 4 - Audit Follow-ups Completed in Quarters 1 & 2

Audit	Head of Service	Original Assurance	High/Medium Risk Recommendations				Revised Assurance	Comments & Key Outstanding Recommendations
			Implemented	In Progress	Not Implemented	Total		
Housing Maintenance	Housing & Partnerships	Partial 	0	0	2	2	Partial 	<ul style="list-style-type: none"> The level above which authorisation for variances are required still has not been reviewed and remains excessively high Performance reporting from the system has still to be developed. Both of these areas are due to technical difficulties with the software.
Property Management	Head of Development	Limited 	5	7	2	14	Partial 	Some improvements have been made but the systems still remain undocumented and although permission has been given to purchase software to assist in maintaining records this has yet to be implemented. The progress in implementing the recommendations has been affected by capacity issues in the team although this is being addressed via recruitment to the vacant manager post.
Community Infrastructure Levy	Head of Development	Partial 	10	0	0	10	Substantial 	

Audit	Head of Service	Original Assurance	High/Medium Risk Recommendations				Revised Assurance	Comments & Key Outstanding Recommendations
			Implemented	In Progress	Not Implemented	Total		
Pest Control & Dog Warden	Head of Operations★	Partial 	3	0	0	3	Substantial 	

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Appendix 5 - IT Audit Plan

Following an IT Needs assessment carried out by the Council's IT Audit Contractor it has been agreed that the following audits would be included in the IT Audit Plan for 2018-19. The IT Needs Assessment was carried out in consultation with the Head of Technology.

Audit	Description	Number of Days
Mobile Device Management incorporating Smartphones and their usage/ controls.	To review the controls in place to manage mobile devices and smartphones used across the Council.	10
IT Project Management	To provide assurance that there are adequate arrangements in place governing the management and delivery of IT projects across the Councils. This audit will focus on current or planned IT projects.	10
PCI-DSS	To provide assurance that the Councils' arrangements for processing card payments comply with the requirements of the Payment Card Industry Data Security Standards (PCI-DSS).	10
IT Strategy	To provide assurance that there are adequate arrangements in place to develop and deliver the Councils' IT strategy	8

Audit	Description	Number of Days
Northgate Housing Application	To provide assurance that there are adequate arrangements in place regarding the management and security of the Northgate Housing application. The Head of Technology indicated that this is a significant IT application for the Councils.	12