Report of:	Chief Internal Auditor & Risk Manager
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AUDIT & GOVERNANCE COMMITTEE

3 DECEMBER 2019

INTERNAL AUDIT - QUARTER 1 & 2 REPORT FOR 2019-20

1   Purpose of Report

1.1   To present to the Audit & Governance Committee for information the Internal Audit Quarter 1 & 2 Report for 2019-20.

2   Recommendations

2.1   That the Committee notes the contents of the Internal Audit Report for Quarter 2 of 2019-20

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 six audits were in progress. One Limited had 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
2	**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 mange 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.
1	**Limited** !	One or more Medium (Amber) risks are lacking appropriate controls and/or controls are not operating effectively to mange 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 mange the risks. Immediate action is required by management to address the weaknesses identified in accordance with the agreed action plan.
1	**N/A**	One piece of work was issued where it was not appropriate to issue an Assurance due to the narrow scope of the work – this was in relation to Pension Testing on behalf of Staffordshire County Council.

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 2 areas but not sufficient for a revised assurance to be issued a further two areas were able to be reclassified as Substantial Assurance.

5.6   Appendix 5 contains the proposed IT Audit Plan for 2019-20 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 2019-20

Background Papers

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

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	11	3	11	3
Quarter 2	**23**	**6**	**35**	**9**
Quarter 3	23	6	65	15
Quarter 4	42	11	100	26

Cumulative Performance Information at the end of the Quarter

	Planned Audits	Actual Audits			
		Complete	% Of Completed	Work In Progress	% WIP & Complete
Audit Plan	9	**9**	**100**	6	166%
Commentary	We are currently on track to complete the Audit Plan by the end of the year.				✔

Audits Completed in Quarters 1 & 2

Audit	Head of Service	Status	Number of High/Medium Recommendations	Assurance	Comments & Key Issues
Housing Application (Northgate)	Housing/ Technology★	Draft	3	Limited ❗	The Limited Assurance is due to • the lack of a post-implementation review means that the Council is not clear if the project has been successfully completed and the software is delivering its anticipated benefits. • at the time of the audit there was a lack of a robust upgrade and patch-management process and that the software in use was 2 versions behind the latest release meaning security and other issues had not been resolved • the external contractor who manages the upgrades/patches for the system had an inappropriately high level of access to the system potentially putting personal data at risk of loss or unauthorised disclosure.
Housing Benefits Overpayment Team	Finance	Final	1	Partial ▲	The partial assurance is due to the lack of a current, comprehensive Debt Write-off procedure.
Countryside Management & Rangers Service	Environment & Healthy Lifestyles	Draft	3	Partial ▲	The Partial Assurance is due to the following issues - • The draft fire risk assessment for Hednesford Hills needs to be finalised and include consultation with the Fire Service • There was a lack of appropriate records for damage to equipment/vehicles and lack of evidence of regular servicing of tools/equipment. • Volunteer agreements could not be found for all volunteers.

Audit	Head of Service	Status	Number of High/Medium Recommendations	Assurance	Comments & Key Issues
Mobile Devices	Technology★	Final	6	Partial	The Partial Assurance is due to the following issues - • There was a lack of control over the disposal of physical media holding confidential data including infrequent destruction and a lack of inventory of the items held awaiting destruction. The Council also had not verified the contractor's security certifications to ensure they had independent accreditation. • IT Policies on Mobile Devices need to be updated to reflect changes in usage including agile and responses need to be obtained from all users as currently only 21% of employees had acknowledged they would comply with the IT Policies. • There was a lack of reconciliation by IT of mobile devices held by departments against the inventory to ensure items had not been lost of misplaced. • Password complexity in line with the IT Security Policy had not been enforced on the network and exchange server.
IT Strategy	Technology★	Final	2	Partial	The Partial Assurance is due to a need for improved engagement with Leadership Team in the understanding of the business needs of the Council when determining the IT Strategy. In addition greater oversight and monitoring of progress of actions to deliver the Strategy is required. The Strategy itself is in need of review to reflect changes in working practices such as the introduction of Agile working at Stafford BC and a move to use cloud based solutions such as Office365.

Audit	Head of Service	Status	Number of High/Medium Recommendations	Assurance	Comments & Key Issues
IT Project Management	Technology★	Final	6	Partial	The Partial Assurance is due to: • Failure to ensure all business cases for IT projects have appropriate approval to ensure the projects are appropriately scoped/defined, have clear anticipated objectives to deliver and align with business needs. • Appropriate testing is not always carried out to ensure the projects have effectively delivered the agreed outcomes. • Appropriate project oversight is not always established for the projects which may mean delays and other issues are not identified of addressed effectively.
Town Centre Management & Development	Economic Prosperity	Final	0	Substantial	
Economic Development & Tourism (Exclude the LEP)	Economic Prosperity	Final	0	Substantial	
Pensions Assurance for the County	HR★	Final	0	N/A	

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Audits in Progress

Audit	Head of Service
Safeguarding Children & Vulnerable Adults	Housing & Partnerships
Housing Social Alarms Arrangements	Housing & Partnerships
Private Sector Housing Grants	Environment & Healthy Lifestyles
Management of Parks & Open Spaces	Environment & Healthy Lifestyles
Payroll	Human Resources★
Payment Card Industry Data Security Standard	Financial Management / Technology★

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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		
Miscellaneous Engineering Functions	Environment & Healthy Lifestyles	Partial ▲	0	2	0	2	Partial ▲	• Work on developing the "Cannock Chase App" to allow electronic recording of inspections has stalled following the IT member of staff working on this leaving the Council.
Stores Function	Housing & Partnerships	Partial ▲	0	4	0	4	Partial ▲	• Methods for controlling the issue of stock to teams outside of Housing Maintenance still need to be reviewed to ensure appropriate authorisation has been obtained for the items • Documented procedures still need to be finalised and issued • Market testing of suppliers still needs to be carried out, this has currently stalled pending the review & rationalisation of the Depot site. • All write-offs/disposal of obsolete/damaged stock still need to be carried out in accordance with Financial Regulations.
Homelessness Provisions & Housing Options Team	Housing & Partnerships	Partial ▲	1	1	0	2	Partial ▲	• There is still a need to fully document processes and issue new Policies & Procedures following the introduction of new legislation.

Audit	Head of Service	Original Assurance	High/Medium Risk Recommendations				Revised Assurance	Comments & Key Outstanding Recommendations
			Implemented	In Progress	Not Implemented	Total		
Street Cleansing	Environment & Healthy Lifestyles	Partial ▲	3	4	1	8	Partial ▲	• Work remains to document the sections procedures, especially around supervision and general routines • Work on an updated specification for the service is to be looked at as part of the business case to merge both Street Cleansing and Parks and Open Spaces under one team as following the completion of the Environmental Services review • A quote has been received for routing software which is now with the Head of Service for review • A Fleet Users group has been set up with the aim of standardising drivers guidance and reporting across the Council
Lease Holder Recharges	Housing & Partnerships	Partial ▲	0	5	1	6	Partial ▲	• Some work has been carried out on producing procedure notes on how recharges are calculated • Work has not been progressed to record all Leaseholder information on Northgate due to issues loading the data. • Work has not progressed to consider if admin costs should be recovered from Leaseholders as part of the fee. • Streamlining of the billing

Audit	Head of Service	Original Assurance	High/Medium Risk Recommendations				Revised Assurance	Comments & Key Outstanding Recommendations
			Implemented	In Progress	Not Implemented	Total		
Public Relations & Communications	Governance & Corporate Services	Partial ▲	0	2	0	2	Substantial ✓	
Insurance	Governance & Corporate Services	Partial ▲	2	0	0	2	Substantial ✓	

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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 2019-20. The IT Needs Assessment was carried out in consultation with the Head of Technology.

Audit	Description	Number of Days
IT Disaster Recovery and Back up management	The purpose of the review is to provide assurance over the design and viability of the IT Disaster recovery planning arrangements, processes and underlying controls. This should be developed and owned by the IT Department.	12
IT Capacity Management & Resilience	To provide assurance that Service availability, efficient management of resources, and optimisation of system performance through prediction of future performance and capacity requirements are maintained.	14
Critical Information Systems not supported by IT/Corporate Department	To identify the Councils' critical information systems to provide assurance over the risks associated with systems not managed Corporately.	14