Report of:	Chief Internal Auditor & Risk Manager
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AUDIT & GOVERNANCE COMMITTEE
26 MARCH 2019
INTERNAL AUDIT QUARTER 3 REPORT FOR 2018-19

1   Purpose of Report

1.1   To present to the Audit & Governance Committee for information the Internal Audit Quarter 3 Report for 2018-19.

2   Recommendation

2.1   That the Committee notes the contents of the Internal Audit Report for Quarter 3 of 2018-19

3   Key Issues and Reasons for Recommendation

3.1   At the end of the quarter, seventeen audits had been completed at least to draft report stage and a further three 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
1	**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.
10	**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.
0	**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.

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. Four follow-up reports have been issued in Quarter 3 some progress had been made in relation to two areas but not sufficient for a revised assurance to be issued. The other 2 audits had made sufficient progress for the assurance level to be reclassified as Substantial.

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 3

Appendix 3:   Audits in Progress

Appendix 4:   Audit Follow-ups completed in Quarter 3

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	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	19	**17**	**89%**	3	105%
Commentary	The Section is slightly below target in relation to the completed audits for the quarter.				
	However when taking into account the work in progress this improves the situation. At the start of the year the team was carrying a vacancy and there has been a higher level of sickness than anticipated in quarter 3. It is forecast that the majority of the planned Audit work will be completed by the end of the year.				

Audits Completed in Quarter 3

Audit	Head of Service	Status	Number of High/Medium Recommendations	Assurance	Comments & Key Issues
Stores Function	Housing & Partnerships	Final	9	Partial	The main areas of weaknesses were – • A need to ensure procedure notes are comprehensive and up-to-date • Some risk assessments needed to be updated • Stock-takes need to comply with Insurance requirements • Procedures around security and access to stock need to be reviewed. • Regular market testing is needed in relation to the procurement of items held in the stores.
Culture and Leisure Services Contract Monitoring (Client Function)	Environment & Healthy Lifestyles	Draft	6	Partial	The main areas of weaknesses were – • A number of amendments needed to be made to the Contract Documents, such as previously agreed changes to the Management Fee. There is a need to ensure all such changes are documented promptly via Legal Agreements. • Limited independent verification was carried out by the Council on the performance information supplied by the Contractor to demonstrate they were meeting the Council's objectives.
Street Cleansing	Environment & Healthy Lifestyles	Final	8	Partial	The framework around which the service runs is in need of review i.e. the specification for the service to ensure that it remains appropriate, and also the performance management arrangements, to ensure that the service can operate in the most efficient and effective way possible based on the resources available.

Audit	Head of Service	Status	Number of High/Medium Recommendations	Assurance	Comments & Key Issues
Miscellaneous Engineering Functions (Public Clocks, Bus Stations, Street Furniture & Land Drainage)	Environment & Healthy Lifestyles	Final	4	Partial	The main areas of weaknesses were – • a need to review documentation used to record inspections to ensure that it is sufficiently robust and to consider the use of photographs to support comments made where defects/issues have been identified • a need to maintaining a log of issues/defects that have been identified to help identify trends and issues; and • a need to sample check data sent in respect of bus departure fees to ensure that it is correct prior to agreeing payment amounts
National Non Domestic Rates	Financial Management	Draft	1	Partial	Some improvements were required in the procedures and documentation used by the Visiting Officers when checking empty properties for relief.
Partnerships & CCTV	Housing & Partnerships	Draft	7	Partial	The areas of weakness related to – • A need to update the Terms of Reference/Memorandum of Agreement for the Local Strategic Partnership • A review of documentation was needed to include Equality & Diversity GDPR implications. • A Partnership Risk register needs to be established. • Procedure Notes and Business Continuity Plans need to be updated following the relocation of the CCTV Control Room.

Audit	Head of Service	Status	Number of High/Medium Recommendations	Assurance	Comments & Key Issues
Public Relations & Marketing including Graphic Design	Governance & Corporate Services	Final	4	Partial ▲	The main areas of weaknesses were – • a need to review and update the Communications Strategy • a need to raise awareness of the team and services to Council departments. • creating a more formalised approach to future work to allow the team to plan/timetable work more efficiently and to ensure services don't incur external costs for advertising etc that can be sourced for free. • Time/cost recording against campaigns does not occur which means the true cost of the campaign is not known.
General Ledger (Total) IT Application and Management	Technology★/ Financial Management	Final	4	Partial ▲	• The system administrator roles within Finance were not fully defined and there was over reliance on one person for system administration tasks. • There was a lack of documentation relating to system parameter changes, system set-up and bespoke changes to reports and operations.
Cyber Security	Technology★	Final	2	Partial ▲	• Some of the security applications were not updated to the latest versions at the time of the review but were in a programme of work to be completed. • The IT Risk Register was in need of review at the time of the audit – it is recognised that this has been updated post-audit
External Data Transfers	Technology★	Final	3	Partial ▲	• Data transfers were not being undertaken in accordance with the Council's policy • There was no central record of external data transfers held despite this being a requirement of the policy. • Not all external data transfers were subject to appropriate risk assessment/justification recording prior to being sent.

Audit	Head of Service	Status	Number of High/Medium Recommendations	Assurance	Comments & Key Issues
Banking Arrangements	Financial Management	Final	0	Substantial ✓	

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

Audits in Progress

Audit	Head of Service
Staff Timekeeping and Leave	HR★
Fleet Management & Garage Workshop	Environment & Healthy Lifestyles
Creditors	Financial Management

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Audit Follow-ups Completed in Quarter 3

Audit	Head of Service	Original Assurance	High/Medium Risk Recommendations				Revised Assurance	Comments & Key Outstanding Recommendations
			Implemented	In Progress	Not Implemented	Total		
Lease Holder Recharges	Housing & Partnerships	Partial ▲	0	5	1	6	Partial ▲	• Work was still needed to document the process used to calculate the recharges. • The Leaseholder records on Northgate are still not complete due to technical issues in relation to the upload of information into Northgate. • Work needs to progress on verifying the Grounds Maintenance costs.
Homelessness Provisions & Housing Options Team	Housing & Partnerships	Partial ▲	0	3	0	3	Partial ▲	• Work was still ongoing to update the policies & procedures following the implementation of the "duty to refer" • Work was still needed to ensure Value for Money was being achieved in relation to temporary accommodation / Bed & Breakfast costs. • The Housing Advice information on the website was still under review.
Cemeteries	Environment & Health Lifestyles	Partial ▲	2	0	0	2	Substantial ✓	

Audit	Head of Service	Original Assurance	High/Medium Risk Recommendations				Revised Assurance	Comments & Key Outstanding Recommendations
			Implemented	In Progress	Not Implemented	Total		
Planning - Local Plan/ Forward Planning	Economic Prosperity	Partial ▲	2	0	0	2	Substantial ✓	