

# East Staffordshire Borough Council

## Internal Audit Annual Report & Opinion 2022/23

May 2023



**cw audit**  
audit and assurance services

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# 1. Introduction

This annual report provides my opinion (see section 2) as the Head of Internal Audit to East Staffordshire Borough Council. It also summarises the activities of Internal Audit for the period 1<sup>st</sup> April 2022 to 31<sup>st</sup> March 2023.

The Council is required by the Accounts & Audit Regulations 2015 to “to undertake an adequate and effective internal audit of its accounting records and of its system of internal control, taking into account public sector internal auditing standards or guidance”. The Public Sector Internal Audit Standards (PSIAS) require the Head of Internal Audit to provide a written report to those charged with governance, to support the Annual Governance Statement, AGS), setting out:

- an opinion on the overall adequacy and effectiveness of the organisation’s control environment.
- any qualifications to that opinion, together with the reasons for that qualification.
- a summary of the work carried out by Internal Audit during the year from which the opinion is derived, including any reliance that is being placed upon third party assurances.
- any issues the Head of Internal Audit deems particularly relevant to the Annual Governance Statement (AGS).
- delivery and performance of the Internal Audit function against that planned.
- comment on compliance with these Standards and the results of any quality assurance programme.

The Council should consider my opinion, together with management assurances, its own knowledge of the organisation and assurances received throughout the year from other review bodies (such as External Audit) when producing its AGS.

My opinion takes into account the range of individual opinions arising from risk-based audit assignments that have been reported throughout the year. An internal audit plan was developed to provide you with independent assurance on the adequacy and effectiveness of systems of control across a range of financial and organisational areas. **A summary of the work we have performed and delivery against the plan is provided in section 3.**

Alongside the delivery of the operational internal audit work, we have met regularly with Council management to ensure any issues regarding our performance can be highlighted and any necessary action taken to resolve these. No significant issues or concerns regarding the internal audit service have been raised to date.

I have discussed and agreed this Annual Report and Head of Internal Audit Opinion with the Section 151 Officer. Further detailed findings, conclusions and recommendations in the areas covered by our internal audit plan are detailed within the progress reports and individual assignment reports that have been issued to the Audit Committee during the year.

## 2. Annual Head of Internal Audit Opinion

### Roles and responsibilities

The organisation is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements.

Internal Audit provides an independent and objective opinion to the organisation on the control environment and plays a vital part in advising the organisation whether these arrangements are in place and operating correctly.

The Annual Governance Statement (AGS) is an annual statement that recognises, records, and publishes an authority's governance arrangements.

In accordance with PSIAS, the Head of Internal Audit (HoIA) is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes (i.e. the organisation's system of internal control). This is achieved through a risk-based plan of work, agreed with management and approved by the Audit Committee, which should provide a reasonable level of assurance, subject to the inherent limitations described below.

The opinion does not imply that Internal Audit have reviewed all risks and assurances relating to the organisation. The opinion is substantially derived from the conduct of risk-based plans. As such, it is one component that the organisation takes into account in making its AGS.

## The Head of Internal Audit Opinion

My opinion is set out as follows:

1. Overall opinion;
2. Basis for the opinion;

My **overall opinion** is that **significant** assurance can be given that there is a generally sound system of internal control, designed to meet the organisation's objectives, and that controls are generally being applied consistently. However, some weakness in the design and/or inconsistent application of controls put the achievement of particular objectives at risk.

The basis for forming my opinion is as follows:

1. An initial assessment of the design and operation of the underpinning risk management framework and supporting processes; and
2. An assessment of the range of individual opinions arising from risk-based audit assignments contained within internal audit risk-based plans that have been reported throughout the year. This assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing control weaknesses.
3. Any reliance that is being placed upon third party assurances.

## 3. Work undertaken during the year

### Summary of assurances provided

During the course of the year we have conducted work to provide assurance over financial, governance and operational systems. Appendix 1 summarises the assurance levels that have been provided during the course of the financial year.

### Delivery of the plan

An internal audit plan for 2022/23 was developed to provide you with independent assurance on the adequacy and effectiveness of systems of control across a range of financial and organisational areas. To achieve this our internal audit plan was divided into two broad categories; work on the financial systems that underpin your financial processing and reporting and then broader risk focused work driven essentially by principal risk areas that had been identified in your risk register. A summary of work undertaken is included below:

- We have undertaken reviews of your core financial, revenues and benefits systems and given full or significant assurance with regard to the management of risk in these areas.
- We confirmed that the Council's overarching risk management arrangements in place during the 2022/23 year were sufficiently robust.
- We have undertaken a number of pieces of work on areas of principal risk. We have been able to conclude that these systems are generally robust and operate in a good control environment.

It is my view, taking account of the respective levels of assurance provided for each audit review, an assessment of the relevant weighting of each individual assignment and the extent to which agreed actions have been implemented, that you have a generally sound system of internal control.

We are pleased to report that our work has not highlighted any weaknesses that should be regarded as Significant Internal Control Issues that would require disclosure within your AGS. We did however identify some weaknesses in control that caused us to limit the level of assurance we could give in for some of the broader risk focused work that we undertook during the year, summarised as follows:

## **Commercial Property Management**

- The audit highlighted some areas where control improvements were required to ensure that records of properties and leases are accurate and that commercial properties are utilised and maintained in accordance with lease conditions and statutory requirements. Action has subsequently taken to address recommendations wherever possible, however the implementation of five recommendations remain dependant on the introduction of a new Terrier system.

## **Car Park Income**

- This audit highlighted that the long-term sickness and vacancies contributed to a reduction in the level of control over car park income compared with previous audits. There was a lack of reconciliation controls in place to ensure that all car park ticket machine income and season ticket income had been received in full. Additionally, there were no controls operating to confirm the accuracy of charges raised to the Council in respect of cash collections. Action has subsequently been taken to address these weaknesses.

## **Third party assurances**

In arriving at our overall Annual Head of Internal Audit Opinion, we have not sought to place reliance on any third party assurances.

## **Following up of actions arising from our work**

All agreed actions are subject to an ongoing self-assessment recommendation tracking process, which is supplemented by follow-up reviews where this is deemed necessary. In addition, elements of our work involve annual coverage of key areas of control for the organisation, such as in relation to key financial systems, and in such cases we also routinely follow up previously agreed actions. A summary of the recommendation tracking results has been included in every progress report submitted to the Audit Committee during the 2022/23 year. We are in the process of transferring to a new recommendation tracking system following CW Audit's merger with 360 Assurance, and a summary of the current position will be included in the first progress report for the 2023/24 year. Appendix 2 provides an analysis of recommendations raised during the 2022/23 year.

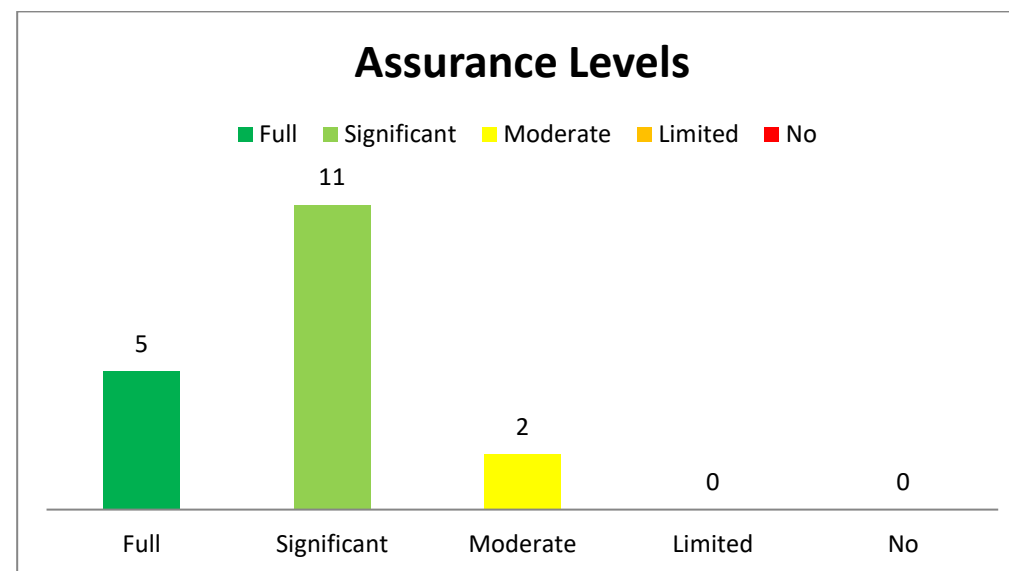
## **Quality Assurance**

All audits have been conducted in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS), which includes evidenced review by senior management of all audit files and reports produced. I can confirm that there have been no issues of non-compliance with the PSIAS during the course of the year.



## Levels of Assurance – Individual Audit Assignments

Description of audit	Assurance level
Commercial Property Management	Moderate
Complaints	Significant
Democracy & Elections	Full
National Fraud Initiative	N/A
Risk Management	N/A
Financial Management & Reporting	Full
Cyber Security	Significant
Creditors	Significant
Disposals - Bargates	Full
Payroll	Full
Benefits	Significant
Homelessness	Significant
Revenues (Council Tax & Business Rates)	Significant
Waste Management	Significant
Car Park Income	Moderate
Cemeteries	Significant
Community Safety	Significant
Food Safety	Significant
Selective Licensing	Significant
Disabled Facilities Grant	Full
Test & Trace Grant	Certification provided
Contain Outbreak Management Fund	Certification provided
Property Flood Resilience Recovery Support Scheme	Certification provided
Homelessness / Rough Sleeper Grants	Certification provided

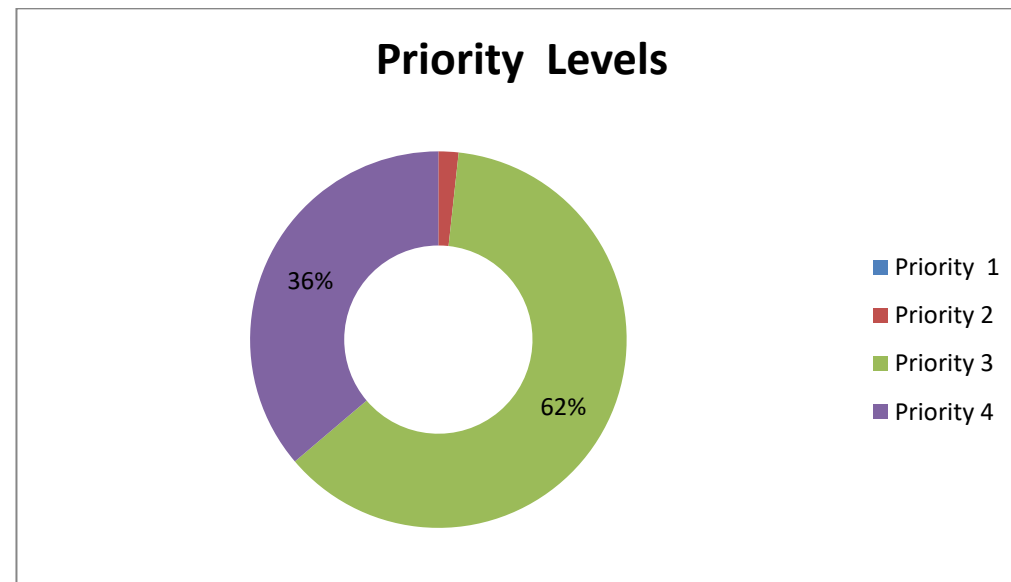


Level of assurance	Criteria
Full	No significant risk issues identified.
Significant	Exposure to levels of risk that may only impair the effectiveness of the system or process under review.
Moderate	Exposure to levels of risk that render some elements of the system's control environment undeliverable.
Limited	Exposure to unacceptable level of risk that could have a serious impact upon the system or process under review.
No	Exposure to unacceptable levels of risk that could have a serious impact upon the organisation as a whole.

## Summary of Internal Audit Recommendations

### Recommendations made in 2022/23

Priority	Number
1	0
2	1
3	36
4	21
<b>Total</b>	<b>58</b>



### Definition of our risk rankings

Risk ranking	Assessment rationale
1	The system has been subject to high levels of risk that have, or could, prevent the system from meeting its objectives, and which may also impact on the delivery of one or more of the organisation's strategic objectives.
2	The system has been subject to high levels of risk that have, or could, prevent the system from meeting its objectives, but which are unlikely to impact on any of the organisation's strategic objectives.
3	The system has been subject to medium levels of risk that have, or could, impair the system from meeting its objectives.
4	The system has been subject to low levels of risk that have, or could, reduce its operational effectiveness.