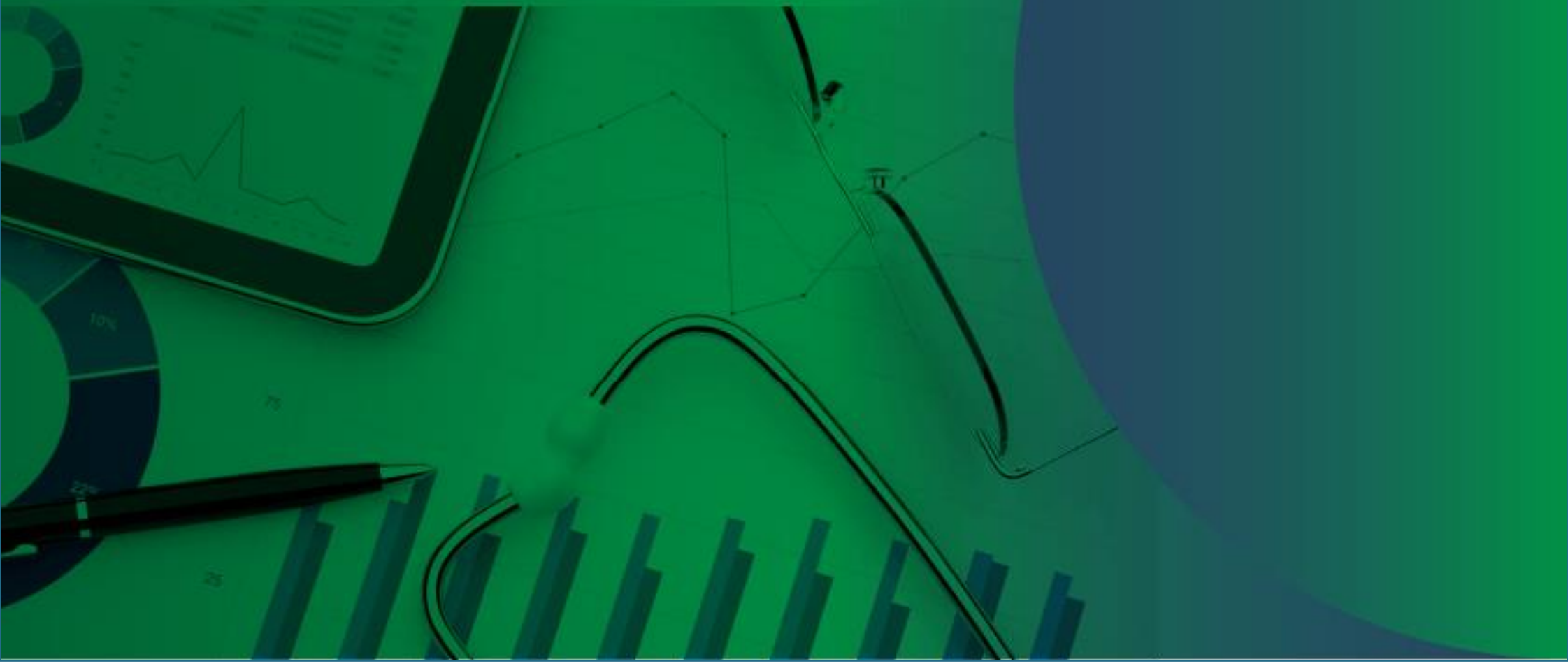




East Staffordshire Borough Council

Internal Audit Progress Report

8th February 2024



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The matters reported are only those which have come to our attention during the course of our work and that we believe need to be brought to the attention of East Staffordshire Borough Council. They are not a comprehensive record of all matters arising and 360 Assurance is not responsible for reporting all risks or all internal control weaknesses to East Staffordshire Borough Council.

The appointment of 360 Assurance does not replace or limit the Council's own responsibility for putting in place proper arrangements to ensure that its operations are conducted in accordance with the law, guidance, good governance and any applicable standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

This report has been prepared solely for your use in accordance with the terms of the aforementioned agreement (including the limitations of liability set out therein) and must not be quoted in whole or in part without the prior written consent of 360 Assurance.

This paper identifies progress made in relation to completion of work from the Council's 2023/24 Internal Audit Plan and brings to your attention matters relevant to your responsibilities as members of the Audit Committee.

This progress report provides a summary of Internal Audit activity and complies with the requirements of Public Sector Internal Audit Standards.

This progress report covers the work carried out during the period October 2023 to January 2024.

Action required

The Audit Committee is asked to:

Note the key messages and progress made against the Internal Audit Plan since the last meeting.

Receive the information and guidance papers produced by 360 Assurance and seek assurance from the Council that the issues raised are being considered and, where necessary, addressed by the Council.

Key contacts

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Key messages

Since the last Audit Committee we have:

- Issued 1 final report
 - Head of Internal Audit Opinion Stage 1 Memo
- Issued 6 draft reports:
 - Payroll
 - Staff Recruitment
 - Brewhouse Income
 - Member Induction
 - Performance Management
 - Stronger Towns Fund Follow-up
- Undertaken audit fieldwork for a number of audits.
- Held planning meetings with Council officers to develop and agreed Terms of Reference. See Appendix C for details.
- Held introductory meetings with the interim and new S151 Officers.

We draw Audit Committee’s attention to the following:

- The overall implementation of recommendations with original completion dates between 1st April 2023 to 31st January 2024 (2023/24) so far is **61%**.
- There are **12** overdue actions relating to 2023/24 at the time of writing. See page 4 and Appendix E for more details.
- There are **2** historic actions originally due prior to 1 April 2023 that remain open. These are detailed in Appendix E.

Contract performance

Planned audits	Audits completed to report stage	% complete
15	9	60 %

Planned grant certifications	Grant certifications completed	% complete
7	4	57 %

A summary of internal audit plan progress to date can be seen at Appendix A.

A summary of audits completed is provided at Appendix B.

We have provided at Appendix D a summary of our performance in relation to Key Performance Indicators detailed in our Service Level Agreement with the Council.

Service benefits and other matters



Events

Papers from our events are available on our website <https://www.360assurance.co.uk/events/>



Client briefing and other publications

We regularly publish articles and all of these together with our monthly briefings are on our website.

<https://www.360assurance.co.uk/news-publications/>

Work completed

Since our last report to you we have published the following reports:

Audit	Opinion	High	Medium	Low	Advisory
Head of Internal Audit Opinion Stage 1 Memo	Advisory at stage 1	-	3	-	-

We have issued six draft reports since the last meeting and are in the process of discussing our findings and obtaining management responses from Council officers.

Once management responses have been received and audit reports agreed they will be reported to the Audit Committee.

Terms of Reference issued

Since our last report to you, the following Terms of Reference have been developed with Council Officers:

- Payroll
- Financial Ledger Management and Reporting
- Revenues
- Benefits

These are detailed for Audit Committee information in Appendix C.

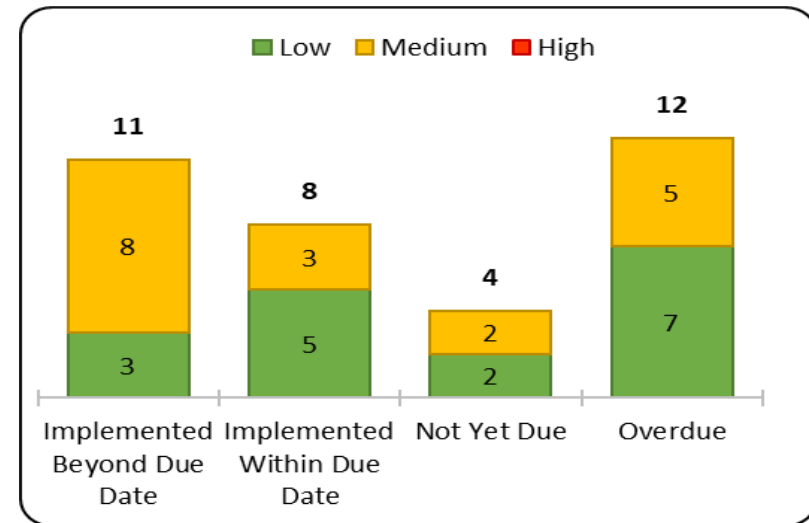
Planning meetings with Council Officers to discuss and agree the scope and coverage of planned work in quarter four are in progress.

Status of agreed actions

The implementation of actions is undertaken using a 'live' follow up system. A summary of the current status of all follow up activity is attached at Appendix E, however, we would draw the committee's attention to the following:

- For a significant opinion on this element we would expect to see a robust process and proactive culture in the organisation on internal audit actions, high risks to be closed at their original due date, over 75% of actions to be implemented by 31 March 2024 and progress to have been made on historic actions.
- The overall implementation rate is currently **61%** (19 of 31).
- The first follow up rate (implemented within original due date) for 2023/24 is **26%** (8 of 31).
- There are **14** actions still open that have not been implemented within their due dates. These are shown in summary together with any actions in progress at Appendix E and include:
 - 12 actions due between 1st April 2023 and 31st January 2024.
 - 2 historic actions originally due prior to 1 April 2023.

The chart below summarises the progress against agreed actions in-year to date, for Internal Audit.



This report summarises the work in the reporting period in respect of Internal Audit at the Council. The Client Manager and Assistant Director meet with the Chief Finance Officer and S151 Officer regularly to discuss progress against the plan and to monitor and evaluate the effectiveness of this work which informs the Council's plan.

Members are invited to raise any questions.

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The table below summarises progress against the 2023/24 Internal Audit Plan (**bold** denotes core area to support HOIA opinion):

Ref.	Audit	Planned timing	Status	Assurance level provided	Date reported to Audit Committee
Corporate					
1	Head of Internal Audit Opinion (core)	Q1 -4	Stage 1 completed	Advisory	8 February 2024
2	Governance Arrangements (core)	Q4	Planning	-	-
3	Anti-Fraud and Corruption	Q2	Completed	Not Applicable	-
4	National Fraud Initiative	Q1 - 4	In progress	Advisory	-
Chief Executive – Andy O’Brien					
5	Human Resources (core)	Q1/2	Draft report issued	-	-
6	Member Induction	Q3	Draft report issued	-	-
7	Payroll	Q3	Draft report issued	-	-
Head of Corporate and Environment Services– Mark Rizk					
8	Performance Management (core)	Q3	Draft report issued	-	-
Interim Chief Financial Officer and Section 151 – Lloyd Haynes					
9	Financial Ledger Management and Reporting (core)	Q4	ToR agreed, fieldwork scheduled	-	-
10	Benefits (core)	Q4	ToR issued and agreed	-	-
11	Revenues (core)	Q4	ToR issued and agreed	-	-
12	Grant Certifications	Q1 - 4	Ongoing throughout year	Grant certification provided	27 September 2023
	To date Certifications have been issued for the following areas: <ul style="list-style-type: none"> • Bio Diversity Net Gain 2022/23 • Disabled Facilities Grant • Energy Bill Support Scheme • Alternative Fuel Payments 				
Interim Head of Regeneration & Development – Tom Deery					
13	Brewhouse – Income Collection	Q3	Draft report issued	-	-
14	Housing Allocations	Q1/2	In progress	-	-
15	Stronger Towns Fund	Q1	Completed	Significant	27 September 2023
16	Stronger Towns Fund Follow up	Q3	Draft report issued	-	-
Head of Legal & Regulatory Services - John Teasdale					
17	Commercial Property Management Follow-up	Q2	Completed	Moderate	27 September 2023
18	Licensing and Enforcement	Q2	In progress	-	-

The following audit reports have been issued and agreed with Council Officers since the last committee meeting.

Report 2	Head of Internal Audit Opinion Stage 1 memo
Introduction	The Terms of Reference for our Head of Internal Audit Opinion work programme was included in our progress report presented to the September 2023 Audit Committee. The memo sets out the outcome of our stage 1 work on Strategic Risk Management and risk registers in place at the Council.
Audit opinion	Advisory at stage 1
Summary findings	<p>The Council has reviewed its Risk Management Policy and Risk Register formats during the course of 2023/24 with the new Risk Management Policy and new risk register templates having been approved by both the Cabinet and Audit Committee in September 2023.</p> <p>The Risk Register is reviewed on a quarterly basis by the Corporate Management Team before being presented to various groups and committees including Cabinet and the Audit Committee.</p> <p>The quarter 2 new format corporate and strategic risk registers were presented to Cabinet in December 2023 and are due to be presented to the Audit Committee in February 2024. We will be reviewing how these risk registers are embedded during the remainder of 2023/24.</p> <p>The following 3 actions were agreed during our review:</p> <p><u>Risk appetite</u> A definition of Risk Appetite for the Council will be prepared and included in the next review and update of the Risk Management Policy.</p> <p><u>Risk Register format</u> The classification of corporate and strategic risks will be reviewed and any duplicated risks will be appropriately amended for the next reported update of the Risk Register.</p> <p><u>Risk Register content</u> A review of risk consequences and treatment, and of detail of the risk, for the identified risks, and population of SMART actions, will be provided at the next reported update of the Risk Register. The use of Target Risk scores will be incorporated into the next review and update of the Risk Management Policy.</p> <p>The current overall follow-up implementation rate is 61% (19/31) and the first follow up rate (implementation by the original due date) is 26% (8/31). There are no high risk actions outstanding. The implementation rate of actions is one of the elements which informs our Head of Internal Audit Opinion. The Council’s current implementation rate would indicate an opinion of ‘moderate assurance’.</p>

Please note that all Internal Audit reports are available in full upon request.

The following TORs have been issued and agreed with Council Officers since the last committee meeting and are detailed here for information.

ToR 10	Payroll
Introduction	Efficient, effective and robust key financial systems are fundamental to an organisation’s delivery of its services. They are also at the heart of managing organisational and financial performance – it is essential that they provide accurate, complete and timely data to support financial management and reporting. Our 2023/24 agreed Internal Audit Plan includes a review of the Council’s pay expenditure system as part of our cyclical programme of key financial system audits.
Objectives and scope	<p>The overall objective of our review is to determine whether an efficient, effective and robust control environment is in place in relation to pay expenditure and to provide an independent assurance opinion.</p> <p>In order to achieve this objective, we will review the following (controls):</p> <ul style="list-style-type: none"> • new starters are authorised and entered accurately onto the payroll system • leavers are authorised and accurately processed on a timely basis – final salary payments are adjusted to reflect leaving date • changes to payroll records are authorised, controlled and accurately processed • access to the payroll system is restricted so that only authorised officers may make additions, amendments and deletions • the organisation verifies the payroll data prior to upload to the financial ledger • checks are in place to ensure the accuracy of payroll runs prior to authorising payment • back-up and recovery arrangements are in place for the payroll system. <p><i>The scope of our work will be limited to the areas identified in the agreed Terms of Reference</i></p>
Methodology and approach	<p>To deliver this audit we will:</p> <ul style="list-style-type: none"> • document, via walk-through testing, our understanding of the system processes and controls • undertake risk-based sample testing to assess the effectiveness of the controls in place, identifying risks and any mitigating controls • supplement our sample testing with whole population testing using data analytics where possible • focus on 2023/24 transactions, ensuring a spread of coverage throughout the year up to the time of our audit.

ToR 11 Financial Ledger, Management and Reporting	
Introduction	Councils are dependent upon their financial systems to provide accurate, complete and timely data to support their financial management and reporting. In particular, an organisation relies heavily on its financial ledger to provide the basic data necessary to inform its reporting of income, expenditure and budgetary performance. In turn, the financial ledger is populated via external systems and sub-ledgers including payroll, accounts payable and accounts receivable. A review of the organisation’s financial ledger, management and reporting key controls forms part of our core audit programme.
Objectives and scope	<p>The overall objective of our review is to provide an independent assurance opinion on the:</p> <ul style="list-style-type: none"> effectiveness of the Council’s arrangements to ensure the integrity of data held in the financial ledger. robustness of in-year financial reporting arrangements. <p>Budget Setting</p> <ul style="list-style-type: none"> budgets are set in a structured, comprehensive, and robust manner in accordance with the Council's objectives and the Medium Term Financial Strategy (MTFS). <p>Financial ledger</p> <ul style="list-style-type: none"> automated arrangements or regular manual checks ensure the financial ledger is in balance. internal checks are in place to confirm that data input to the financial ledger from external feeder systems is complete, accurate and timely. use of suspense accounts is kept to a minimum – accounts are only used for short-term posting of unidentified entries and are cleared promptly. control accounts are regularly and promptly reconciled to information outside the financial ledger and reconciliations are reviewed and authorised. cash/bank reconciliations are regularly and promptly prepared and reviewed with reconciling items cleared in a timely manner. there is segregation of duties over the preparation, authorisation and input of journals – journals are supported by a clear narrative description and adequate evidence. access to the financial ledger is restricted to approved individuals. robust system back-up and restore procedures are in place (for the financial ledger and Council’s network where supporting records are held). <p>Financial reporting</p> <ul style="list-style-type: none"> there is a reconciliation to confirm that the latest agreed financial plan is accurately loaded to the financial ledger. financial reports are derived directly from the financial ledger and are produced promptly each month-end and quarterly reporting cycle in accordance with a documented closedown timetable. <p><i>The scope of our work will be limited to the areas identified in the Terms of Reference and the Council’s in-year financial performance will not be commented upon nor will its financial standing be assessed.</i></p>
Methodology and approach	<p>To deliver this audit we will:</p> <ul style="list-style-type: none"> interview key staff to determine and document the current controls and processes in operation. undertake sample testing to confirm compliance with controls and processes as recorded.

ToR 12 Revenues	
Introduction	<p>The operation of effective management controls in relation to business rates and council tax is important to the sound management of the finances of the Council in ensuring that all relevant collectable rates and taxes are identified, charged and collected.</p> <p>The value of business rates and council tax collectable in 2023/24 as at 20 December 2023 was £62,420,572 and £84,182,963 respectively.</p>
Objectives and scope	<p>The objective of our review is to provide assurance that business rate and council tax income is collected promptly and in full. To achieve this objective, we will consider the following areas:</p> <ul style="list-style-type: none"> • Property records are accurately, comprehensively and efficiently maintained and updated. • Billing procedures are in accordance with statutory regulations and amounts due in respect of each chargeable property have been correctly calculated and promptly demanded from the person(s) liable. • The application of reliefs and exemptions is authorised in accordance with statute, the authority’s policy and supported by documentary evidence. • Collection rates and other key performance indicators are regularly monitored and reported on. • Recovery and enforcement procedures are managed efficiently and in accordance with statutory requirements. • The security and integrity of the revenues system is properly maintained. <p><i>The scope of our work will be limited to the areas identified in the agreed Terms of Reference and will focus on the systems and processes in place at East Staffordshire Borough Council.</i></p>
Methodology and approach	<p>To deliver this audit we will:</p> <ul style="list-style-type: none"> • interview key staff to determine and document the current controls and processes in operation. • undertake sample testing to confirm compliance with controls and processes as recorded.

ToR 13 Benefits	
Introduction	<p>The operation of effective processes and controls in relation to housing benefits (HB) and council tax support (CTS) is important for the sound management of Council finances in ensuring that all HB payments and reductions in liability for CT are made to properly assessed, eligible claimants and in the correct amount in accordance with regulations and procedures.</p> <p>The estimated annual value of CTS provided for 2023/24 is £6.4 million and the estimated HB payment for 2023/24 is £17 million. The overall total of HB payments made has been reducing in recent years as more claimants move to universal credit payments that are administered by the Department for Work and Pensions (DWP).</p>
Objectives and scope	<p>The objective of our review is to provide assurance that HB payments and CTS are accurate, timely and in accordance with regulations and procedures.</p> <p>To achieve this objective, our audit will consider the following areas:</p>

	<ul style="list-style-type: none"> • Housing Benefit and Council Tax Support claims are accurate, valid and processed promptly. • Housing Benefit and Council Tax Support data is held securely and accurately recorded within relevant Council systems. • Housing Benefit and Council Tax Support overpayments are identified and recovered promptly and effectively. • Processing times, overpayment levels, fraud case outcomes and other key performance indicators are regularly monitored. <p><i>The scope of our work will be limited to the areas identified in the agreed Terms of Reference. We will not review the accuracy of the data in relation to performance indicators reported.</i></p>
<p>Methodology and approach</p>	<p>To deliver this audit we will:</p> <ul style="list-style-type: none"> • interview key staff to determine and document the current controls and processes in operation. • undertake sample testing to confirm compliance with controls and processes as recorded.

As part of our contract with the Council we agreed a number of Key Performance Indicators. Those that can be measured on a quarterly basis are included below; others will be reported in our Annual Report later in the year. Please note these are compiled on a cumulative basis.

So far in 2023/24 we have issued thirteen Terms of Reference and issued three final and six draft reports.

360 Assurance KPIs	Target	Q1	Q2	Q3	Q4
Issue a Client Satisfaction Questionnaire following completion of every audit.	100%	100%	100%	100%	~
Terms of Reference issued before commencement of the audit.	100%	100%	100%	100%	~
Draft report issued within 10 working days of exit meeting.	100%	100%	100%	100%	~
Final report issued within 5 working days of executive sign-off.	100%	100%	100%	100%	~
Overall client satisfaction rating of satisfied or highly satisfied.	90%	No PAQ responses during period	100% (2 responses)	No PAQ responses during period	~
Client KPIs	Target	Q1	Q2	Q3	Q4
Terms of Reference to be agreed within 10 working days of being received.	100%	100%	100%	100%	~
Information has been provided and staff have been available to meet the timescales set out within the Terms of Reference.	100%	100%	100%	100%	~
Management response received within 10 working days of receiving the final draft report.	100%	100%	100%	100%	~

The table below provides a summary of actions due on or by 31st January 2024 (including 3 actions in progress) that have yet to be implemented (this includes actions where extensions to original implementation dates have been agreed and historical actions originally due prior to 1 April 2023 that remain open).

Audit reference / title by Executive Lead	Low	Medium	High	Total	Comments / Latest Status Update
Head of Corporate and Environment Services	1	0	0	1	
2021/22 Leisure Contract Monitoring	1	0	0	1	Outstanding issue relates to having a signed contract in place. Original due date: 31.03.2022 Revised implementation date: 30.06.2023
<p><u>Latest Status Update</u></p> <p>There is a contract agreed and being performed which is therefore enforceable in the event of a dispute, as case law supports. The Contract and associated documents are ready for signature, and the Council’s Legal team are awaiting the relevant signatures from the Leisure Operator’s representatives. The Council’s Legal team continues to follow this up with the Leisure Operator for the documents to be signed as soon as practical.</p> <p>The latest update from the ESBC legal representatives, upon chasing the Contractor, is that the Contractor’s Legal team is awaiting confirmation from internal colleagues on necessary detail within some schedules are correct, and once they receive this they can then arrange to have the Contract signed. The contract is currently with the Contractor’s managing Director for signature and is expected to be returned to the Council shortly. (December 2023)</p>					
Interim Head of Regeneration and Development	3	2	0	5	
2022/23 Homelessness	1	1	0	2	Procedures for the management of homelessness debt. Original implementation date: 31.03.23 Revised implementation date: 31.07.23 Homelessness Action Plan. Original implementation date: 31.12.2023 Revised implementation date: none provided
<p><u>Latest Status Update:</u></p> <p>Management of homelessness debt - Research has been undertaken to benchmark with neighbouring authorities, with an ESBC process to be the subject of a forthcoming EDR. Progress has been made in gathering examples, but have found it is rare for LAs to effectively manage this debt. There were no examples in Staffordshire, or South Derbyshire. One example from the London Borough of Brent was directed primarily towards debt arising from their regular housing stock but has the potential to be adapted.</p> <p>Homelessness Action Plan – In progress. We are in the process of undertaking our review of homelessness over the last several years of the existing strategy, which is a legally required first step for producing a new strategy.</p>					

Audit reference / title by Executive Lead	Low	Medium	High	Total	Comments / Latest Status Update
2023/24 Stronger Towns Fund	2	1	0	3	Original implementation date: 31.12.23 Revised implementation date: none provided
<p><u>Latest Status Update:</u> Procurement Register - A separate Procurement Register should be developed for the Stronger Towns Fund.</p> <p>Governance Arrangement - A governance structure diagram that includes Towns Fund arrangements should be produced.</p> <p>Fraud Risk Register - A separate Fraud Risk Register should be produced for the Council as a whole that includes a specific section for the Towns Fund.</p>					
S151 Officer	5	5	0	10	
2022/23 Revenues	2	4	0	6	Local taxation write offs Original implementation date: 30.09.23 Revised implementation date: none provided Property inspections and Reliefs discounts and exemptions Original implementation date: 30.11.23 Revised implementation date: none provided Arrears Recovery Performance Accounts in Credit Sundry Debt Write Offs Original Implementation Date 31.01.2024 Revised implementation date: none provided
<p><u>Latest Status Update:</u> Reliefs discounts and exemptions - In progress. We have been advised by Steve Woods, Interim Revenues and Benefits Manager that a county wide programme for the review of reliefs discounts and exemptions would take place starting from quarter 3.</p>					
2022/23 Benefits	3	1	0	4	HB Overpayments, Write offs and Bailiffs Original implementation date: 30.09.23 Revised implementation date: none provided Risk Based Verification Procedures Original implementation date: 31.12.23 Revised implementation date: none provided

Audit reference / title by Executive Lead	Low	Medium	High	Total	Comments / Latest Status Update
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Latest Status Update:
 HB Overpayments - Ensure that in all cases where on-going deductions of benefit cease, HB overpayments are recovered in a timely and effective manner.
 Write Offs - There should be a regular programme of housing benefit overpayment debts considered for write-off during the year. This should be ideally performed quarterly and at least on a six-monthly basis.
 Bailiffs - Undertake periodic reconciliations of bailiff records to ensure that cases have not been lost between collection stages.
 Risk Based Verification Procedures – In progress. This has not been looked at due to other work pressures. I will discuss it with our new interim Manager in the next few weeks.

Head of Legal and Regulatory Services and Monitoring Officer	0	0	0	1	
2022/23 Commercial Property Management	0	1	0	1	Electrical Safety Checks Original due date: 30.11.2023 Revised implementation date: none provided

Latest Status Update
 There have been two recent attempts at testing one on 27th October and the other more recently on 22nd November 2023. We are awaiting confirmation from the contractor regarding the visit on the 22nd November 2023.

There is 1 action which falls due between 1st February and 31st March 2024 which is outlined below.

Audit reference / title by Executive Lead	Low	Medium	High	Total	Comments / Latest Status Update
S151 Officer	1	0	0	1	
2022/23 Benefits	1	0	0	1	Exception reports - Errors on the rent integrity report should be cleared as soon as practical. Original implementation date: 31.03.24