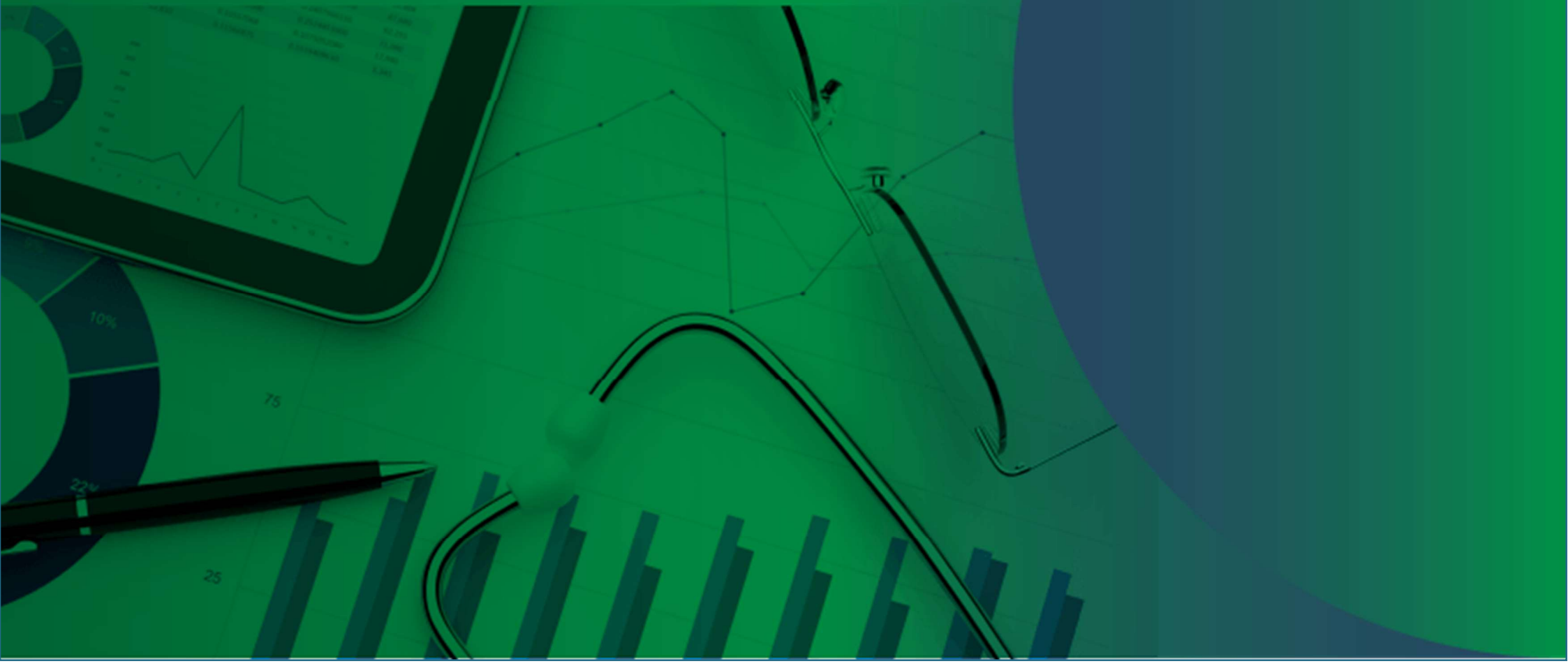




East Staffordshire Borough Council

Internal Audit Progress Report

March 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 January to February 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.

Consider whether the Audit Committee wishes to invite officers to provide further updates in respect of outstanding actions.

Key contacts

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Key messages

Since the last Audit Committee in February 2024 we have:

- Issued 2 final reports:
 - Performance Management
 - Payroll
- Liaised with Council officers to discuss draft report findings, obtain management responses and agree action plans.
- Undertaken audit fieldwork for a number of audits.

We draw Audit Committee’s attention to the following:

- The overall implementation of recommendations with original completion dates between 1st April 2023 to 5th March 2024 (2023/24) so far is **58%**.
- There are **15** overdue actions relating to 2023/24 at the time of writing. See page 4 and Appendix D for more details.
- There are **2** historic actions originally due prior to 1 April 2023 that remain open. These are detailed in Appendix D.

We have commenced planning conversations for 2024/25 with the Council officers and have meetings scheduled with the Heads of Service to discuss possible areas of coverage to be included in the 2024/25 audit plan.

We will share a set of planning slides with Council officers which set out the core reviews proposed for 2024/25 together with consideration of other risk-based work and audits included in the three-year strategic plan.

An outline audit plan will be shared with the Corporate Management Team for consideration and then reported to the Audit Committee for review, consideration and approval.

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 C 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/>

**New Internal Audit Standards**

In January 2024, the new [Global Internal Audit Standards](#) were published to become effective from 9 January 2025.

The standards consist of 5 domains;

- purpose of internal auditing,
- ethics and professionalism,
- governing the internal audit function,
- managing the internal audit function, and
- performing internal audit services.

Our services align to the principles outlined in these standards but, as the year develops, we will be reviewing our arrangements to ensure we fully align to the new requirements.

Our own quality monitoring programme will continue throughout the year and will consider the changing requirements. We will provide further updates as the year progresses.

The standards continue to require an external quality assessment (EQA) and our next one is due in October 2027.

Work completed

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

Audit	Opinion	High	Medium	Low	Advisory
Performance Management	Significant	-	1	3	4
Payroll	Significant	-	-	-	-

The above reports are detailed at Appendix B and are available in full upon request.

We are in the process of discussing our findings and obtaining management responses from Council officers for 4 draft reports issued.

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 in February 2024, there have been no Terms of Reference issued.

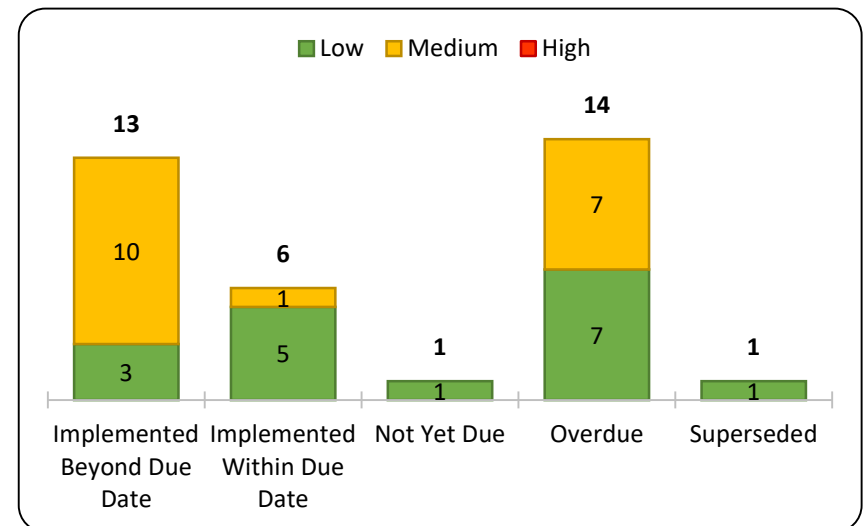
We are in the process of discussing with Council officers and agreeing the scope and coverage of work in relation to the governance review.

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 D, 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 **58%** (19 of 35).
- The first follow up rate (implemented within original due date) for 2023/24 is **18%** (6 of 35).
- There are **17** 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 D and include:
 - 15 actions due between 1st April 2023 and 31st March 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 - Recruitment	Q1/2	Draft report issued	-	-
6	Member Induction	Q3	Draft report issued	-	-
7	Payroll	Q3	Completed	Significant	14 March 2024
Head of Corporate and Environment Services – Mark Rizk					
8	Performance Management (core)	Q3	Completed	Significant	14 March 2024
Chief Financial Officer and Section 151 – Lloyd Haynes					
9	Financial Ledger Management and Reporting (core)	Q4	ToR agreed, fieldwork in progress	-	-
10	Benefits (core)	Q4	ToR agreed, fieldwork in progress	-	-
11	Revenues (core)	Q4	ToR agreed, fieldwork in progress	-	-
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	ToR agreed, fieldwork 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	ToR agreed, fieldwork in progress	-	-

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

Report 3 Performance Management	
Introduction	We have completed a review in respect of Performance Management arrangements. We examined the effectiveness of controls in place in accordance with the Public Sector Internal Audit Standards. The Council prepares and regularly updates a Corporate Plan that publicly commits to a number of performance targets across the spectrum of service provision to businesses and households in East Staffordshire. A performance monitoring system is in place that reports progress on delivering agreed targets on a quarterly basis. Information is collated from source departments and reported initially to the Corporate Management Team and ultimately to Cabinet and relevant Scrutiny Committees. It is important to ensure that this information is both accurate and timely and that it prompts action to be taken where targets are not being met.
Audit opinion	Significant Assurance
Summary findings	<p>The exercise has confirmed that the Council has a performance management process in place which ensures that Cabinet receives updates on a quarterly basis on the implementation of a wide range of actions and measures relating to the delivery of the Council's Corporate Plan. Approximately 15% of performance measures reported on require outcome data to be collected, analysed and compared against a target.</p> <p>An action plan has been agreed including 1 medium risk relating to the performance reporting of the NNDR arrears and 3 low risk actions relating to documenting procedures to further enhance existing practice and to include; guidance in respect of spreadsheet integrity controls and source documentation for data based performance measures; the process of preparing the quarterly performance report; and guidance on narrative and updates provided within performance reports to ensure consistency of reporting.</p>
Report 4 Payroll	
Introduction	We have completed a review in respect of the Payroll system at East Staffordshire Borough Council. The council operates the Chris21 Payroll system to pay employees salaries and expenses with all employees being paid on a monthly basis. We examined the effectiveness of controls in place in accordance with the Public Sector Internal Audit Standards. The overall objective of our review was to determine whether an efficient and effective control environment was in place in relation to pay expenditure.
Audit opinion	Significant Assurance
Summary findings	<p>Audit testing was undertaken for a sample of new starters, leavers and staff with payroll changes to confirm there was appropriate documentation completed and that they had been independently authorised and processed. We reviewed the following areas and confirmed that processes and controls were in place:</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 • Access to the payroll system is restricted so that only authorised officers may make additions, amendments, and deletions • 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

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

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 6 final reports and 3 draft reports.

360 Assurance KPIs	Target	Q1	Q2	Q3	Q4 (in progress)
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 tables below provide a summary of actions due on or by 31st March 2024 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).

A monthly report of all outstanding actions is produced and issued to all Heads of Service for information.

Historical actions

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	0	1	0	1	
2022/23 Homelessness	0	1	0	1	Procedures for the management of homelessness debt Original implementation date: 31.03.2023 Revised implementation date: 31.07.2023
<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>					

Overdue Actions

Audit reference / title by Executive Lead	Low	Medium	High	Total	Comments / Latest Status Update
Interim Head of Regeneration and Development	3	1	0	4	
2022/23 Homelessness	1	0	0	1	Homelessness Action Plan Original implementation date: 31.12.2023 Revised implementation date: none provided
<p><u>Latest Status Update:</u> 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>					
2023/24 Stronger Towns Fund	2	1	0	3	Original implementation dates: 31.12.2023 Revised implementation dates: none identified
<p><u>Latest Status Update:</u> Procurement Register - A separate Procurement Register should be developed for the Stronger Towns Fund. We have been advised that this action has been completed and have requested documentary evidence to confirm implementation.</p> <p>Governance Arrangement - A governance structure diagram that includes Towns Fund arrangements should be produced. We have been advised that this action has been completed and have requested documentary evidence to confirm implementation.</p> <p>Fraud Risk Register - A separate Fraud Risk Register should be produced for the Council that includes a specific section for the Towns Fund. We have been advised that this action should be addressed at a corporate level. We are in discussions with management to agree the action and responsible officer.</p>					
Chief Finance Officer & S151	5	5	0	10	
2022/23 Revenues	2	4	0	6	Property inspections Original implementation date: 30.11.2023 Revised implementation date: 31.03.2024 Reliefs Discounts and Exemptions Original implementation date: 30.11.2023 Revised implementation date: 31.03.2025 Local taxation write offs Original implementation date: 30.09.2023

					<p>Revised implementation date: 29.02.2024</p> <p>Arrears Recovery Performance Original implementation date: 30.09.2023 Revised implementation date: 29.02.2024 (completed)</p> <p>Accounts in Credit Original Implementation Date 31.01.2024 Revised implementation date: 06.03.2024</p> <p>Sundry Debt Write Offs Original Implementation Date 31.01.2024 Revised implementation date: 31.03.2024</p>
<p><u>Latest Status Update:</u></p> <p>Property Inspections - Slight delay due to the need to put in place a new Enforcement Agents (Bailiffs) contract. The department does not have the resource to undertake these inspections in-house and from a financial perspective the focus of resources in this area would be a lower priority than other responsibilities. However the new Enforcement Agents contract does include the capacity for them to inspect properties within the area and report back, and as such the service will now seek to utilise that functionality to deliver this action. As such suggest revised implementation date of 31/03/24.</p> <p>Reliefs, Discounts and Exemptions - On track to be delivered. We are undertaking work to develop the administration system. An aspect of this is a greater digital presence with automation and checks available at source (the customer). The intention will be to hold an annual mailshot exercise on discounts and exemptions when this is in place.</p> <p>Local Taxation Write Offs - On track to be delivered. Write offs and associated EDRs created - with FMU for financial impact input.</p> <p>Arrears Recovery Performance - Complete - Review of processes completed, new policies are waiting approval, introduction of new system functionality for HBOP, Council Tax and NNDR recovery - debts are subject to transparent reporting whilst we provide propensity to pay reports and bad debt removal exercises. We have requested copies of the new policies to confirm implementation of the action.</p> <p>Accounts in Credit - On track to be delivered. The accounts in credit will be countered in the annual billing process. Creditors will be informed with credits being calculated into the new charge; customers will have the option for a refund upon request.</p> <p>Sundry Debtor Write Offs - This work is included in the bad debt review exercise. As such suggest revised implementation date of 31/03/24.</p>					
2022/23 Benefits	3	1	0	4	<p>Exception Reports: Original implementation date: 31.03.2024 Revised implementation date: 31.12.2024</p> <p>HB Overpayments, Write offs Original implementation date: 30.09.2023 Revised implementation date: 31.03.2024</p> <p>Write- Offs Original implementation date: 30.09.2023 Revised implementation date: 31.03.2024</p>

					Use of Bailiffs Original implementation date: 30.09.2023 Revised implementation date: 31.03.2024
<p><u>Latest Status Update:</u></p> <p>Exception Reports - Capita have assisted with these errors, however the issue remains. This is a low priority in the department as resource required versus benefits do not permit raising the profile at the present time, however it will be revisited as part of the upgrade work to the system during 2024/25. As such suggest revised implementation date of 31/12/24.</p> <p>HB Overpayments - Full bad debt review exercise undertaken. Write offs and associated EDRs created - with FMU for financial impact input. Resource added to deal with HBOPs and the scope to deal with debts in size order once cleansing and bad debt exercises are complete. As such suggest revised implementation date of 31/03/2024.</p> <p>Write Offs - On track to be delivered. New policy being implemented, change to the system functionality to report to DWP for UC recovery capabilities, write off for debts over 6 years (Limitations Act) report and those under £10 report are EDR ready. New uneconomical to recovery principle also being introduced and prioritisation of debts plan put into place.</p> <p>Use of Bailiffs - Slight delay due to the need to put in place a new Enforcement Agents (Bailiffs) contract - in waiting period before contract commences in mid February - this carries additional functionality to enable greater scope within the recovery teams. As such suggest revised implementation date of 31/03/2024.</p>					

Head of Legal and Regulatory Services and Monitoring Officer	0	1	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
<p><u>Latest Status Update</u></p> <p>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.</p>					