



East Staffordshire Borough Council

Internal Audit Progress Report

Audit Committee: 25th September 2024



Contents

Section	Page	Appendices	Page
Introduction	1	A: Internal audit plan	5
Internal audit update	2	B: Summary of audits completed	7
		C: Terms of Reference issued	8
		D: Key Performance Indicators	13
		E: Action tracker	14

Reports prepared by 360 Assurance and addressed to ESBC's directors or officers are prepared for the sole use of ESBC's, and no responsibility is taken by 360 Assurance or the auditors to any director or officer in their individual capacity. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose and a person who is not a party to the agreement for the provision of Internal Audit between ESBC and 360 Assurance dated 1 April 2024 shall not have any rights under the Contracts (Rights of Third Parties) Act 1999.

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 ESBC. 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 ESBC.

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 provides a summary of the completion of the 2023-24 internal audit plan.

This paper identifies progress made in relation to completion of work from the Council's 2024/25 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 in a format agreed with the Audit Committee and complies with the requirements of Public Sector Internal Audit Standards. Summaries of any reports issued since the last Audit Committee meeting are included within our papers.

This progress report covers the work carried out during the period 1 April to 1 September 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.

Members are invited to raise any questions.

Key contacts

Leanne Hawkes, Director

M – 07545 423040

E – leanne.hawkes@nhs.net

Tracey Barnard-Ghaut, Assistant Director

M – 07545 502397

E – tracey.barnard-ghaut1@nhs.net

Ruby Deo, Client Manager

M – 07545 502399

E- ruby.deo@nhs.net

Key messages

Since the last Audit Committee we have:

- Issued 2 final reports:
 - Benefits (relating to 2023/24)
 - Financial Management and Reporting (relating to 2023/24)
- Issued 1 draft report:
 - Housing Allocations (2023/24)
- Undertaken grant certification work:
 - DFG certification
- Agreed 4 terms of reference:
 - Head of Internal Audit work programme
 - Strategic Risk Register
 - Leisure contract management
 - Shared Prosperity Fund (Ward Enhancement Programme)
- Held planning meetings and undertaken fieldwork to progress the audit plan.

Contract performance

2024/25 Planned audits	Audits completed to report stage	% complete
12	0	0%
	Audits in progress	% in progress
	4	33%

The Internal Audit Plan in Appendix A provides a detailed breakdown of delivery.

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.

Head of Internal Audit Opinion

Internal Audit Outturn

The assurance levels provided for all reviews undertaken is summarised below:

Substantial Assurance	<ul style="list-style-type: none"> None
Significant Assurance	<ul style="list-style-type: none"> Benefits (2023-24) Financial Management and Reporting (2023-24)
Moderate Assurance	<ul style="list-style-type: none"> None
Limited Assurance	<ul style="list-style-type: none"> None
Weak Assurance	<ul style="list-style-type: none"> None
Other	<ul style="list-style-type: none"> None

Implementation of internal audit actions

The table below shows the current status of progress against internal audit actions:

Implementation of internal audit actions	Current position	At 2023/24 year end
High risks closed on time	(1/1)	(0/0)
Historic actions (pre 1 April 2024) outstanding	1	2
First follow up rate – high and medium risks	25% (2/8)	18%
First follow up rate – all risks	14% (2/14)	58%
Overall Implementation rate	57% (8/14)	62%

Further details on action tracking are included in Appendix E.

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 are on our website.

Our publications and monthly briefings are available at: <https://www.360assurance.co.uk/news-publications/>

The table below summarises progress against the 2024/25 Internal Audit Plan:

Ref.	Audit	Planned timing	Status	Assurance Level provided	Date reported to Audit Committee
Corporate					
1	Head of Internal Audit Opinion (core)	Q1-4	TOR issued, ongoing during year	~	~
2	Strategic Risk Register (core)	Q3-4	TOR agreed	~	~
3	National Fraud Initiative	Q1-4	Ongoing throughout year		
4	Financial Management and Reporting (core)	Q4	Planning	~	~
Chief Executive					
5	Human Resources (Sickness Absence) (core)	Q4	Planning	~	~
Head of Corporate and Environment					
6	Business Continuity	Q4	Planning	~	~
7	Emergency Planning	Q4	Planning	~	~
8	Contract Management – Leisure Services	Q2	TOR agreed, fieldwork in progress	~	~
Chief Finance Officer (S151 Officer)					
9	Benefits (core)	Q3	Planning	~	~
10	Revenues (Council Tax and Business Rates) (core)	Q3	Planning	~	~
11	Financial Systems – Treasury Management (core)	Q3-4	Planning	~	~
12	Grant Certifications To date grant certification work has been undertaken in the following areas: • Disabled Facilities Grant	Q1-4	Ongoing throughout the year	Grant Certification	
Head of Regeneration and Development					
13	Shared Propensity Fund	Q2-3	TOR agreed, fieldwork in progress	~	~
Head of Legal Regulatory Services					
14	Taxi Licensing	Q3	Planning	~	~

The following reports have been issued as part of the 2023/24 internal audit plan.

Report 1 Benefits (2023/24)	
Objectives and scope	<p>The objective of our review was to provide assurance that HB payments and CTS are accurate, timely and in accordance with regulations and procedures. To achieve this objective, our audit has considered the following areas:</p> <ul style="list-style-type: none"> • HB and CTS claims are accurate, valid and processed promptly. • HB and CTS data is held securely and accurately recorded within relevant Council systems. • HB overpayments are identified and recovered promptly and effectively. • Processing times, accuracy, overpayment levels, fraud case outcomes and other key performance indicators are regularly monitored. <p>Limitations of scope - The scope of our work was limited to the areas identified in the agreed Terms of Reference.</p>
Audit opinion	Significant Assurance
Summary findings	Our audit confirmed that there is an appropriate control framework in place that is working effectively to process housing benefit and council tax support claims. Limited testing undertaken in respect of benefit overpayments indicates that attention may need to be given by management to ensuring that recovery action is taken promptly in accordance with the Debt Recovery Policy.

Report 2 Financial Management and Reporting (2023/24)	
Objectives and scope	<p>The overall objective of our review was 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. • there is a reconciliation to confirm that the latest agreed financial plan is accurately loaded to the financial ledger. • internal checks are in place to confirm that data input to the financial ledger from external feeder systems is complete, accurate and timely • there is segregation of duties over the preparation, authorisation and input of journals – journals are supported by a clear narrative description and adequate evidence.

	<ul style="list-style-type: none"> the use of suspense accounts is kept to a minimum – accounts are only used for the 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. access to the financial ledger is restricted to approved individuals. 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, budgetary control and monitoring</p> <ul style="list-style-type: none"> Income and expenditure is properly controlled in accordance with agreed budgets. 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>Limitations of scope - The scope of our work was limited to the areas identified in the agreed Terms of Reference.</p>
Audit opinion	Significant Assurance
Summary findings	<p>Appropriate budget setting processes are in place to ensure that a balanced revenue budget was approved by the Council prior to the commencement of the current financial year and accurately uploaded to the general ledger.</p> <p>Appropriate processes are in place to ensure that ledger input is verified, and processing is accurate and timely. Processes should be put in place to ensure that suspense and control account reconciliations are subject to evidenced management review.</p> <p>The formal request process for new user accounts to access the general ledger should be completed for all members of staff.</p> <p>Budgetary control, reporting and variance reporting processes are in place with regular meetings with budget holders, variance analysis and quarterly outturn reporting to Cabinet.</p>

The following terms of reference have been issued and agreed with the Council.

ToR 1 Leisure Contract Monitoring	
Introduction	<p>In November 2018 the Council awarded a ten year contract (with an option to extend for further five years) for the management of the Council’s leisure facilities including Meadowside Leisure Centre, Shobnall Leisure Complex, Uttoxeter Leisure Centre and Active East Staffs. The contract was awarded to Sports and Leisure Management Limited (SLM) operating as Everyone Active. The contract commenced on 1st February 2019. In January 2019 the Council appointed the relevant “in-house” staffing resource to monitor and performance manage the contract and associated outcomes.</p> <p>Quarterly contract monitoring and performance reports are received by the Council including the public and private sessions of the Value for Money (VFM) Scrutiny Committee and Cabinet. A Partnership Board with representatives from the Council and SLM has been established and meets regularly.</p>
Objectives and scope	<p>The overall objective of our review is to ensure that there are robust processes in place to ensure that the leisure service provider (Everyone Active) delivers services at the Council’s three leisure centres, in accordance with the contract and specification. In order to achieve this objective, we will review the following (controls):</p> <ul style="list-style-type: none"> • Appropriate governance and accountability arrangements are in place to manage the contract. • A comprehensive contract and specification is in place providing sufficient level of detail on the level of service / standards to be provided with appropriate key performance indicators. • Robust monitoring and reporting processes are in place to ensure that the service outlined in the contract are being properly delivered. • Financial obligations and targets are included in the contract and monitored and reported against. • Complaints processes are in place and working effectively with regards to any issues that members of the public may have. • Regular reports on the performance and management of the contract are received and considered by the Council’s appropriate groups and committees. <p><i>Limitations of scope:</i> The scope of our work will be limited to the areas identified in the agreed Terms of Reference. Our review will be limited to the contract arrangements in place with Sports and Leisure Management Limited (SLM) in relation to the 3 leisure centres.</p>
Methodology and approach	<p>To deliver this audit we will:</p> <ul style="list-style-type: none"> • interview key staff to determine the current controls and processes in operation to manage the contract with SLM. • review and comment on the adequacy of contract and performance reporting documentation. • undertake sample testing to confirm that controls and processes are operating in practice.

ToR 2 Shared Prosperity Fund (Ward Enhancement Programme)	
Introduction	<p>The UK Shared Prosperity Fund (UKSPF or the Fund) is a central pillar of the UK government’s Levelling Up agenda. It provides £2.6 billion of new funding for local investment by March 2025, with all areas of the UK receiving an allocation from the Fund via a funding formula. The UKSPF supports the UK government’s wider commitment to level up all parts of the UK by delivering on each of the levelling up objectives:</p> <ul style="list-style-type: none"> • boost productivity, pay, jobs and living standards by growing the private sector • spread opportunities and improve public services • restore a sense of community, local pride and belonging • empower local leaders and communities. <p>East Staffordshire Borough Council has introduced a number of schemes to utilise the Fund:</p> <ul style="list-style-type: none"> • A ward enhancement programme (£1.44m), including a separate scheme £435k (improve one play area for each of 16 wards in Borough). • The Maltings regeneration scheme (£1.1m). • A business support scheme (£773k) and people & skills support scheme (£50k).
Objectives and scope	<p>The overall objective is to review the governance and administration arrangements for the Ward Enhancement Programme. In order to achieve this objective, we will review the following:</p> <ul style="list-style-type: none"> • There are effective governance and administration arrangements in place to review and approve ward enhancement applications that ensure transparency, equitable treatment and financial probity are achieved. • Delivery of individual ward enhancement schemes is subject to review and monitoring to confirm that the objectives for which the funding was provided are fully achieved. <p>Limitations of scope: The scope of our work will be limited to the areas identified in the agreed Terms of Reference. Review of the Uttoxeter town centre scheme and the business and skills enhancement programmes are not included in the scope of this audit.</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 3 Strategic Risk Register	
Introduction	An efficient and effective Risk Register (RR) is a fundamental component of good governance, providing a tool for the Council to identify risks to the achievement of its objectives and ensure that there is sufficient and reliable assurance regarding the effective management of risk.
Objectives and scope	<p>The overall objective of our review is to provide an independent assurance opinion on how strategic and corporate risks are managed by the Council and its committees. In order to achieve this objective, we will review the following controls:</p> <ul style="list-style-type: none"> • there is a fit for purpose Risk Register in place which has had been developed with appropriate engagement from the Council • there is a clear programme to report the Risk Register to the Council and its assurance committees during the year which is adhered to • the Risk Register is used as a live tool for managing risks and supports robust discussion at the Council and its assurance committees • the Audit Committee fulfils its responsibilities in relation to the Risk Register as set out within its Terms of Reference • risks in the Risk Register reflect those being faced by the organisation and are aligned to the organisation’s objectives • meaningful actions are taken to mitigate risks which impact on risk scores, controls and assurances. <p><i>Limitations of scope:</i> The scope of our work will be limited to the areas identified in the agreed Terms of Reference. The review will focus on the Strategic and Corporate Risk Registers; where they are considered satisfactory, we will not review the arrangements in place for operational risk management.</p>
Methodology and approach	<p>To deliver this audit we will:</p> <ul style="list-style-type: none"> • interview key staff • review agendas, papers and minutes of the Council, including Cabinet and its assurance committees • review the risk management framework (or equivalent) to confirm the expected arrangements for risk register reporting during the year • review recordings for assurance committee meetings to observe how risks are discussed and managed • review the extent to which actions agreed from 2023/24 HOIA opinion work in relation to strategic risk management have been implemented.

ToR 4		Head of Internal Audit work programme					
Introduction	<p>The Public Sector Internal Audit Standards (PSIAS) state that <i>'The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.'</i></p> <p>The annual internal audit opinion must conclude on the overall adequacy and effectiveness of an organisation's framework of governance, risk management and control for the period for which it relates.</p> <p>Basis of our opinion</p> <p>The opinion will take the following into account:</p> <ul style="list-style-type: none"> • Outcomes from internal audit work (including a review of Strategic Risk Management (SRM)) • Implementation of internal audit actions • Third party/other assurances <p>Head of Internal Audit opinions are provided using the assurance levels on our website. We will provide regular updates throughout the year in progress reports to Audit Committees.</p>						
	Objectives and scope	<p>Changes from prior year</p> <p>Having reflected on the methodology used to reach an internal audit opinion, we have made the following changes for 2024/25. We have considered feedback from clients, the new Global Internal Audit Standards effective from April 2025 and a review of approaches used by other providers.</p> <ul style="list-style-type: none"> • We will deliver a separate review on the Strategic Risk Management (SRM) and how strategic risks are managed by the Council and its committees; this will be completed in late Q3. The assurance opinion will be reflected in the internal audit plan outturn position. • We will give more consideration to the context and culture of action tracking; focussing on implementation of high and medium risk actions. • We will give one opinion covering all elements. 					
Methodology and approach	<p>The table provides an outline of our assessment within each of the component areas and how we will report our findings to you.</p>						
		<table border="1"> <thead> <tr> <th>Key component</th> <th>Focus of our assessment</th> <th>How we will report our findings to you?</th> </tr> </thead> <tbody> <tr> <td>Outcomes from internal audit work</td> <td> <p>We consider all work completed as part of your internal audit plan in our year-end opinion, including all consultancy and advisory work, in line with the Public Sector Internal Audit Standards (PSIAS).</p> <p>We will consider the reasons for any reviews which are deferred or removed from the audit plan. Where the scope of a review is changed from that agreed in the internal audit plan, Audit Committee approval will be sought.</p> </td> <td>Through regular progress reports to Audit Committee.</td> </tr> </tbody> </table>	Key component	Focus of our assessment	How we will report our findings to you?	Outcomes from internal audit work	<p>We consider all work completed as part of your internal audit plan in our year-end opinion, including all consultancy and advisory work, in line with the Public Sector Internal Audit Standards (PSIAS).</p> <p>We will consider the reasons for any reviews which are deferred or removed from the audit plan. Where the scope of a review is changed from that agreed in the internal audit plan, Audit Committee approval will be sought.</p>
Key component	Focus of our assessment	How we will report our findings to you?					
Outcomes from internal audit work	<p>We consider all work completed as part of your internal audit plan in our year-end opinion, including all consultancy and advisory work, in line with the Public Sector Internal Audit Standards (PSIAS).</p> <p>We will consider the reasons for any reviews which are deferred or removed from the audit plan. Where the scope of a review is changed from that agreed in the internal audit plan, Audit Committee approval will be sought.</p>	Through regular progress reports to Audit Committee.					

	<p>During the year we will review whether any themes have been identified from our work which need to be highlighted to the Audit Committee in our progress reports and reflected in our year-end opinion. We will highlight reviews we deem as core; core reviews are specifically related to key areas of governance, risk and control and are indicated in your audit plan. We will also consider where audit outcomes are significantly different to what was anticipated by the organisation at the outset of the review.</p> <p>We will keep our internal audit plan under review throughout the year to reflect any changes in the risk environment.</p> <p>The Strategic and Corporate Risk Registers and how strategic risks are managed by the Council and its committees will be reviewed in a separate audit assignment.</p>	Assurance review on the SRM will be completed in Q3.
Implementation of internal audit actions	<p>In forming an opinion, we will take into account:</p> <ul style="list-style-type: none"> • how the organisation takes ownership to ensure that actions are being implemented within the dates agreed • whether there are any actions still open from previous years and how these are progressed in 2024/25 • whether appropriate focus is given to high and medium risk actions so that they are closed at their original due date • what percentage of actions are implemented by their original due date – this is for all actions with an original due date 1 April 2024 to 31 March 2025. <p>We expect to see a robust process and proactive culture in the organisation on internal audit actions and a focus on high risks. At least 75% of all high and medium risk actions should be closed by their original due date and progress to have been made on historic actions.</p> <p>The opinion will be informed by the follow-up rate as at 4 April 2025.</p>	<p>Through regular progress reports to Audit Committee. We will report on:</p> <ul style="list-style-type: none"> • high risks closed on time • historic actions (pre 1 April 2024) outstanding • first follow-up rate (high and medium risks) • first follow-up rate (all risks)
Third party/other assurances	As part of the PSIAS, we are required to consider relevant third party/other assurances.	We expect to issue an opinion in May/June 2025.

Any issues identified in year which may impact the opinion will be reported to you at the earliest opportunity.

Limitations of scope: The scope of our work will be limited to the areas identified above in the Terms of Reference. The work programme is not designed to give assurance on the entirety of the organisation’s governance and risk management arrangements.

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 following year end. Please note these are compiled on a cumulative basis.

So far in 2024/25 we have agreed four Terms of Reference and issued two final reports (both relating to the 2023/24 plan):

360 Assurance KPIs	Target	Q1	Q2 to date	Q3	Q4
Issue a Client Satisfaction Questionnaire following completion of every audit.	100%	100%	Not yet applicable		
Terms of Reference issued before commencement of the audit.	100%	100%	100%		
Draft report issued within 10 working days of exit meeting.	100%	100%	Not yet applicable		
Final report issued within 5 working days of executive sign-off.	100%	100%	Not yet applicable		
Overall client satisfaction rating of satisfied or highly satisfied.	90%	No responses received in Q1	No responses received in Q2		
Client KPIs	Target	Q1	Q2 to date	Q3	Q4
Terms of Reference to be agreed within 10 working days of being received.	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%		
Management response received within 10 working days of receiving the final draft report.	100%	100%	Not yet applicable		

The chart below summarises the progress against agreed actions (by risk rating) for Internal Audit for 2024/25:

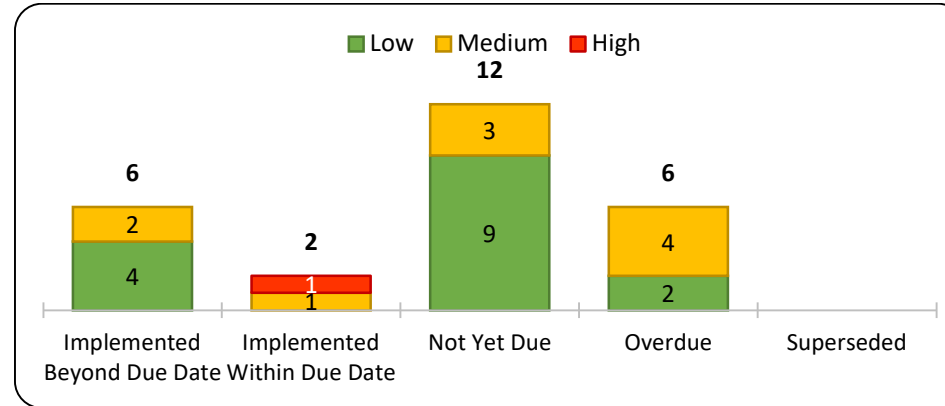


Table 1 below provides a summary of actions due on or by 1 September 2024 that have yet to be implemented (this includes actions where extensions to original implementation dates have been agreed). There is 1 historic action not yet fully implemented.

A separate report has been provided in relation to the details of the individual actions.

Table 1

Audit reference /title by Executive Lead	Low	Medium	High	Total	Comments
Chief Financial Officer/S151	-	-	-	-	
Head of Legal and Regulatory Services	-	4	-	4	
Commercial Property Management	-	4	-	4	The member of staff has returned to work following the planned absence and a plan to progress the project is being developed.
Head of Corporate and Environment Services	2	-	-	2	
Stronger Towns Fund	2	-	-	-	A wider review of governance arrangements is taking place and will be reported to the Town Deal Board in January 2025.
TOTAL	2	4	-	6	