



East Staffordshire Borough Council

Internal Audit Progress Report

Audit Committee: 27th November 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 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 1st September to 1st November 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.

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Key messages

Since the last Audit Committee we have:

- Issued 2 final reports:
 - Housing Allocations (2023/24)
 - Leisure Services Contract Management
- Issued 1 draft report:
 - Shared Prosperity Fund
- Undertaken grant certification work:
 - DFG certification
- Agreed 6 terms of reference:
 - Financial ledger and reporting
 - Treasury management
 - Emergency planning
 - Taxi licensing
 - Revenues
 - Benefits
- Held planning meetings and undertaken fieldwork to progress the audit plan.

Contract performance

2024/25 Planned audits	Audits completed to report stage	% complete
12	2	17%
	Audits in progress	
	8	67%

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"> Housing Allocations (2023/24) Leisure Services Contract Management
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"> DFG Certification

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 (November 2024)
High risks closed on time	(1/1)
Historic actions (pre 1 April 2024) outstanding	0
Actions with revised dates	13%
First follow up rate – high and medium risks	25% (2/8)
First follow up rate – all risks	15% (3/20)
Overall Implementation rate	55% (11/20)

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	~	Year end reporting
2	Strategic Risk Register (core)	Q3-4	TOR agreed, fieldwork planned	~	~
3	National Fraud Initiative	Q1-4	Ongoing throughout year		
4	Financial Ledger and Reporting (core)	Q4	TOR issued and agreed	~	~
Chief Executive					
5	Human Resources (Sickness Absence) (core)	Q4	Planning	~	~
Head of Corporate and Environment					
6	Business Continuity	Q4	Planning	~	~
7	Emergency Planning	Q4	TOR issued and agreed	~	~
8	Contract Management – Leisure Services	Q2	Completed	Significant	26 th November 2024
Chief Finance Officer (S151 Officer)					
9	Benefits (core)	Q3	TOR issued and agreed	~	~
10	Revenues (Council Tax and Business Rates) (core)	Q3	TOR issued and agreed	~	~
11	Financial Systems – Treasury Management (core)	Q3-4	TOR issued and agreed	~	~
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 Prosperity Fund	Q2-3	Draft report issued	~	~
Head of Legal Regulatory Services					
14	Taxi Licensing	Q3	TOR issued and agreed	~	~

The following reports have been issued.

Report 3 Housing Allocations (2023/24)	
Objectives and scope	<p>The overall objective was to review the systems and processes in place for managing housing allocations. In order to achieve this objective, we have reviewed the following controls:</p> <ul style="list-style-type: none"> • The housing allocations system is operated in accordance with legislation and appropriate controls are in place to ensure that access is restricted and updates are prompt and accurate. • Applications to join the housing register to bid for properties are processed promptly and accurately in accordance with policy. • The bidding process for properties is run in a fair and consistent manner and offers are made promptly to winning bidders on the basis of a fully validated bid. • The housing allocations system is subject to appropriate levels of management review and monitoring and information is regularly reported to senior management and committee.
Audit opinion	Significant Assurance
Summary findings	<p>During the course of the audit the provision of the information was significantly impacted by the turnover of senior staff within the housing provider. This situation has since been addressed and the required information was provided to complete the audit.</p> <p>The Council has a policy in place that sets out how housing allocations are managed across the borough. The Housing Register is currently managed under a contract arrangement with Trent and Dove, which is the main social housing provider in the borough. This contract was scheduled to be renewed during 2023/24. Sample testing of successful applications identified that there was sufficient supporting documentation in respect of the application and validation of bids. Key Performance Indicators (KPI) are in place for the processing of applications, however these are not included in the executed agreement with Trent and Dove. We reviewed the KPI performance, and confirmed that the KPI's had been achieved during 2023/24. There is a lack of regular monitoring and reporting to senior management in terms of performance and oversight, with an annual update report being provided to the Corporate Management Team in October 2022. Actions have been agreed with management to address the findings identified.</p>

Report 4 Leisure Contract Management (2024/25)	
Objectives and scope	The overall objective of our review was to ascertain if there were 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.
Audit opinion	Significant Assurance
Summary findings	The audit confirmed that there are generally sound controls in place to monitor the delivery of expected Leisure contract outcomes. We noted that the Programme Board had occasionally deferred their quarterly meetings as per its terms of reference. We confirmed that when it did meet, all of the contract monitoring data was discussed for the intervening periods, and reports continued to be provided to the Council's monitoring groups and committees and other meetings were being held that would have been able to pick up any matters arising.

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

ToR 5 Financial Ledger & 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. An annual review of the organisation’s financial ledger 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 organisation’s arrangements to ensure the integrity of data held in the financial ledger • robustness of in-year financial reporting arrangements. <p>To achieve this objective, we will review the following controls using sample testing:</p> <p>Budget Setting</p> <ul style="list-style-type: none"> • budgets are set in a structured, comprehensive, and robust manner in accordance with the organisation'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 • 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 • 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 the organisation’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 • there is an adequate audit trail to evidence that financial reports reconcile to the financial ledger • financial reports are produced promptly each quarter in accordance with a documented closedown timetable.

	<p><i>Limitations of scope:</i> The scope of our work will be limited to the areas identified in the Terms of Reference. We will not comment on the organisation’s in-year financial performance or assess its financial standing.</p>
Methodology and approach	<p>To deliver this audit we will:</p> <ul style="list-style-type: none"> • hold interviews with key officers • review supporting documentation (electronic and hardcopy) for all specified controls • undertake walkthrough, substantive and compliance testing on a risk and sample basis to assess the design and operation of the controls in place, performing data analytics as appropriate.

ToR 6 Treasury Management	
Introduction	<p>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 2024/25 agreed Internal Audit Plan includes a review of the organisation’s treasury management processes as part of our cyclical programme of key financial system audits.</p>
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 cash flow and treasury management and to provide an independent assurance opinion.</p> <p>To achieve this objective, we will review the following controls:</p> <ul style="list-style-type: none"> • The organisation has an approved Treasury Management Policy • The organisation has a cash flow forecast that is regularly reviewed/updated and subject to scrutiny • The organisation monitors surplus funds and invests them in line with its Treasury Management Policy • Arrangements are in place to manage borrowing • The Council has arrangements in place to comply with the Prudential Code • Up-to-date bank mandates are in place with the organisation’s bankers • Cash/bank reconciliations are regularly and promptly prepared and reviewed with reconciling items cleared in a timely manner • There are effective processes in place to scrutinise treasury management activities. <p><i>Limitations of scope:</i> The scope of our work will be limited to the areas identified in the Terms of Reference. Our review of treasury management will not validate the organisation’s investment strategy or assess its effectiveness.</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 2024/25 transactions, ensuring a spread of coverage throughout the year up to the time of our audit.

ToR 7 Emergency Planning	
Introduction	<p>Over the last four years, ESBC has been required to respond to three separate serious flooding events in the Burton area caused by Storm Dennis (February 2020), Storm Babet (October 2023) and Storm Henk (January 2024). Whilst preventative measures are the responsibility of the Environment Agency to implement, the Council has a key role to play in responding to such events under its duty as a Category 1 emergency responder, along with Staffordshire County Council, the emergency services (police, fire), health authorities and the Environment Agency. These organisations work closely together with Staffordshire Civil Contingencies Unit to risk assess and develop planned responses for emergencies such as flooding. As a Category 1 emergency responder, ESBC has a number of duties including:</p> <ul style="list-style-type: none"> • to assess the local risks in East Staffordshire that need to be planned for • to develop and maintain emergency plans and business continuity plans, to respond to incidents within East Staffordshire • to warn, inform and advise the public before, during and after emergencies have occurred • to share information and cooperate with other agencies, ensuring the effective management of emergencies and coordination of planning • to provide business continuity advice and support to local businesses and voluntary organisations. <p>ESBC has a suite of emergency plans which document its response and recovery arrangements in order to respond to emergencies or incidents in the Borough, or which may impact upon the Borough.</p>
Objectives and scope	<p>The overall objective of our review is to ensure that there are robust emergency planning processes in place to ensure that the Council can respond effectively in the event of a serious flooding incident within the Borough. In order to achieve this objective, we will review the following controls:</p> <ul style="list-style-type: none"> • The Council is fully involved in the Staffordshire Resilience Forum through activities coordinated by the Staffordshire Civil Contingencies Unit. • The Council’s role and responsibilities as a Category 1 respondent in the event of a major flooding incident are clearly defined, understood and delivered. • Emergency plans are in place to respond to a major flooding incident in the Borough. <p><i>Limitations of scope:</i> The scope of our work will be limited to the areas identified in the Terms of Reference. Our review will be limited to the emergency planning arrangements to respond to a major flooding incident and will not therefore consider other types of emergency incident that could occur.</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. • review and comment on the adequacy of performance reporting documentation. • undertake sample testing to confirm that controls and processes are operating in practice

ToR 8	Taxi Licensing
Introduction	<p>All people wishing to drive a private Hire/Hackney Carriage vehicle must hold a private hire/hackney carriage or combined drivers licence before doing so. To be able to apply for a licence within East Staffordshire the applicant must have been driving for a minimum of 12 months.</p> <p>There are two types of taxi licences that can be applied for; a Hackney Carriage and a Private Hire vehicle licence. All vehicles used for Private Hire/Hackney carriage work must be licensed - Private Hire Vehicles can take bookings at the base only – these vehicles cannot pick up off the ranks or off the street. Hackney Carriages have to be wheelchair accessible they can wait on ranks, pick up fares off the street, or they can work dual-purposely and take bookings through a base.</p> <p>The Local Government (Miscellaneous Provisions) Act 1976 includes the statutory obligations by which the Council has to operate these arrangements. The Act allows the Council to charge the reasonable cost of carrying out this work, sufficient to cover the whole or part of the cost. Charges should not exceed the cost of providing the services.</p> <p>The authority currently has the following licences in operation:</p> <ul style="list-style-type: none"> • 159 licences for private hire vehicles • 13 licences for hackney carriage licences • 421 combined private and hackney carriage licences <p>All new drivers are required to have a Disclosure Barring Service (DBS) check and sign up to the update service so the Council can complete 6 monthly checks. Operators and vehicles have a basic disclosure once a year.</p>
Objectives and scope	<p>The overall objective of our review is to review the arrangements in place for taxi licensing. In order to achieve this objective, we will review the following controls:</p> <ul style="list-style-type: none"> • Applications for private and hackney carriage licenses are processed (including checks and assessments) before licenses are granted in line with Council policy requirements. • Licence renewals are processed, including checks, before licences are renewed. • Compliance with licensing requirements including complaints is monitored and investigated by the Council. <p><i>Limitations of scope:</i> The scope of our work will be limited to the areas identified in the Terms of Reference.</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 processes in operation. • Undertake sample testing to confirm that licence applications are processed in line with the requirements of the Council's

ToR 9 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 2024/25 as at October 2024 was £67,355,774 and £95,811,639 respectively.</p> <p>The Revenues and Benefits system, Capita, is being replaced with a new system, Civica which is due to go live in January 2025.</p>
Objectives and scope	<p>The objective of our review is to provide assurance that business rates 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 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. (including processing of refunds) • The application of reliefs and exemptions is authorised in accordance with statute, the authority’s policy and is supported by documentary evidence. • Collection rates and other key performance indicators are regularly monitored and reported on. • Recovery and enforcement procedures are managed in accordance with statutory timescales (including long term debt trends and write offs). • The security and integrity of the revenues system is properly maintained. <p><i>Limitations of scope:</i> The scope of our work will be limited to the areas identified in the Terms of Reference and will focus on the systems and processes in place at ESBC. The transfer to and operation of the new Civica system is outside the scope of this review.</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 10 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. The estimated annual value of CTS provided for 2024/25 is £6.7 million and the estimated HB payment for 2024/25 is £16.5 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> <p>The Revenues and Benefits system, Capita, is being replaced with a new system, Civica which is due to go live in January 2025.</p>

<p>Objectives and scope</p>	<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. To achieve this objective, our audit will consider the following areas:</p> <ul style="list-style-type: none"> • Policies and procedures are in place and accessible to all staff. • 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>Limitations of scope:</i> The scope of our work will be limited to the areas identified in the Terms of Reference. We will not be reviewing the accuracy of data in relation to performance indicators reported. The transfer to and operation of the new Civica system is outside the scope of this review.</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 following year end. Please note these are compiled on a cumulative basis.

So far in 2024/25 we have agreed ten Terms of Reference and issued two final reports:

360 Assurance KPIs	Target	Q1	Q2	Q3	Q4
Issue a Client Satisfaction Questionnaire following completion of every audit.	100%	100%	100%		
Terms of Reference issued before commencement of the audit.	100%	100%	100%		
Draft report issued within 10 working days of exit meeting.	100%	100%	100%		
Final report issued within 5 working days of executive sign-off.	100%	100%	100%		
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	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%	100%		

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

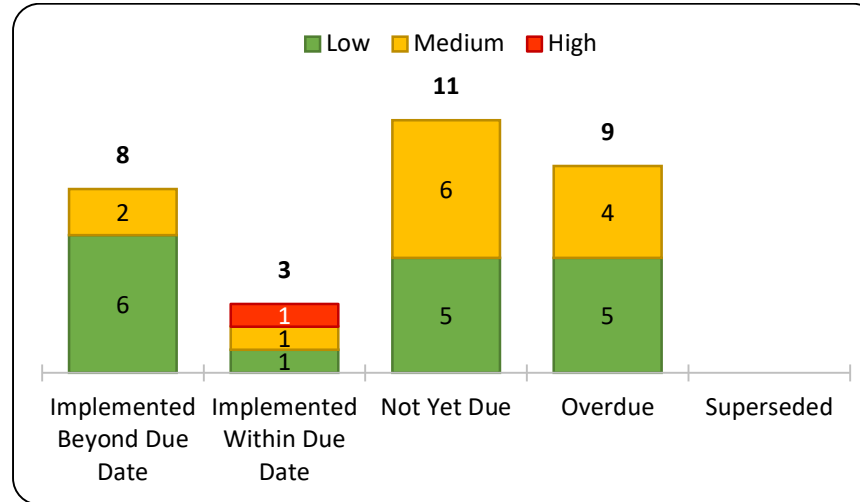


Table 1 has been provided in relation to the details of the individual actions.

Table 1

Audit reference / title by Executive Lead	Low	Medium	High	Total	Comments
Chief Financial Officer/S151	3	-	-	3	
Financial Management and Reporting	3	-	-	-	Actions relate to the BS67 suspense account and control account reconciliations being subject to evidenced management review and an audit trail should maintained for all access requests to the general ledger.
Head of Legal and Regulatory Services	1	4	-	5	
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.
Licensing	1	-	-	1	The write off long outstanding debts needs to be actioned.
Head of Regeneration and Development	1	-	-	1	
Stronger Towns Fund	1	-	-	-	
TOTAL	5	4	-	9	