

# INTERNAL AUDIT ANNUAL REPORT (INCLUDING Quarter 4 PROGRESS REPORT)



Cabinet Member for Finance & Commissioning

Date: 19<sup>th</sup> April 2023

Agenda Item:

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Key Decision? NO

Local Ward Members Full Council

**AUDIT &  
MEMBER  
STANDARDS  
COMMITTEE**

## 1. Executive Summary

- 1.1 This report comprises Internal Audit's Annual Report, including results for the quarter to 31 March 2023 (**Appendix 1**).

## 2. Recommendations

- 2.1 To note Internal Audit's Annual Report, including results for the quarter to 31 March 2023.

## 3. Background

- 3.1 The Annual Report for Internal Audit details the work completed during 2022/23. The purpose of this report is to express an opinion of the soundness of the governance, risk management and control environment and highlight any controls issues relevant for inclusion in the Annual Governance Statement. The overall opinion for the financial year is summarised below.

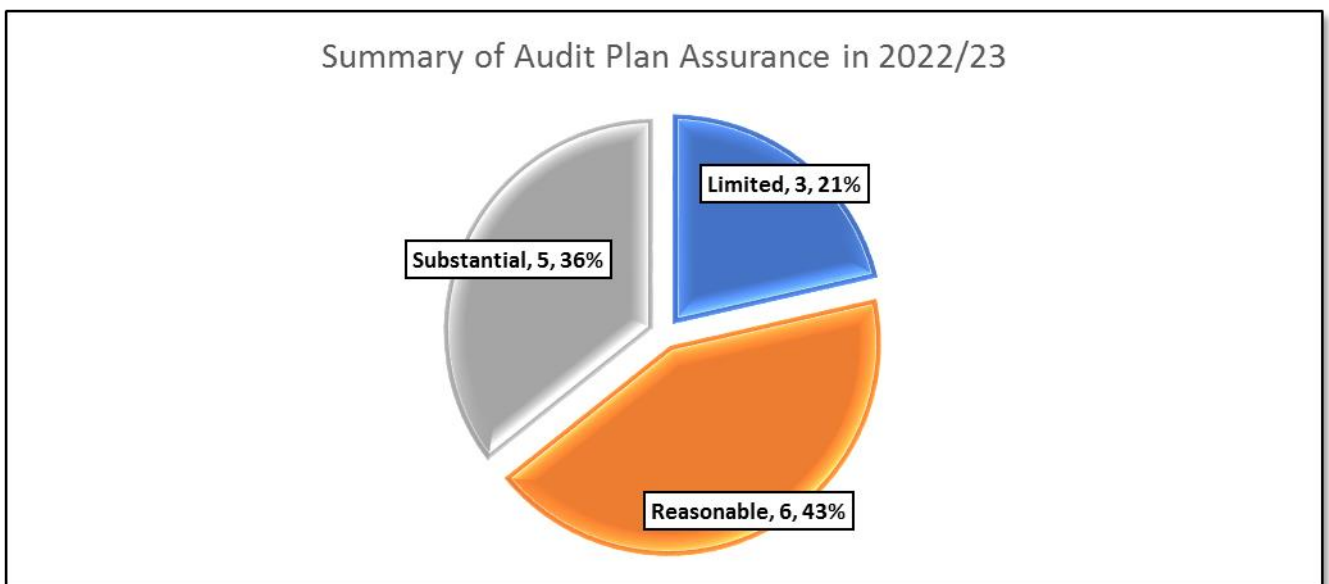
'On the basis of our audit work, our opinion on the council's framework of governance, risk management and internal control is adequate in its overall design and effectiveness. Certain weaknesses and exceptions were highlighted by our audit work. These matters have been discussed with management, to whom we have made recommendations. All of these have been, or are in the process of being addressed'.

- 3.2 The internal audit plan 2022/23 comprised **20 (including the additional IT audits)**. The target of achieving **90%** of the plan has not been reached with **85%** of the plan achieved at year end as shown in the table below;

	Q1	Q2	Q3	Q4
No of planned audits	4	6	7	3
Cumulative	4	10	17	20
<b>Profile %</b>	<b>20%</b>	<b>50%</b>	<b>85%</b>	<b>100%</b>

No of audits completed	2	3	4	8
No of audits deferred 23/24				3
Cumulative	2	5	9	20
<b>Profile</b>	<b>10%</b>	<b>25%</b>	<b>45%</b>	<b>85%</b>

- 3.3 The number of completed audits achieved a customer satisfaction score of **4.7** compared to the target of **4.0** or more. We issued 15 satisfaction questionnaires during the period and received 10 responses.
- 3.4 The under achievement against the target is because 3 audits; PCI DSS, Housing and Council Tax Benefit and Development Management (Performance), have been deferred to 2023/24 as outlined in my Audit Plan and Charter report presented to this Committee on 23<sup>rd</sup> March 2023.
- 3.5 However performance against other KPI's has been affected due to allowing service areas to concentrate on business critical service delivery and the introduction of BDO following the procurement exercise completed in September 2022. This has resulted in exceeding timescales set as targets within the KPI's. We will continue to manage this situation with the external provider to improve turnaround timescales.
- 3.6 A summary of the internal audit work undertaken and audit opinions issued is shown in detail at **Appendix 1** and in summary below:



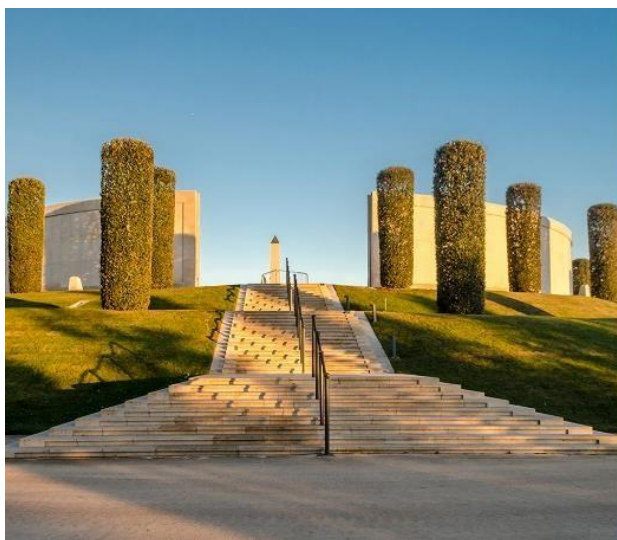
- 3.7 Additional detail has also been included within the **Appendix 1**. As at 1 April 2022 there were 5 high priority recommendations which had been raised and were overdue. During the financial year 2022/23 12 'high priority' recommendations have been raised. The table outlines that currently there are 13 outstanding high priority recommendations of which 9 are overdue. As previously reported to Committee we report high priority recommendations to Leadership Team monthly and hold quarterly meetings with all Leadership Team to discuss all outstanding recommendations and the progress management is taking to address these issues. To enable clarity around the current position in relation to the overdue high priority recommendations I have included commentary on these in **Appendix 1** of this report.
- 3.8 During 2022/23 and as reported to this committee on 23<sup>rd</sup> March 2023 the service underwent its External Quality Assessment in relation to compliance with the Public Sector Internal Audit Standards. The service was found to 'generally conform' with the standards and an agreed Action Plan has been developed. This will form the basis for the service's Quality Assurance and Improvement Plan which will be reported to this committee in the new municipal year.
- 3.9 No material matters of fraud or irregularity have been reported during the year.

Alternative Options	N/A
Consultation	N/A
Financial Implications	The audit service has been delivered within budget during the year.
Approved by Section 151 Officer	Yes
Legal Implications	None
Approved by Monitoring Officer	Yes
Contribution to the Delivery of the Strategic Plan	Delivery of the audit plan contributes to all aspects of the District Council's Strategic Plan.
Equality, Diversity and Human Rights Implications	No equality, diversity or human rights implications arising from this report.
EIA logged by Equalities	EIA logged by Equalities
Crime & Safety Issues	None arising.
Environmental Impact	None arising.
GDPR/Privacy Impact Assessment	None required.

Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
A Significant / high risk systems of internal control fail and go undressed.  Audit Manager	Likelihood: Yellow Impact: Red Severity: Red	The audit planning process ensures that audit resources are directed to areas of most significant /highest risk.	Likelihood: Green Impact: Yellow Severity: Yellow

Background documents	Audit Plan and Charter approved by Audit & Member Standards Committee 25 March 2021.
Relevant web links	

Internal Audit Annual Report (including Quarter 4 2022/23  
Progress Results)  
April 2023



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## Appendices

- 01 Summary of Internal Audit Work Undertaken in 22/23
- 02 Assurance and Recommendation Classifications

If you have any questions about this report, please contact Andrew Wood [andrew.wood@lichfielddc.gov.uk](mailto:andrew.wood@lichfielddc.gov.uk)

The matters raised in this report are the ones that came to our attention during our internal audit work. While every care has been taken to make sure the information is as accurate as possible, internal audit has only been able to base these findings on the information and documentation provided. Consequently, no complete guarantee can be given that this report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be needed. This report was produced solely for the use and benefit of Lichfield District Council. The council accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the report, its contents, conclusions, any extract, reinterperatation, amendment and/or modification.

### 01 INTRODUCTION

#### BACKGROUND

This report comprises Internal Audit's Annual Report, including results for the quarter 4 to 31 March 2023.

#### SCOPE AND PURPOSE OF INTERNAL AUDIT

The Accounts and Audit Regulations 2015 require councils to undertake an effective internal audit to evaluate the effectiveness of their risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards or guidance.

This opinion forms part of the framework of assurances that is received by the council and should be used to help inform the annual governance statement. Internal audit also has an independent and objective consultancy role to help managers improve risk management, governance and control.

Internal Audit's professional responsibilities as auditors are set out within Public Sector Internal Audit Standards (PSIAS) produced by the Internal Audit Standards Advisory Board. During 2022/23 we completed the External Quality Assessment and were found to 'generally conform' to the standards. An agreed Action Plan has been developed and this will be reviewed by management and reported to committee in the new municipal year.

#### ACKNOWLEDGEMENTS

Internal audit is grateful to the heads of service, service managers and other staff throughout the council for their help during the period.

### 02 INTERNAL AUDIT WORK UNDERTAKEN

The internal audit plan for 2022/23 was approved by the Audit & Member Standards Committee in March 2022. The plan was for a total of 20 audits. During the year we undertook a review of Agency Staffing which replaced the Licencing review, this was agreed with senior management. As part of the audit planning processes for 2022/23 and failure to recruit we procured BDO to provide general audit services. This service delivery began in September 2022 and complimented both the internal provision and IT Auditor services.

E-TEC Business Services also provided the Council with an updated IT Audit Needs Assessment which was used to shape the audit plan for 2022/23. E-Tec have completed a similar exercise for 2023/24 and this has focussed the ICT audit requirements for the upcoming financial year. Three audits against the original 20 were deferred to 2023/24; PCI DSS, Housing and Council Tax Benefit and Development Management (Performance).

A key performance indicator for Internal Audit is to continue towards the target of 90% audit plan achievement at year end, however due to the changes in the section and the resourcing requirements and procurement exercise undertaken we achieved an out turn of 85% audit plan completion by 31 March 2023.

Performance against internal audit KPI's is at section 05 but clearly the above has had an effect. This is particularly highlighted in the turn around times for audits from fieldwork completion to draft report and final report agreement. We will continue to liaise with our general audit service provision to improve the turnaround timescales for 2023/24.

The audit findings of each review, together with recommendations for action and the management responses are set out in our detailed reports. A summary of the reports we have issued during the period is included at **Appendix 01**.

We continue to work with management in respect of reviewing completed audit recommendations.

## 4 OPINION

### SCOPE OF THE OPINION

In giving an opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the council is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

In arriving at an opinion, following matters have been taken into account:

- The outcomes of all audit activity undertaken during the period.
- The effects of any material changes in the organisation's objectives or activities.
- Whether or not any limitations have been placed on the scope of internal audit.
- Whether there have been any resource constraints imposed upon us which may have impinged our ability to meet the full internal audit needs of the organisation.
- What proportion of the organisation's internal audit needs have been covered to date.

### INTERNAL AUDIT OPINION

On the basis of audit work completed, our opinion on the council's framework of governance, risk management and internal control is reasonable in its overall design and effectiveness. Certain weaknesses and exceptions were highlighted by our audit work. These matters have been discussed with management, to whom we have made recommendations. All of these have been, or are in the process of being addressed.

### SPECIFIC ISSUES

No specific issues have been highlighted through the work undertaken by internal audit during the year.

### FRAUD & IRREGULARITY

Work was undertaken regarding an irregularity identified during the year regarding Agency Staff. To address this we undertook a review of this area of the council's operation. Recommendations are in the process of being agreed by management to strengthen arrangements.

## APPENDIX 1

### CONSULTANCY & ADVICE

The audit team may be requested by managers to undertake consultancy and advice on governance, risk management and internal control matters. During the period to 31 March 2023, the following was undertaken:

- Attending homelessness review panel
- Review of changing place agreement
- Review of external funding procedures
- Consultancy on Energy Rebate process
- Test and Trace assurance statement
- Protect and Vaccinate assurance statement
- Beacon Park Investigation Internal Audit Report
- Audit work on Lichfield BID
- Assurance work on Flood Resilience grant claim
- Consultancy on community courses and cash
- Consultancy on process awarding grants
- Public Land
- Rough Sleeper Initiative assurance statement
- Homelessness prevention grant assurance statement
- Biodiversity net gain assurance statement

### 5 FOLLOW UP

Internal audit follow up all high priority actions and those arising from no and limited overall assurance, manager's confirmation applies to the rest (see KPI section05).

Of those receiving a no or limited assurance opinion which require follow up, a summary of progress to date on these audits is given at Appendix 01.

Currently there are 184 outstanding recommendations at 31 March 2023, shown in the table below:

Action Priority Rating	Total Open Actions at 1 April 2022	Actions Raised Since April 2022	Total Overall	Total Closed out at 31 March 2023	Total Open at 31 March 2023	% Implemented in the period
High	5	12	17	4	13	24 %
Medium	68	47	115	13	102	11 %
Low	34	43	77	8	69	10 %

Due to the changes in the management structure and previous ongoing senior management vacancies, which have now been filled further work will be undertaken in respect of outstanding audit recommendation. All high recommendations are re-tested and 10% of medium and low priority actions are sample tested to confirm the accuracy of manager's confirmation. Actions sampled confirmed implementation. In total during the period we sampled 24 out of 25 audit recommendations to ensure implementation through specific follow up reviews.

Of those audits receiving a no or limited assurance opinion which have been followed up, a summary of progress to date is given at Appendix 01.

Committee have previously asked for further details relating to current high priority recommendations. There are currently 13 high priority recommendations of which 9 are overdue and 4 are not yet due, these are detailed in the table below. Additionally, all high priority audit recommendations are reported to Leadership Team to provide feedback and sight of outstanding recommendations.

A further graph highlights the number of outstanding audit recommendations raised by financial year.



05 PERFORMANCE OF INTERNAL AUDIT

Compliance with professional standards

We employ a risk-based approach in planning and conducting our audit assignments. Our work has been performed in accordance with PSIAS.

Conflicts of interest

There have been no instances during the year which have impacted on our independence that have led us to declare an interest.

Performance of internal audit

Internal audit quality assurance

To make sure the quality of the work we perform, we have a programme of quality measures which includes:


- Supervision of staff conducting audit work.
- Review of files of working papers and reports by managers.
- Regular meetings of our networking groups, which issue technical and sector updates.

Performance Measures


- Complete 90% of the audit plan - **85%**
- 100% Draft reports issued within 6 weeks of start date – **50%**
- 100% Closure meetings conducted within 5 days of completion of audit work – **77%**
- 100% draft reports to be issued within 10 working days of closure meeting – **69%**
- 100% of all high priority actions are implemented at follow up – **44%**
- All no and limited assurance reports have a revised assurance rating of substantial or reasonable on follow up – **100%**
- Achieve an average customer satisfaction score of 4 or more – **100% (15 issued, 10 returned)**
- Added value – **None quantifiable**

## APPENDIX 1

### APPENDIX 01: SUMMARY OF INTERNAL AUDIT WORK UNDERTAKEN

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
Core Financial Systems	Procurement	Risk based review covering the adequacy and effectiveness of controls around procurement systems in place across the council, including the work of central Procurement Team and departments.	Q3	<p>The procurement system is designed well with controls in place to mitigate against the risks. Assurance can be given that the design of controls is adequate and the controls were found to be operating effectively.</p> <p>There is a procurement strategy 2020 – 2024 that was approved in December 2020. The strategy includes objectives to achieve the aim, an action plan and how this is monitored. There is a future procurement plan which identifies current contracts that are due to expire. A procurement initiation plan which through testing noted that these had been completed and were appropriately approved.</p> <p>Training was provided to staff in 2019 and 2020 and it is planned that the procurement team will be hosting quarterly ‘Keeping in Touch’ sessions to advise on contract procedure rules, procurement pathways and contract monitoring.</p> <p>Performance is monitored through Key Performance Indicators including strategic, financial, operation and compliance. Performance is reported to Leadership Team through procurement updates and to Cabinet six monthly through procurement matters updates, the latest being June 2022. Waivers to contract procedure rules are recorded on an exemptions log with an accompanying form detailing the reason and approval. Testing noted that exemptions had a corresponding form which was correctly approved.</p>	 <p>Substantial Assurance H-0 M-2 L-2</p>


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Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<p>Exemptions are reported annually to Audit and Member Standards Committee, the latest being July 2022 where 41 exemptions were raised during 2021/22, currently 16 during 2022/23.</p> <p>Procurement pathways are detailed in the contract procedure rules and testing of sample confirmed compliance.</p> <p>There is a contract register held on Proactis until 3 months after the expiry. The register is accessible to the public through the Council's website. Testing confirmed that contracts are uploaded to the register. The system can provide reports of contracts by expiry date providing a trigger for the procurement team to include on the future procurement plan.</p> <p>Some areas for improvement were identified. It should be evidenced that any conflicts of interest are considered, a checklist to be introduced for each procurement to ensure all requirements of the pathway have been completed, new starters should be provided with procurement guidance and the contract procedure rules should be easily accessible on the website.</p>	
	NNDR	Risk based review of NNDR including assurance over the adequacy of controls around maintenance of systems, recording of data, RV reconciliation and billing/discounts and reliefs.	Q2	<p>The NNDR system is designed with controls in place to mitigate the major risks. There is an annual billing timetable that sets out tasks and responsible officers. Charges are calculated in accordance with the appropriate non domestic multiplier provided by central government.</p> <p>Amendments, e.g. changes in rateable value, new/ demolished properties are notified via VOA schedules/ NNDR Billing Authority to VOA files.</p> <p>Changes are updated onto the IWorld system accurately and promptly. There is a regular reconciliation between the data held on the</p>	 Reasonable Assurance H - 0 M - 4 L - 3


## APPENDIX 1

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<p>system and the total on the VOA schedule.</p> <p>NNDR income is posted correctly and promptly to customer accounts while refunds are processed with a valid reason and are approved at senior level. A write off form is completed, and testing confirmed that there is a valid reason for the write off. Write offs are approved in accordance with the Financial Procedure Rules. Evidence, where required is in place to confirm exemption/ relief claims. Reconciliations are completed between the cash receipting system, IWorld and the general ledger. Reporting is completed quarterly to Cabinet through the Money matters report: Review of the Financial Performance against the Financial Strategy.</p> <p>Areas for improvement were noted during the audit, including a review of procedure notes, regular arrears monitoring and recovery, monitoring arrangements and reviewing reliefs to confirm still valid. Where manual input is required, this should be completed promptly. The older suspense items should be investigated and monthly cash reconciliations completed each month. Implementation of the recommendations in the action plan will enhance arrangements.</p>	
	Housing & Council Tax Benefit	Risk based review of the adequacy of controls surrounding awarding of Housing & Council Tax Benefits to ensure with the correct assessment and awarding of benefit.	Q2	Deferred to 2023/24	
	Allocations of Awards/ Planning Obligations Section	Risk based review of systems in place for the allocation of funding via Section 106 and the compliance	Q4	Draft report stage	

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Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
	106	with planning obligations.			
Strategic & Operational Risks	Strategic Risk Register	Risk based review of the adequacy and effectiveness of the controls in place to mitigate the Council's strategic risks.	Q1-Q4	Draft report issued	
	Project Management – Being a Better Council	Programme assurance based review of project management arrangements in place for the delivery of BABC themes and projects. To review methodology used and controls to ensure project delivery.	Q1-Q4	Draft report stage	
	Safeguarding	Risk based review of safeguarding arrangements. To review the controls in place and ensure compliance with these controls. Scoping and brief to be discussed and agreed with Safeguarding lead.	Q2	<p>The Safeguarding system is designed with controls in place to mitigate the major risks.</p> <p>There is a Safeguarding children and adults at risk procedure and a children and adults at risk of abuse and neglect policy which was reviewed in November 2022 and approved by Leadership Team. The policy/ procedure is accessible to staff through the intranet and externally on the website.</p> <p>The lead responsibility lies with a Designated Safeguarding Officer (DSO) with two deputy DSOs to support. The Council has a list of posts which are eligible for a DBS check, including Sports Development and the Community Education Officer. Testing confirmed that staff within these roles had a current enhanced DBS check. Testing also confirmed that the that external coaches for Sports Development provision had current DBS checks and expiry of these were monitored.</p> <p>However, it was noted that the Council did not hold information to confirm that the DSO and deputy held a basic DBS check. Lichfield District has several Ukrainian guests, and the Council is responsible for completing accommodation checks</p>	 <p>Reasonable Assurance H-1 M-3 L-5</p>


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Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<p>on the sponsor homes. Testing confirmed that for a sample of sponsor homes, the accommodation check had been completed. (DBS checks also completed by Staffordshire County Council). Also noted that two events had been arranged by the Council for families and a review of one of these events (Ukrainian Independence Day) noted that the Event Manager holds an enhanced DBS check and an event management plan had been completed.</p> <p>Areas for improvement were noted during the audit, including regularly updating the safeguarding procedure and policy, clarification and documenting safeguarding responsibilities (directorate leads/ deputy DSO's), reviewing the requirement of DBS checks because of changes to the current structure and changes in post responsibilities. Training requirements should be reviewed and monitored. Risk assessments should be completed for Council tenants and/or requested to comply with the council's safeguarding policy. Implementation of the recommendations in the action plan will enhance arrangements.</p>	
	Housing Allocations	Risk based review of housing applications. To include the review of applications made and ensuring compliance with agreed controls.	Q3	The Housing Allocations system is designed with controls in place to mitigate the major risks. There is a clear Allocations Scheme in place which was approved in December 2020 by Council. The scheme was fully implemented in March 2021 when the Council took over administration of the housing register. The scheme is available on the Council's website. There is also guidance on the	 <p>Substantial Assurance H-0 M-1 L-3</p>

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Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<p>website for the applicant as an aid to complete the application process.</p> <p>Housing applications are evaluated and are awarded a band/ bedroom assessment. Those that do not qualify are written to and provided with a reason why and referred to the review procedure. Lichfield District Homes has been pre-set with circumstances which allocate banding based on the information input from the application form. There are checklists and a back-office process to verify evidence has been provided and the banding decision is accurate. Testing confirmed that banding/ bedroom need allocated was correct according to the scheme and the checklists had been completed.</p> <p>Applications are subject to an annual review where any change of circumstances can be provided. Where a review is not completed following two automated emails, the application is closed.</p> <p>Verification / management checks are undertaken within the housing allocations team. Monthly checks had been completed to October 2022.</p> <p>Bid shortlists are produced from Lichfield District Homes and testing confirmed that applicants are offered the property in line with the allocations scheme.</p> <p>Performance Indicators are monitored on the corporate system and are reported to management. Indicators had been calculated to the end of September 2022.</p> <p>Some minor areas for improvement were noted</p>	

## APPENDIX 1


Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				during the audit, including updating the acceptance letter to include reference to the review process for banding/ bedroom need assessment and issuing a new letter for a change in need. The Annual lettings plan and the review of the allocations scheme performance should be completed.	
	Environmental Health – Food Inspections	Risk based review Environmental Health – Food Inspections. To include the review of compliance with national guidelines and legal requirements. To ensure that appropriate arrangements are in place for the inspection of food premises within the District.	Q3	<p>We have reached the overall opinion that the Council’s had Substantial controls to support the management of environmental health food inspections with robust procedures in place that maintain compliance with the FSA’ Code of Practice. Furthermore, we identified consistent compliance with procedures in our sample of 15 inspections, re-rating inspections and re-visits. Furthermore, there was timely reporting of the FSA’s temperature check in June and October 2022 with the January 2023 submission being completed at the time of review. Additionally, following the Covid-19 pandemic, the Council have developed a robust Food Safety Service Delivery Plan 2021-24, breaking its recovery plan into two phases.</p> <p>A minor area for improvement was noted during the audit. We identified two inspections which had not been assigned a risk rating on the Uniform system. However, these were exceptions and the remaining 248 inspections between December 2021 and December 2022 were allocated a risk rating. Implementation of the recommendation in the action plan will enhance arrangements.</p>	 Substantial Assurance H-0 M-0 L-1
	Licencing – ex Taxi (other)	Risk based review of controls in place for effective delivery of Council Licencing arrange	Q4	Swapped for agency staff. (Licencing included in 2023/24 plan)	
	Agency Staff	Risk based review of controls in place for use of agency staff	Q4	Draft report issued	




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Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
	Development Management Performance	Risk based review of Development Management Performance to include system based review of new systems.	Q4	Deferred to 2023/24	
	Elections	Risk based review of elections processes and in particular financial returns.	Q1	Draft report issued	
	Climate Change	Risk based review looking at the Council's preparation to de-carbonisation / climate change agenda.	Q2	<p>We have reached the overall opinion that the Council had Limited controls to support the management of climate change to meet the statutory net-zero target of 2050.</p> <p>While the Council is taking action to develop its Environmental Dashboard, climate change performance was not reported and monitored consistently. Furthermore, a coordinated approach was not in place across the Council for all departments to consider and contribute to a reduction in carbon emissions. There was a heavy reliance on the Ecology &amp; Climate Change Manager. However, the Council proactively worked with other local authorities via the SSB to identify a County-wide approach to reducing emissions.</p> <p>The Council have set a small budget for climate change in 2020, but most of the budget remains unspent. There was cooperation with the Finance team over budget management and spending however, this has recently stopped due to staffing changes.</p> <p>We recognise that this is a developing area and most Councils have considerable work to do to put adequate arrangements in place to meet the challenges of climate change. Implementation of the recommendations in the action plan will</p>	 Limited Assurance H-3 M-1 L-0


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Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				enhance arrangements.	
ICT	Data Protection/ GDPR	Risk Based review on Council's Data Protection and GDPR compliance	Q2-4	<p>The council has a registration with the ICO which expires in February 2023. There is a documented Data Protection Policy, although we found that the version published on the Intranet is dated May 2018. The policy was reviewed in 2020 but this version has never been published. A GDPR retention schedule is published on the Intranet, but it is incomplete and there are no procedures for ensuring it is followed within service areas. The council buy a Data Protection Officer (DPO) service from South Staffordshire Council, which in practice is a high-level specialist advisory service. There are plans to bring the service in-house as part of the new target operating model and we believe this will help improve the Data Protection compliance regime with greater ownership at a local level. Service level roles and responsibilities need to be identified to support the DPO function. Staff are required to undertake mandatory training on GDPR, however, it is not refreshed annually and we identified new starters who have not completed it.</p> <p>An information audit has been performed to identify all processing of personal data but records are incomplete and not maintained/up-to-date. Documenting and maintaining details on processing activities is mandatory under the accountability principle of UK GDPR.</p> <p>We have reviewed the privacy notices published on the corporate website and on various data collection forms and confirm they satisfy UK GDPR requirements, with minor exceptions.</p> <p>There are documented procedures for managing the rights of individuals and for dealing with data</p>	 Limited Assurance H-3 M-8 L-5

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Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				breaches. There are minor weaknesses in both areas, such as some key details not being logged and procedure documents not being reviewed. Data Protection Impact Assessments (DPIA's) are performed and reviewed by the DPO. However, we found they are not formally signed off, monitored or held in a central location.	
ICT	PCI DSS	Assurance review of PCI DSS compliance	Q4	Deferred to 2023/24	
ICT	IT System Security	Risk based review of Council systems to ensure preparedness and responsiveness to both internal and external threats to the Council's IT infrastructure	Q2-4	<p>Digital systems and data need to be secured and protected from the ever increasing and changing cyber threats that all organisations face. This review has identified a number of areas where ICT Services have good IT security controls. However, we have also identified weaknesses which should be addressed to improve the overall level of security in place and reduce the risk of a cyber-attack.</p> <p>There are dedicated firewalls at all external gateways. A review of the firewall at the gateway with Staffordshire County Council, which provides Internet access, identified some weak security configurations and limited alerting of security related events.</p> <p>Anti-malware tools are deployed on clients and infrastructure to protect against threats, including ransomware. The tools are configured for a detailed level of scanning, although we found there is no periodic review to confirm that all endpoints have the latest updates and no errors or issues. All emails are scanned for malware using a separate tool deployed on the email gateway.</p> <p>Members of the IT team have separate accounts for standard and administrator access, in accordance with good practice. However, there are</p>	 Reasonable Assurance H-2 M-7 L-12


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				<p>an excessive number of accounts with domain-wide administrator access and the principle of 'least privilege' is not followed.</p> <p>A password policy is enforced on the network which requires all users to periodically change their passwords. This policy should be reviewed in light of guidance from the National Cyber Security Centre (NCSC) which states that expiring passwords actually weaken security. A quarterly review to identify all redundant accounts should also be introduced.</p> <p>A third-party has recently been commissioned to perform a quarterly scan for security vulnerabilities but there is no formal remedial action plan to address any of the vulnerabilities identified. We also found that a small number of critical and high risk vulnerabilities reported in the 2021 IT Health Check remain outstanding.</p> <p>There is regular security patching of all clients and infrastructure. There is a weekly report on the patching of infrastructure and an equivalent monthly procedure should be implemented for client patching.</p> <p>A number of control improvements are required to demonstrate compliance with Department for Work and Pensions security standards, specifically in regard to robotic services.</p>	
ICT	IT Disaster Recovery	Risk based of Council's Disaster Recovery arrangements	Q3	The council's business continuity programme is supported by the Staffordshire Civil Contingencies Unit (CCU). The CCU has recently instigated a review of all corporate Business Impact Assessments (BIA's) and business continuity plans. IT Services are included within this review process	 Limited Assurance H-1 M-4

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Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<p>which will help ensure IT disaster recovery aligns with wider business continuity planning. The existing BIA's have identified all critical IT systems and how quickly they need to be recovered following a major incident and this information is available to IT Services who have a prioritised list of all IT systems. The ongoing review of BIA's may highlight changes to the list of critical IT systems and hence it should be formally signed-off at a corporate level as part of the review process.</p> <p>There is a documented ICT Business Continuity Plan, based on a template supplied by the CCU. The plan has recently been reviewed and updated by the Information Manager, which is the first review since the covid pandemic. The plan was originally developed in 2015 and there is no evidence of it being formally approved. We have reviewed the plan and identified some gaps in regard to technical information that may be required if the plan is invoked. There is a designated IT recovery team but deputy officers are not identified for key roles in case the primary officers are unavailable. The responsibilities of key team members is also not defined. A copy of the plan and other relevant documents are held on Microsoft Teams, ensuring there is an off-site copy in the Microsoft 365 cloud.</p> <p>The ICT business continuity plan is based on a key assumption that an external supplier will provide any additional IT hardware required for disaster recovery purposes. This provision is not included in the contract with the supplier. There is an alternative option of performing a recovery in Microsoft Azure but details of how this will be</p>	<p>L-2</p>

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Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<p>done are not documented in the plan.</p> <p>The ICT Business Continuity Plan has not been tested to ensure it will work in practice and is effective. Testing of plans helps identify any gaps and flaws that need to be addressed. Confirmation has also not been sought that disaster recovery tests are performed for IT systems that are hosted externally by suppliers, such as the finance system and the HR/payroll system.</p> <p>A copy of all backups is held off-site and restore procedures are documented.</p> <p>Implementation of the recommendations in the action plan will enhance arrangements and address these risks.</p>	
Governance, Fraud & Other Assurance	Disabled Facilities Grant	Assurance statement	Q3	Work completed and assurance statement finalised and submitted to Staffordshire County Council	Complete
	Covid Grant assurance	Assurance work on Covid-19 grants	Q1 and Q2	<p>The system for payment of Covid-19 related business grants was found to be robust. A number of good practice areas were noted:</p> <ul style="list-style-type: none"> <li>For each grant a policy was developed which was available to applicants. The policy included the background for the grant with the link to government guidance and eligibility criteria.</li> <li>Grant schemes were published on the Council's website, social media and direct correspondence to businesses.</li> <li>Application was via an on-line form which included the required information to confirm eligibility. The application forms were downloaded into a spreadsheet for monitoring and processing.</li> </ul>	 Substantial Assurance  No recommendations

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Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<ul style="list-style-type: none"> <li>• Evidence was provided, such as financial accounts to verify loss of income/ profit.</li> <li>• Internal checks of eligibility were undertaken against the Council’s business rates system to verify rateable values.</li> <li>• Checks were undertaken by the Economic Development Officer and also the Business Analyst (Finance). Anti-fraud/ corruption measures were undertaken using ‘Spotlight’ the government tool used to assess grant applicants. Internal assurance/ pass/ fail checks were undertaken.</li> <li>• For the High Street Business Growth Grant, a confirmation of the grant awarded was sent to the applicant. The letter was signed by the applicant as agreeing to the terms and conditions.</li> <li>• A grant checklist (High Street Business Growth) was completed and signed as approved by the Interim Director – Economic Growth and Development.</li> </ul> <p>Of a random sample of 3 grants awarded, testing noted the following:</p> <ul style="list-style-type: none"> <li>- Additional Restrictions Grant (High Street Business Growth Grant). A grant application had been revised and additional money had been requested towards the project. A revised grant checklist had not been completed to confirm approval by the Interim Director, Economic Growth and Development. In addition, an invoice had not been received (one month) after the second payment had been made. The invoice confirms that the grant money had been spent in line with</li> </ul>	

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Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				the project application. - Additional Restrictions Grant (greater than 51,001). No exceptions. - Additional Restrictions Grant (Leisure and direct supply chain). No exceptions.	
	Housing Benefit Memorandum of Understanding	Assurance statement to enable the Chief Finance Officer sign off to DWP.	Q4	Work completed.	Complete
	Counter Fraud	Work to support the mitigation of fraud risk, the provision of fraud awareness training, pro-active fraud exercises and reactive investigations.	Q1-Q4	Ongoing	
	Annual Audit Opinion	Production of the Annual Audit Opinion.	Q2		
	Management and Planning	Management, planning and assurance reporting to Leadership Team and Audit & Member Standards Committee.	Q1-Q4	Ongoing	
	Ad hoc / Consultancy / Contingency	Contingency allocation to be utilised upon agreement of the Chief Finance Officer.	Q1-Q4	Ongoing	
	Risk Management	Supporting the Council's risk management systems.	Q1-Q4	In progress and continuing, see Risk Management report at this Committee.	
	NFI	Compliance with and review of data matches	Q1-Q4	In progress	
Additional Assurance Reviews requested by management	Protect and Vaccinate	Assurance review to enable sign off by the Chief Executive and S151 Officer		Work completed and assurance statement submitted	Complete
	Test and Trace	Assurance review to enable sign off by the Chief Executive		Work completed and assurance statement submitted	Complete
	Flood Resilience Grant Scheme	Assurance review to enable sign off by the S151 Officer		Work completed and assurance statement submitted	Complete
	Rough Sleeper Initiative	Assurance review to enable sign off by the S151 Officer		Work completed and assurance statement submitted	Complete




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Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
	Homeless Prevention Grant	Assurance review to enable sign off by the Chief Executive and Audit Manager		Work completed and assurance statement submitted	Complete
	Biodiversity Net Gain	Assurance review to enable sign off by the S151 Officer		Work completed and assurance statement submitted	Complete
21/22 Planned Audits finalised	Payroll	Assurance based review on the effectiveness of payroll controls following the transition from Stafford Borough Council to Stoke City Council, the new payroll agency provider.		<p>Overall, the audit confirmed that payroll transactions at the Council are being processed accurately, efficiently and with the correct authorisation.</p> <p>The following areas of good practice were identified during the course of the audit:</p> <ul style="list-style-type: none"> <li>• Systems validations are in place to ensure all input data is complete.</li> <li>• Records of hours worked and allowances paid are properly certified prior to payment.</li> <li>• BACS payments are authorised by Finance.</li> <li>• There is adequate budget monitoring by Finance and budget holders.</li> <li>• Robust access permissions have been established to prevent unauthorised access within the system.</li> <li>• Via the SLA with SCC adequate contingency arrangements are in place to ensure continuity of payroll.</li> <li>• The Council maintains a Retention of Documents Schedule which clearly lays out both the period of retention and the reason why, i.e. Legal, Audit, Commercial.</li> </ul> <p>Some areas for improvement were identified. The checklists which provide guidance for payroll processing tasks require updating with reference to the new system. Variations to payroll data are</p>	 Reasonable Assurance H-0 M-2 L-2

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Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<p>processed by the Senior HR Advisor who also checks and confirms all transactions have been correctly actioned, no other officers are involved to provide segregation. Additional training should be provided to other HR officers in the absence of the Senior HR Advisor. The View Leaver Report run within MyView did not list all leavers, this could be a software or training issue.</p> <p>Implementation of the recommendations in the action plan will enhance arrangements and address these risks.</p>	
	Debtors	<p>Risk based review covering the adequacy and effectiveness of controls around debtors, including account set up / amendment, invoice requisitioning, invoicing, fees and charges and recovery. To accommodate the change to the new Civica Financials Live financial system.</p>		<p>The Debtors System is designed with controls in place to mitigate the major risks and which were found to be adequate and effective.</p> <p>Civica Financials was introduced in October 2021. Training was provided to staff and a suite of guidance notes developed.</p> <p>Testing noted that invoices raised were agreed back to source documentation, including Service Level Agreements, Leases, Price lists etc. Invoices, credit notes and refunds were independently requested and processed by the Corporate Recovery Team.</p> <p>There had been no write offs processed since October 2021.</p> <p>Income received through the E-payments system had been correctly and promptly allocated against the debt.</p> <p>A review of the suspense account noted a current balance of £1220.23 relating to 5 recent receipts dating between September 2021 and March 2022. Debtor reconciliations are completed automatically within the Civica system.</p> <p>Some weaknesses in control were found. A Corporate Debt Policy is in draft format and</p>	 <p>Reasonable Assurance H-0 M-3 L-2</p>


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Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				requires review and finalisation. Due to Covid and related tasks, such as grant administration, debt recovery action has been limited. In addition, debt reporting to Managers has not been completed since September 2021. The debtors reconciliation at March 2022 is showing a variance that requires investigating. Finally from the sample tested, there were some delays in raising invoices after the service/ supply was provided. Implementation of the recommendations in the action plan will enhance arrangements and address these risks.	
	Council Tax	Risk based review of council tax including assurance over the adequacy of controls around the maintenance of systems recording taxable properties and liable persons, billing, discounts and reliefs, collection, refunds and write offs.		<p>The council tax system is designed well with controls in place to mitigate against the risks. Assurance can be given that the design of controls is adequate and the controls were found to be operating effectively.</p> <p>The I-World System maintains a record for each account of the total amount of Council Tax Charge for the year depending upon the band allocated to the relevant properties, income due to be received and any discounts/exemption if applicable. In addition it maintains a record of all transactions relating to bills issued, refunds made and income received, including if any reminder letters have been sent or summons issued.</p> <p>Sample testing of property additions/amendments confirmed that in all cases the correct amendment had been made and in a timely manner as per the Valuation Office Amendment Lists.</p> <p>Sample testing relating to discounts/exemptions, refunds, arrears and write-offs was also conducted. In all cases appropriate documentation had been</p>	 Reasonable Assurance H-0 M-3 L-3

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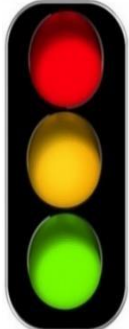
Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<p>maintained to support the transactions and, where appropriate, action relating to arrears had occurred.</p> <p>Some areas for improvement were identified. No reconciliation between payments on the I-World System and the General Ledger has occurred pertaining to the current financial year. This is because a new finance system (Civica Finance) was implemented in October 2021. The reconciliations should have been done monthly but there are no procedure notes in place for the new system. However, a reconciliation sheet has recently been formulated and a reconciliation conducted.</p> <p>A monthly reconciliation should be conducted between (i) the total cash as per the I-World system report and (ii) the amount as per the Cashier Report from the cash receipting system. Once the reconciliation has been produced it should be signed and verified by either the Income Manager or the Deputy Income Manager. For a sample of reconciliations reviewed it was noted that there had been a considerable delay in the reconciliation being conducted.</p> <p>A monitoring timetable for arrears is produced mainly relating to small balances, Default Arrangement and Pending on hold settlements/suppressed. These are at present not being actively monitored.</p> <p>Procedure notes across the system require review and updating, if applicable.</p> <p>Implementation of the recommendations in the action plan will enhance arrangements and address</p>	

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Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				these risks.	
Follow up all no and limited assurance reports and all high priority recommendations.	Investigation Report – Beacon Park	Limited Assurance Follow up	Q3	Originally 14 recommendations were made. The findings of this follow up review show 12 of the recommendations have been implemented, with 2 partially implemented. Audit follow up no/limited assurance until a revised opinion of reasonable assurance.	 Substantial Assurance
Compliance with Public Sector Internal Audit Standards (PSIAS)	External quality assessment		Q4	Complete. Findings reported to Audit and Members Standards Committee March 2023.	

ASSURANCE AND RECOMMENDATION CLASSIFICATIONS

Overall Audit Assurance Opinion	Definition
Substantial	There is a sound system of internal control designed to achieve the organisation’s objectives. The control processes tested are being consistently applied.
Reasonable	While there is a basically sound system of internal control, there are some weaknesses which may put the organisation’s objectives in this area at risk. There is a low level of non-compliance with some of the control processes applied.
Limited	Weaknesses in the system of internal controls are such as to put the organisation’s objectives in this area at risk. There is a moderate level of non-compliance with some of the control processes applied.
No	Significant weakness in the design and application of controls mean that no assurance can be given that the organisation will meet its objectives in this area.

Priority	Definition
	High priority recommendation representing a fundamental control weakness which exposes the organisation to a high degree of unnecessary risk.
	Medium priority recommendation representing a significant control weakness which exposes the organisation to a moderate degree of unnecessary risk.
	Low priority (housekeeping) recommendation highlighted opportunities to implement a good or better practice, to add value, improve efficiency or further reduce the organisation’s exposure to risk.

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Audit	Year	Recommendation	Current Status
Epayments	2016/17	The relevant PCI Self Assessment Questionnaire (SAQ) should be completed and submitted to the sponsoring bank.	<ul style="list-style-type: none"> <li>- Currently outstanding and being addressed.</li> <li>- PCI DSS Audit in 2023/24</li> <li>- Implementation of Call Secure Plus January 2023</li> <li>- Additional and transformational IT support December 2022</li> <li>- IT Action Plan implemented</li> <li>- PCI Policy to be reviewed</li> </ul> <p><b>Internal Audit to complete a full follow up review during Q1 2023/24</b></p>
Property Leases and Charges	2019/20	It should be investigated whether the leases identified were finalised and if there is a signed copy.	<ul style="list-style-type: none"> <li>- The Property Team are reviewing all leases to be completed April 2023</li> <li>- Review of PPM compliance for tenants</li> <li>- Review of unsigned leases</li> </ul> <p><b>Internal Audit to review implementation of recommendation and confirm that review undertaken, expected implementation date April 2023.</b></p>
Property Leases and Charges	2019/20	Rent Reviews should be completed on time. The findings of the review should be communicated with the Corporate Debt Recovery team and evidence should be retained to support the change in rent charged.	<ul style="list-style-type: none"> <li>- Rent Reviews dates are all marked on the asset register and take place on time</li> <li>- Scheduled reviews being undertaken</li> <li>- Liaison with debt recovery team on rent increases and outstanding debts</li> </ul> <p><b>Internal Audit to review implementation of recommendation and confirm that review undertaken, expected implementation date April 2023.</b></p>
IT System Security	2022/23	A formal RAP should be developed and managed for the quarterly security vulnerability scans and the RAP for the current ITHC should be managed through to full implementation. Where a vulnerability cannot be addressed, the risk should be documented and signed off by the SIRO.	<p>31<sup>st</sup> January 2023</p> <p><b>Scheduled for follow up</b></p>
IT System Security	2022/23	All accounts in the Windows Domain Admins group, including nested groups, should be reviewed and access revoked where it is not required.	<p>31<sup>st</sup> January 2023</p> <p><b>Scheduled for follow up</b></p>
GDPR	2022/23	The Data Protection Policy should be reviewed, approved, and the latest version published.	<ul style="list-style-type: none"> <li>- Policy updated and published on website/ intranet</li> </ul> <p><b>Internal Audit to complete a full follow up review during 2023/24</b></p>
GDPR	2022/23	All staff should undertake annual data protection training and new starters should complete their training as part of their induction, or within an agreed period thereafter.	<ul style="list-style-type: none"> <li>- GDPR module and manage training to be completed by March 2023</li> </ul> <p><b>Internal Audit to complete a full follow up review during 2023/24</b></p>

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Audit	Year	Recommendation	Current Status
GDPR	2022/23	The ROPA should be updated with the additional information highlighted and fully completed and finalised. It should be dated and version controlled and responsibility formally assigned for keeping it up-to-date.	<p>- Review of ROPA May 2023</p> <p><b>Internal Audit to complete a full follow up review during 2023/24</b></p>
IT Disaster Recovery	2022/23	Scenario testing of the ICT Business Continuity Plan should be carried out at least annually.	<p>- 31 March 2023</p> <p><b>Internal Audit to complete a full follow up review during 2023/24.</b></p>
Climate Change	2022/23	The Action Plan should be reviewed quarterly by Cabinet or the Overview & Scrutiny Committee with lead officers being amended to reflect staff changes at the Council.	<p><b>30<sup>th</sup> September 2023 – not yet due.</b></p> <p><b>Internal Audit to complete a full follow up review during 2023/24.</b></p>
Climate Change	2022/23	The Council should establish a cross-departmental working group to meet at least monthly oversee joint arrangements for reducing carbon emissions. It should also be used as an opportunity for departments to identify areas where they can cooperate to reduce carbon emissions.	<p><b>31st May 2023 – not yet due</b></p> <p><b>Internal Audit to complete a full follow up review during 2023/24.</b></p>
Climate Change	2022/23	<p>a) The Ecology &amp; Climate Change Manager should contact the Finance team to obtain contact information for a member of the Finance team to support them on the management of the climate change budget.</p> <p>b) The Council should allocate funds from the climate change budget to specific projects. Where possible, these projects should measure the carbon emission reduction to demonstrate how the project will contribute to the achievement of the success measures in the Organisational Carbon Reduction Plan. Projects should be identified and discussed through a cross-departmental working group (see Finding 2).</p>	<p><b>31<sup>st</sup> July 2023 = not yet due</b></p> <p><b>Internal Audit to complete a full follow up review during 2023/24.</b></p>
Safeguarding	2022/23	<p>A risk assessment should be completed when leasing council space to tenants. This should consider potential hazards, risk severity, persons at risk, control measures in place or any further actions needed.</p> <p>It should be considered whether the tenant is also required to sign to acknowledge and comply with the council's safeguarding policy.</p>	<p><b>30<sup>th</sup> April 2023 – not yet due</b></p>



Analysis of number of audit recommendations outstanding as at 31 March 2023 by financial year raised

