

# Internal Audit Progress Report Quarter 1

## 2024/25

Cabinet Member for Finance and Commissioning

Date: 18 July 2024

Agenda Item: 7

Contact Officer: Andrew Wood

Tel Number: 01543 308030

Email: [Andrew.wood@lichfielddc.gov.uk](mailto:Andrew.wood@lichfielddc.gov.uk)

Key Decision? NO

Local Ward Full Council

Members



Lichfield  
District Council

## Audit Committee

## 1. Executive Summary

- 1.1 This report comprises Internal Audit's progress report for the quarter to 30 June 2024 (**Appendix 1**).

## 2. Recommendations

- 2.1 To note Internal Audit's Annual Report, including results for the quarter to 30 June 2024.

## 3. Background

- 3.1. The internal audit plan 2024/25 comprises **16** (including 2 audits deferred from 2023/24). The four areas identified for review by the specialist ICT Auditor following the ICT risk assessment are:

- Cyber incident preparedness and response.
- Identify and access management.
- Revenues and Benefits IT application audit.
- IT asset management.

- 3.2. The target is to achieve **90%** of the plan and the plan has been profiled within the table below:

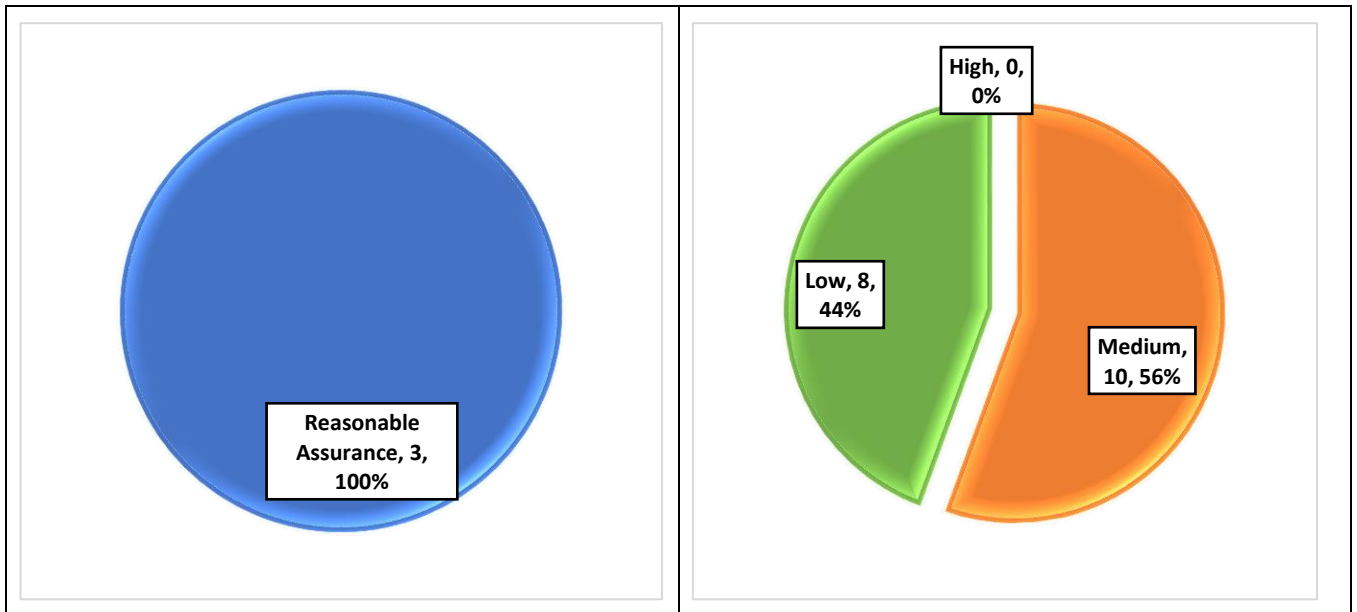
	Q1	Q2	Q3	Q4	TBC <sup>1</sup>
No. of planned audits	2	4	4	3	3
Cumulative	2	6	10	13	3
Profile %	13%	38%	63%	81%	100%

No. of audits completed	3				
Cumulative	3	3	3	3	3
Profile %	19%				

- 3.3. As at 30 June 2024, we had completed or achieved completion of **19%** of the audit plan. This was higher than the year to date audit plan profile of **13%**. This is a significant improvement on the previous year and is due to the internal team progressing audits together with the continued use of BDO and the ICT auditor thereby reducing their organisational 'learning curve'.

<sup>1</sup> Timing is still to be confirmed.

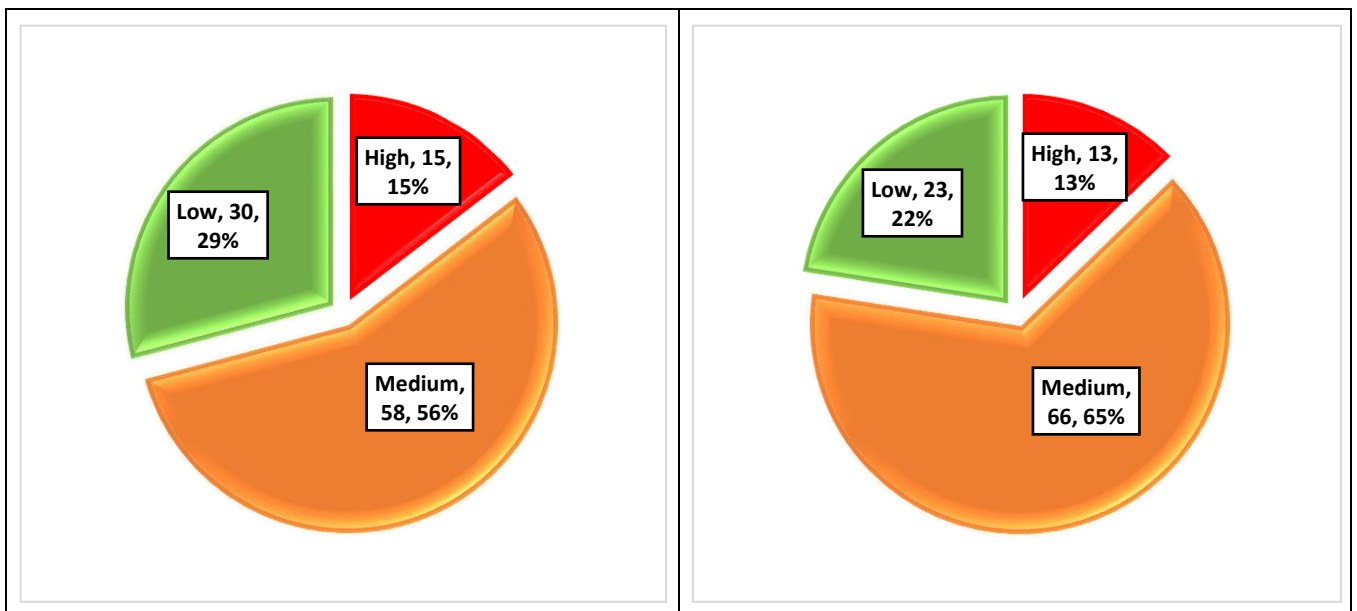
3.4. A summary of the internal audit work undertaken, audit assurance opinions and recommendations issued is shown in detail at **Appendix 1** and in summary below:



3.5. We issued 4 satisfaction questionnaires during the period and received 2 responses. The service achieved an average score of **4.0**, compared to a KPI of 4. We will continue to record outstanding questionnaires as these are received.

3.6. The performance against certain other KPI's such as issuing draft reports and closure meetings has been impacted because of the priority attached to completing audits. We will continue to manage this situation with the external provider to improve turnaround timescales.

3.7. In terms of outstanding recommendations, they currently total **114** (an increase from 103 as at 1 April 2024). A summary is provided below as at 1 April 2024 and 30 June 2024 with additional detail included within **Appendix 1**:



3.8. No material matters of fraud or irregularity have been reported during the year.

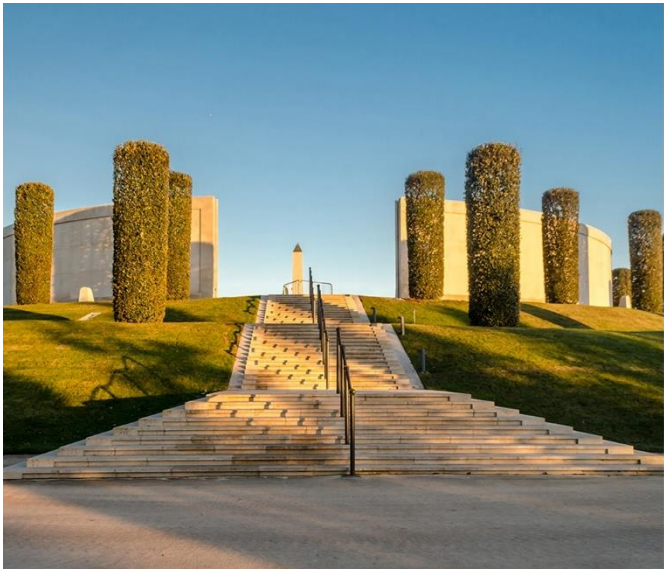
Alternative options	Not applicable.
Consultation	Not applicable.
Financial implications	The Internal Audit Plan will be delivered within the Approved Budget.





# Internal Audit Progress Report (Quarter 1) 2024/25

## July 2024



# Contents

- 01 Introduction**
- 02 Internal Audit Work Undertaken**
- 03 Annual Opinion**
- 04 Follow Up**
- 05 Performance of Internal Audit**

## **Appendices**

- 01 Summary of Internal Audit Work Undertaken in 24/25**
- 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, reinterpretation, amendment and/or modification.

## 01 INTRODUCTION

### BACKGROUND

This report comprises Internal Audit's Progress Report for quarter 1 to 30 June 2024.

### 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 2024/25 was approved by the Audit Committee in March 2024. The plan was for a total of 16 audits (2 of which were deferred from 2023/24). During 2024/25 we have procured the services of BDO and E-Tec Business Services for delivery of the plan, together with internal auditor resource.

The two audits deferred from 2023/24 were Taxi Licensing and Development Management (Performance). Development Management is scheduled for during quarter 3 of 2024/25 and Taxi Licensing, quarter 4. These two audits were deferred due to the departmental restructure and changes in process.

A key performance indicator for Internal Audit is to continue towards the target of 90% audit plan achievement at year end, we are currently at 19% completion of the plan as at 30 June 2024.

Performance against internal audit KPI's is at section 05. This in particular highlights the turnaround times for audits from fieldwork start to closure meeting. We will continue to liaise with our general audit service provision and auditees to improve the turnaround timescales for 2024/25.

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

Two external fraud notifications were received during the period in relation to:

- Covid grant claim
- Council tax

Both were investigated and no further action is required.

## 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 30 June 2024, the following was undertaken:

- Homeless prevention grant
- Rough sleeping grant

### 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 section 05).

There is one follow up where a no or limited assurance opinion was given. This relates to the DWP Searchlight audit. This follow up is currently ongoing and awaits evidence of implementation from management.

Currently there are 114 outstanding recommendations at 30 June 2024, shown in the table below:

Action Priority Rating	Total Open Actions at 1 April 2024	Actions Raised Since April 2024	Total Overall	Total Closed out at 30 June 2024	Total Open at 30 June 2024	% Implemented in the period
High	15	0	15	2	13	13
Medium	58	11	69	3	66	4
Low	30	7	37	2	35	5

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.

Committee have previously asked for further details relating to current high priority recommendations. There are currently 13 high priority recommendations of which all are overdue 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.



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 - **19%**
- 100% Draft reports issued within 6 weeks of start date – **33%**
- 100% Closure meetings conducted within 5 days of completion of audit work – **11%**
- 100% draft reports to be issued within 10 working days of closure meeting – **100%**
- 100% of all high priority actions are implemented at follow up – **N/A**
- All no and limited assurance reports have a revised assurance rating of substantial or reasonable on follow up – **N/A**
- Achieve an average customer satisfaction score of 4 or more – **100% (2 out 4 issued)**
- 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	Sundry Debtors (SR1)	Risk based review covering the adequacy and effectiveness of controls around sundry debtor systems.	Q3	<p>The Debtors System is designed with controls in place to mitigate the major risks which were found to be adequate and effective.</p> <p>Testing noted that invoices raised were agreed back to source documentation, including leases, price lists etc. Invoices, credit notes and refunds were independently requested and processed by the Corporate Recovery Team.</p> <p>Reasons were provided for a sample of invoices tested that were on hold.</p> <p>A monthly debtors report has been uploaded to Sharepoint from March 2024 and the departments are responsible for chasing debt. This is clearly stated on Sharepoint.</p> <p>Income received through the E-payments system had been correctly and promptly allocated against the debt.</p> <p>Debtor reconciliations are completed automatically within the Civica system.</p> <p>Debtor performance information is included in the Money Matters report that is presented to Cabinet every quarter.</p> <p>Some weaknesses in control were found. A Corporate Debt Policy is in draft format and requires review and finalisation. Procedure notes for use by the Corporate Recovery Team need updating to reflect current processes.</p> <p>Arrears information has not been reported consistently to departments until March 2024 and from testing it is noted that there are a number of</p>	<div style="text-align: center;">  </div> <p style="text-align: center;">Reasonable Assurance</p> <p style="text-align: center;">H – 0 M – 4 L – 4</p>

## APPENDIX 1

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				debts that require write off. There have been no write offs since 2022/23, since the change to Civica Financials. also identified debts where instalment plans where payments were not being received. Credit balance reports are also not being produced regularly. Finally, the suspense account is showing a balance relating to items dating back to 2022 and 2023.	
	Treasury Management (SR1)	Risk based review of Treasury Management including assurance over the adequacy of controls around borrowing and lending.	Q2		
	Assets and Inventory (including Insurance of Assets) (SR1)	Risk based review of the adequacy of recording of assets and inventory, together with the requirements for insuring assets of the council.	Q2	<p>The system has some good controls in place to mitigate against key risks.</p> <p>There is guidance on how to make a claim available on the website and for staff, on the intranet. Claims, along with policies are recorded on JCAD. Testing confirmed that for each claim the progress is recorded and emails/ other correspondence saved. The current status of each claim can be obtained from the system. Also noted that a daily email is received from Zurich with new cases, change in reserves, payments etc. Evidence was seen that Managers are aware of claims within their area.</p> <p>Testing of a sample of new drivers confirmed that a new drivers authorisation form is completed and approved by the manager. The new driver had been included on the insurance. Similarly, vehicle additions and disposals had been added/removed from the vehicle database.</p> <p>The Insurance Officer has completed the renewal checklist and evidence was provided that the tasks</p>	 Reasonable Assurance H – 0 M – 4 L – 4


## APPENDIX 1

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<p>sampled had been completed and information received from Managers. Evidence of liaison with Zurich, finance, property and transport was seen.</p> <p>Management information was presented to Wider Leadership Team in January 2024. Providing detail on the types of claims and the defensibility of each type over a time period.</p> <p>There were no complaints received during the year.</p> <p>Areas for improvement were noted during the audit, including updating procedure notes and policy information on the intranet.</p> <p>Completion of booking forms and receipt of insurance documents for all hirers of the council property/ land. A bookings checklist should be implemented for all hirers. Confirmation of value and insurance requirement to be received for the leaseholder properties.</p>	
	Housing Benefit Overpayments (SR1)	Risk based review of systems in place for the recording and payment of Housing Benefit overpayments.	Q4		
Strategic & Operational Risks	Waste reforms, project planning and management (SR1)	Risk based review of the adequacy and effectiveness of the project planning and management arrangements for the upcoming waste reforms	Q1		
	Taxi Licensing (SR4)	Risk based review to ensure licencing arrangements are effectively controlled.	Q4		
	Scheme of Delegation (SR4)	Risk based review regarding the resilience of the Scheme of Delegation across all service areas of the Council.	Q2		
	Income	A review of income management	Q2		


## APPENDIX 1

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
	Management (SR1)	across all areas of the council.			
	Development Property Management (SR1, SR2, SR3, SR4, SR5)	A review of the governance arrangements around the management Development Property Management.	Q3		
	Community Safety (SR4)	A review of council's arrangements for the administration of Community Safety.	Q3		
	Tourism (District and City) (SR5)	A review of tourism promotion and strategic approach.	Q4		
	Leisure Centres – income setting, collection and monitoring (SR1, SR3 & SR5)	Risk based review of Leisure Centres, focussing on income setting arrangements, cash collection and monitoring.	Q3	Field work commenced and ongoing	
ICT	Cyber Incident Preparedness and response	To be confirmed			
ICT	Identify and Access Management	To be confirmed			
ICT	Revenues and Benefits IT Application Audit	Review of the management and configuration of the IT application to ensure all data processing is complete and accurate, user access security is maintained and the risk of system/data loss is minimised.	Q1	Draft Report Stage	
ICT	IT Asset Management	To be confirmed			
Governance, Fraud & Other Assurance	Disabled Facilities Grant	Assurance statement	Q3		
	Assurance work	Assurance work on grants	Q1 – Q4		
	Housing Benefit Memorandum of Understanding	Assurance statement to enable the Chief Finance Officer sign off to DWP.	Q4		
	Counter Fraud	Work to support the mitigation of fraud risk, the provision of fraud	Q1-Q4		

## APPENDIX 1

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
		awareness training, pro-active fraud exercises and reactive investigations.			
	Annual Audit Opinion	Production of the Annual Audit Opinion.	Q2		
	Follow Up of Recommendations	To follow up all no and limited assurance reports and all high priority recommendations	Q1-Q4		
	Management and Planning	Management, planning and assurance reporting to Leadership Team and Audit Committee.	Q1-Q4		
	Ad hoc / Consultancy / Contingency	Contingency allocation to be utilised upon agreement of the Chief Finance Officer.	Q1-Q4		
	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	
23/24 Planned Audits finalised	Major Projects	Risk based review to ensure that major projects are run in line with best practice, financial arrangements are robust and project management protocols and controls maintained.	Q1	<p>Overall, we have provided Reasonable assurance over the control in place to manage major projects because there was generally a sound system of internal control with some weaknesses which may put the organisation's objectives in this area at risk. There was a low level of non-compliance with some of the control processes applied. Specifically, these were:</p> <ol style="list-style-type: none"> <li>1. Project management guidance was insufficiently detailed in some areas and did not align to what is followed in practice (Finding 1 - Medium).</li> <li>2. Lessons learned was not analysed and embedded across projects, limiting efficiencies and improvement in</li> </ol>	 Reasonable Assurance H – 0 M – 2 L – 0

**APPENDIX 1**

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<p>processes for future projects. (Finding 2 - Medium).</p> <p>The Project Management Guidance and Template broadly provided clear details on the governance structures required for projects. These were generally followed across the projects that we reviewed, with some exceptions. Furthermore, there was appropriate oversight of the Project Board for each project to monitor the project delivery, timelines and expenditure. There was also detailed PIDs which outlined the objectives, aims and deliverables of projects, and these were approved at an appropriate level from the start of the projects.</p>	
	Data Breach Management	A review of data breach management arrangements.	Q3	<p>Overall, we have concluded that the Council have Reasonable controls in place to identify, record and manage data breaches because there was broadly a sound system of internal control but there were some weaknesses which may put the organisation's objectives at risk. There was a low level of non-compliance with some of the control processes applied, specifically for the completion of the GDPR training. There were 122 members of staff (41% of staff) that had either not completed the module in their induction or the refresher training annually. Equally, there was limited corporate communications to staff through existing communication channels which could impact the understanding of individual responsibilities for reporting breaches or near misses.</p> <p>However, policies for data breaches were robust and there was clear retention of reportable data breaches and near misses on the Data Breach Log.</p>	 <p>Reasonable Assurance  H – 0  M – 2  L – 1</p>

**APPENDIX 1**

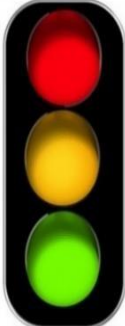
Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				Furthermore, we identified that processes were consistently followed for managing breaches, with some scope for better documenting of lessons learned or data subjects impacted by breaches, and there was no evidence of non-compliance with statutory legislation. There was one reportable breach which was reported to the ICO, with no further action required, relating to a third-party supplier's loss of the Council's data.	



## APPENDIX 1

### ASSURANCE AND RECOMMENDATION CLASSIFICATIONS

Overall Audit Assurance Opinion	Definition
<b>Substantial</b>	There is a sound system of internal control designed to achieve the organisation's objectives. The control processes tested are being consistently applied.
<b>Reasonable</b>	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.
<b>Limited</b>	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.
<b>No</b>	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.

## APPENDIX 1

Audit	Year	Recommendation	Current Status
Property Leases and Charges	2019/20	It should be investigated whether the leases identified were finalised and if there is a signed copy.	Awaiting update from Property Leases and Charges Internal Audit 2023/24, to be completed by BDO.
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.	Awaiting update from Property Leases and Charges Internal Audit 2023/24, to be completed by BDO.
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.	31st January 2023  2024 healthcheck being scheduled
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>	31st July 2023  Update from Follow up Review  Budget meetings have been held with the Senior Business Advisor (Finance), with the latest 5 December 2023.  Funds remain unallocated whilst a finalised action plan is developed. It is intended that the fund allocation will be discussed at the cross departmental group meetings.
Strategic Risk Register	2023/24	The Council is not PSN compliant. Action is being taken to address Payment Card Industry Compliance which when complete will progress the PSN certificate.	30 June 2024  Work is underway to regain PSN certification.  Aiming to apply for PSN certification by the end of June. An IT Healthcheck has been scheduled for May, this report and any mitigation plans are essential for our PSN application. The IT Healthcheck is an exercise where external certified ethical hackers perform both external and internal penetration tests to access our systems and assess vulnerabilities. The IT Team are currently working to prepare for this Healthcheck, with the aim of

## APPENDIX 1

			<p>minimising the number of recommendations that come from this exercise to support a successful PSN application</p>
LWMTS Searchlight	2023/24	<p>7 recommendations raised at the conclusion of the audit and circulated to all members of the Committee.</p>	<p>All recommendations with implementation date of 31 July 2023.</p> <p>Internal Audit follow up in progress which has confirmed implementation of 2 of the high recommendations made. Awaiting evidence from Management to confirm implementation of the remaining recommendations (including 7 high recommendations).</p>
PCI DSS	2022/23	<p>PCI requires annual security penetration testing and quarterly internal and external vulnerability scans by an Approved Scanning Vendor (ASV). The actual requirements are dependent on the relevant SAQ as per recommendation 4.</p>	<p>31 January 2024</p> <p>Management response received.</p> <p>Remediation for critical and high risk vulnerabilities were done in September 2023. Since audit a further vulnerability scan has been completed.</p> <p>Been performed and new contract is being tendered for quarterly scans for PCI starting November 2023.</p> <p>Confirmation required for audit to confirm the contract for the quarterly scans.</p>