

INTERNAL AUDIT PROGRESS REPORT

Cabinet Member for Finance, Procurement, Customer Services and Revenues & Benefits



Date: 3 February 2021
Agenda Item: 6
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Key Decision? NO
Local Ward Members If any Wards are particularly affected insert the name of the Ward Members and their Ward. Ensure that the Ward Members have been consulted.

AUDIT & MEMBER STANDARDS COMMITTEE

1. Executive Summary

- 1.1 This report comprises Internal Audit's progress report for the period to 31 December 2020 (Quarter 3) (**Appendix 1**).

2. Recommendations

- 2.1 To note the attached report.

3. Background

- 3.1 The Accounts and Audit Regulations 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 Audit Standards.
- 3.2 Internal Audit's progress report for the period to Quarter 3 is detailed at **Appendix 1** for members to consider.

Alternative Options	N/A
Consultation	N/A
Financial Implications	The audit service has been delivered within budget during the year.
Contribution to the Delivery of the Strategic Plan	Delivery of the audit plan contributes to all aspects of the Strategic Plan, but notably 'a good Council'.
Equality, Diversity and Human Rights Implications	No equality, diversity or human rights implications arising from this report.

Crime & Safety Issues	None arising.
Environmental Impact	None arising.

GDPR/Privacy Impact Assessment	None required.
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	Risk Description	How We Manage It	Severity of Risk (RYG)
A	Significant / high risk systems of internal control fail and go un-addressed.	The audit planning process ensures that audit resources are directed to areas of most significance / highest risk.	Likelihood – Green Impact - Yellow Severity of risk - Green (tolerable)
B			
C			
D			
E			

Background documents
Audit & Member Standards Committee routine reports, internal audit reports

Relevant web links

Internal Audit Progress Report (Quarter 3) February 2021



Contents

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

Appendices

- 01 Summary of Internal Audit Work Undertaken**
- 02 Assurance and Recommendation Classifications**

If you have any questions about this report, please contact Rebecca Neill, Head of Audit rebecca.neill@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 summarises internal audit activity and performance for the period to 31 December 2020.

SCOPE AND PURPOSE OF INTERNAL AUDIT

The Accounts and Audit Regulations 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 progress report and 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 internal auditors are set out within Public Sector Internal Audit Standards (PSIAS) produced by the Internal Audit Standards Advisory Board.

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 2020/21 was approved by the Audit & Member Standards Committee in July 2020. The plan was for a

total of 18 audits. Initially, some planned audit work was temporarily suspended at the start of the period, to allow functions to concentrate on business critical service delivery responding to Covid-19. One of the auditors was deployed during quarter one, to support the Council's emergency response. The plan was recommenced and work re-profiled, to continue towards the target of 90% plan achievement at year end. However, as we enter subsequent waves and national lockdowns, this will of course have an impact in terms of some service areas' ability to respond to audits, due to their changing priorities as a result of the pandemic. Performance against internal audits new KPI's is at section 05 but clearly the above has had an effect.

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

03 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 during the period.

FRAUD & IRREGULARITY

Work was undertaken regarding an irregularity identified during the quarter - a loss of takings (£99.65) at Beacon Park. Recommendations have been agreed to strengthen arrangements.

CONSULTANCY & ADVICE

The audit team may be requested by managers to undertake consultancy and advice on governance, risk management and internal control matters. In the quarter to 31 December 2020, the following was undertaken:

- Advice on payment of overtime/ casual claims during Covid-19.
- Attending demo/ consultancy on new finance system.
- Review of process for reclaiming VAT for election expenses.
- Financial Procedure rules review.
- Fraud and Corruption checklist (procurement).

04 FOLLOW UP

The Committee approved a new approach to audit follow up earlier this year (all high priority actions and those arising from no and limited overall assurance reports will be followed up by audit, managers confirmation applies to the rest). Implementation of the new system was initially delayed to allow functions to concentrate on business critical service delivery due to Covid-19. The Leadership Team agreed to concentrate on closing high priority actions during this period and the current status is as below.

Action Priority Rating	Total Open Actions at Jan 2020	Actions Raised Since Jan 2020	Total Overall	Total Closed out at 31 Dec 2020	Total Open at 31 Dec 2020	% Implemented Dec 2020 (Sept 2020 comparison)
High	24	16	40	21	19	53% (45%)
Medium	206	96	302	231	71	76% (41%)
Low	-*	43	43	26	17	60% (5%)

*low actions were not previously tracked.

This is a positive direction of travel since our last progress report. Under the current system, @10% of medium and low priority actions are sample tested to confirm the accuracy of managers' confirmation. 14 actions were sample tested in the quarter, confirming 12 of the 14 sampled has been implemented. The remaining 2 were notified to the action owner and their head of service and added back to the outstanding actions list for tracking.

Of those audits 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. There is one report which remains limited assurance on follow up – GDPR. A progress update report has been completed (late January 2021) and circulated to the Committee and a further follow up is planned for February /March 2021.

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 - **67%**
- 100% Draft reports issued within 6 weeks of start date – **25%**
- 100% Closure meetings conducted within 5 days of completion of audit work – **83%**
- 100% draft reports to be issued within 10 working days of closure meeting – **67%**
- 100% of all high priority actions are implemented at follow up – **53%**
- All no and limited assurance reports have a revised assurance rating of substantial or reasonable on follow up – **86%**
- Achieve an average customer satisfaction score of 4 or more - **4.3**
- Added value – **Annual measure**

APPENDIX 01: SUMMARY OF INTERNAL AUDIT WORK UNDERTAKEN


Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
Core Financial Systems	Creditors	Risk based review covering the adequacy and effectiveness of controls around creditor payments, including supplier set up / amendment, requisitioning / ordering, receipting and approvals.	Q1-Q2	<p>The procure to pay process from end to end is designed with controls in place to mitigate against the major risks. The Council's Financial Procedure Rules provide a strong framework for procurement activity and the Accounts Payable section have internal policies and procedures in place, as an example, The Government Procurement Card (GPC) Credit Card Policy and Procedures. There is clear segregation of duties through the ordering, payment and reconciliation processes to mitigate against the risk of fraud / error.</p> <p>Controls were found to be operating effectively. Payments were found to be made in an accurate and timely manner and monitored through Performance Indicators (PI's). Statistics from these PI's are published to Leadership Team and also within the 'Money Matters Report' reported to Cabinet, so there is the necessary oversight.</p> <p>Some minor weaknesses in the operation of controls were identified which need to be addressed, in ensuring orders are raised prior to good / services / invoices having been received, lack of timely submission of evidence (receipts etc.) in credit card transactions and ensuring supplier information on the website is up to date.</p>	 <p>Substantial Assurance</p> <p>Number of Actions H-0 M-1 L-2</p>


Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
	Capital Accounting	Risk based review of the capital accounting systems focusing on completeness, accuracy and compliance with appropriate accounting standards.	Q1-Q2	<p>The capital accounting 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 treatment of capital assets in relation to depreciation, revaluations and impairments is clearly defined. The asset register is maintained securely, updated accurately for additions, disposals and the remaining life of assets. Assets are valued in line with the required schedule and adjustments made accurately to the revaluations reserve and asset register. Depreciation is calculated and processed accurately in line with policy. There are clear controls over capturing and coordinating data on behalf of service areas and reporting performance.</p> <p>A weakness was noted in the effectiveness of controls, in relation to ensuring the asset register is complete and accurate. Verification of assets was not received from all managers at year end (it is acknowledged that the start of Covid-19 lockdown restrictions had an impact on this) and a check or reconciliation has not been completed between the asset register used for the statement of accounts and the register compiled by the estates team.</p>	 <p>Substantial Assurance</p> <p>Number of actions H-0 M-0 L-1</p>


Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
	Payroll	Risk based review of payroll, including adequacy and effectiveness of controls around the systems for starters, leavers, amendments, deductions, overtime and expenses.	Q1-Q2	<p>The Payroll system is designed with controls in place to mitigate the key risks.</p> <p>There is a clear and documented SLA that outlines the expectations of the payroll function / service between both LDC and SBC.</p> <p>A clear segregation of duties exist for both Councils such as LDC inputting personal data (start/leave dates, position, band etc.) while SBC input bank details, calculate pay and process amendments/deductions where required.</p> <p>Controls were found to be operating effectively with bona fide personnel being paid the correct amounts including variations to pay. Leavers are removed from the payroll promptly. Amendments and deductions are not processed without appropriate source documentation.</p> <p>A monthly exception report is received and reviewed by Finance, including high and low earners and trend analysis with prior months. An establishment list is also sent to budget holders annually.</p> <p>A secure file transfer method using 'ZIP7' or 'Dropbox' is used to transfer information between SBC and LDC. Additionally, all personnel documents are stored in individual named folders on the HR S Drive with access restricted to those within the department.</p>	 <p>Reasonable Assurance</p> <p>Number of actions H-0 M-1 L-4</p>


Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<p>Some minor weaknesses were identified in terms of ensuring casual contracts, namely that contracts are signed prior to the staff members' start date and that payments to casuals are appropriately authorised. Some delay was also noted in the completion of the payroll reconciliation process, but these were largely due to other priorities arising from the pandemic response.</p> <p>Finally, the most pressing issue to resolve is the replacement of the current payroll provider, SBC, when they exit the contract in July 2021. Implementation of the recommendations in the action plan will enhance arrangements and address these risks.</p>	
	Procurement	Risk based review of procurement, including strategy, targets and testing a sample of recent material procurements to ensure compliance with contract procedure rules / OJEU etc.	Q1-2	<p>Procurement is generally being undertaken in accordance with Contract Procedure Rules (CPRs) and external legislation and this is supported by the findings within the high level expenditure follow up audit. A series of training courses have been held for officers and guidance is available on Brian. In addition, progress has been made since the shared service arrangement with Wolverhampton City Council ended in the appointment an interim procurement resource and more recently a new permanent team. Some weaknesses in control were, however, found in the formal procurement strategy action plan and forward plan requiring finalisation. In addition,</p>	 <p>Limited Assurance</p> <p>Number of actions</p> <p>H-2 M-6 L-1</p>

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<p>procurement performance not currently being monitored, the contracts register not being complete, waivers to CPRs not fully reported and data not always being published in accordance with the Transparency Code. The commencement of the new procurement team, approval of the procurement strategy and implementation of the recommendations in the action plan will enhance arrangements and address these risks.</p> <p><i>Post audit update from the Head of Finance & Procurement: The Procurement Strategy was reviewed by Strategic (Overview and Scrutiny) Committee on 19 November 2020 and following some enhancements suggested by the Committee, it was approved by Cabinet on 1 December 2020. The Procurement Team will focus on delivering the Strategy alongside supporting procurement activities across the Council. Recent papers published by central government as well as the impact of leaving the European Union (EU) will bring forward the action in the Procurement Strategy of updating of the Contract Procedure Rules as well as meeting the requirements of the recent internal audit. The Procurement Team have been providing support, guidance and leadership on a wide range of projects ranging from consultancy services to new software, fuel provision to temporary staff, and annual valuations to occupational health. Working with other stakeholders the contracts register is being</i></p>	


Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<i>updated and from this a forward plan will be drafted; allowing for procurement activities to start moving to a planned model.</i>	
	NNDR	Risk based review of NNDR controls, including review of taxable properties; billing; discounts, exemptions, disregards and reliefs; income is correctly accounted for and recorded; arrears are promptly and efficiently pursued; refunds and write-offs are controlled.	Q3		
	Housing & Council Tax Benefits	Standard risk based review of housing and council tax benefit systems using CIPFA control matrices. To include a review of the adequacy and effectiveness of the application of the Citizens Access System at management's request.	Q4	The benefits system is designed with controls in place to mitigate the major risks. Claims are verified and processed promptly and accurately. There are business continuity plans in place and IT systems are supported and up to date. Checks are in place to identify errors prior to transmitting payment runs, regular reconciliations of the systems are carried out, and management checks are completed on a sample of claims to confirm accuracy of assessment. A suite of performance indicators is in place to monitor the speed of processing, management check results, and the volume of claims on a monthly basis. Proactive work to check claims is completed to minimise fraud and error within the system. Some changes to working procedures were required as a result of Covid-19, however, adequate controls were found to be in operation within the new practices. All of	 <p>Substantial Assurance Number of actions H-0 M-1 L-1</p>

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<p>these controls were found to be operating effectively to mitigate against key risks.</p> <p>Two weaknesses were found in relation to a lack of backup for the Civica server and the absence of a performance indicator to monitor overpayments within the current suite of KPI's. Implementation of the recommendations will enhance arrangements.</p>	
	Capital Strategy	Risk based review of delivery of the Council's capital strategy and associated programme management delivery controls.	Q1-2	<p>There is a Capital Strategy in place, which has been made available to all officers and is supported by a series of additional guidance notes. There is an asset management plan for the replacement of vehicles and LOPS equipment. There is a clear and documented capital programme that supports the strategy. There is a process in place to ensure applications for capital funding are considered, reviewed and approved prior to inclusion in the capital programme. The progress of projects included in the capital programme is regularly monitored and reports are issued to the allocated responsible officer of spend against budget. Capital is included in the Money Matter Reports which are taken to Strategic Overview and Scrutiny Committee and Cabinet for review 4 times a year. These controls are operating effectively to mitigate against key risks.</p> <p>Weaknesses were found in relation to there not being formal asset management plans for all asset types, detailed project plans not being in place to</p>	 <p>Reasonable Assurance</p> <p>Number of actions H-0 M-3 L-0</p>

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				support all projects within the capital programme and post project reviews not being completed.	
	Income Management	Risk based review of the Council's income streams and systems of internal control governing completeness and accuracy of accounting.	Q1-2	<p>The income management system is designed with controls in place to mitigate the major risks. There is clear segregation of duties through the billing, collection and reconciliation processes to mitigate against the risk of fraud/ error.</p> <p>Controls were found to be operating effectively and payments received were processed promptly and accurately. IT file transfers are routinely scheduled and error notifications provided where an upload failure occurs. Reconciliations are performed by system owners for payments for Council Tax/ NNDR and Sundry debtors systems to confirm interface success. Performance on income received and sundry debt is monitored and reported within the Money Matters Report. An additional report which highlights the impact of Covid-19 on income streams is now reported monthly to Leadership Team, Cabinet and Chair/ Vice Chair of O&S Strategic Committee.</p> <p>Some areas for improvement were identified, namely, in considering compiling an over-arching income management strategy, ensuring evidence of approval of fees and charges is retained, that reconciliations are completed promptly (acknowledging this being due to the impact of Covid-19 on operations) and that revised banking processes are risk assessed for safety.</p>	 <p>Reasonable Assurance</p> <p>Number of actions H-0 M-4 L-0</p>


Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
Strategic & Operational Risks	Strategic Risk Register <i>Under Review TBC</i>	Risk based review of the adequacy and effectiveness of the controls in place to mitigate the Council's strategic risks. This is to be confirmed following the production of the new strategic risk register based on the new corporate plan.	Q1-Q4		
	Risk Management	Review of the adequacy of the Council's risk management systems.	Q3		
	Covid-19 Risks	'Flash' audits of dynamic risks arising from the Council's Covid-19 response. To include continuity and recovery arrangements, business grants, new funding, staff wellbeing, governance, financial, productivity. This audit will compliment other strategic and operational risk and ICT audits on the plan which will be looked at with a 'Covid-19 risk lens'.	Q1-Q4	Staff Wellbeing Control measures to mitigate against the risk of staff wellbeing being adversely impacted by the Covid-19 crisis were found to be adequate and effective. A number of good practice areas were noted: <ul style="list-style-type: none"> Amendments to home working, sickness / absences and caring responsibilities associated with the Covid-19 outbreak was quickly established (approved by LT), including counselling services available to provide staff with support and advice. Regular weekly all staff communications have been maintained throughout the pandemic setting out organisational updates as well as providing clarity on wider (frequently changing) government guidance. Wellbeing has been regularly cited, including a number of links for mental health. Communications have been factual, delivered with the right balance of humour (e.g. 'Reg the dog'), to 	 Substantial Assurance No actions

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<p>raise staff morale and have been generally very well received.</p> <ul style="list-style-type: none"> Staff wellbeing engagement has been undertaken via a Home Working survey in May 2020 (results shared in June 2020). Of the 102 staff members participating, 80% of those felt their managers were understanding about their health and wellbeing. The HR & Wellbeing Action Group are working on the response to the survey in a 'you said, we did' format. Wellbeing services and activities are available on the intranet providing staff with a range of tools at their disposal e.g. 'Instructor Live' online workouts, FAQ's and downloadable material. Mental Health First Aiders are also contactable with their details provided. Finally, despite the ongoing situation with COVID-19, sickness levels have not suffered a significant impact, but remained constant. <p>As the pandemic enters a 'second wave', coupled with additional pressures on staff wellbeing arising from the winter months and prolonged remote working, the following areas are suggested as forward focus to maintain staff wellbeing:</p> <ul style="list-style-type: none"> Ensuring that the work streams to address the results of the staff survey are completed and additional snap surveys are undertaken to measure the success of this work and to continue to 'listen' to staff. 	


Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<ul style="list-style-type: none"> • More informal staff engagement should be considered coupled with seasonal / staff awareness raising themes e.g. the use of 'Zoom or Teams' as a tool for virtual coffee / lunch breaks e.g. the recent Macmillan Coffee Morning for charity. • Continue to promote a culture that values individuals and teams (e.g. the 'saying thank you to ...' in weekly comms, promote informal virtual team engagement over the forthcoming holiday period). • Encouraging staff to focus on their physical health (i.e. via reinforcing government safety measures and other measures e.g. promoting nutrition, fitness and educational content etc.) • Continually keep abreast of, and implement suitable innovative developments to promote staff wellbeing. <p>Business Continuity/ Emergency Planning and Recovery Control measures to mitigate against the risk of business continuity and emergency planning arrangements being adversely impacted by the Covid-19 crisis were found to be adequate and effective during the first wave, indicating a good level or preparedness for second / subsequent waves and 'lockdowns'. A number of good practice areas were noted:</p>	 <p>Substantial Assurance</p> <p>No actions</p>


Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<ul style="list-style-type: none"> Weekly Strategic Co-ordinating Group (SCG) meetings as part of the wider Staffordshire Local Resilience Forum response via the Civil Contingencies Unit (CCU) were held during the height of the first wave of the pandemic. Staff played a strong role in tactical subgroups which sit under the SCG, which although were stood down for a period over the summer, are now back in place responding to the second wave / national lockdown. An internal Tactical Co-ordinating Group (TCG) was set up to meet on a weekly basis and respond to the COVID-19 pandemic. Loggists were present at each of the above meetings, with actions and decision logs written up. An audit was undertaken of critical staff within each directorate area to ensure in the early stages there was capacity to work from home, so that critical service delivery could be maintained. Regularity and effective communications channels was evident via Multi-Agency Intelligence and Communications meetings and regular media releases to update the public on the Council's activity. A number of examples include - a monthly business newsletter from the Economic Development Team featuring COVID 	



Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<p>related information on national and local support.</p> <ul style="list-style-type: none"> • Effective recovery and reset arrangements were put in place following the first wave e.g. with the Local Resilience Forum Recovery Co-ordinating Group (RCG) which meets monthly and is facilitated by the CCU and an internal recovery group meeting bi-weekly, to focus on the Council's recovery work streams (re-opening of council buildings, ongoing support for residents etc.). This work-stream also captured learning and innovation from new ways of working / service delivery arising from the initial lockdown with a view to initiating longer-term changes e.g. the approach to face-to-face customer services. • Significant plans were re-reviewed against a COVID-19 lens e.g. mass transportation plan, rest centre venues plan - to ensure learning was 'locked in' and for preparedness. • The Council participated in the CCU's debrief survey, together with other partners including a 'lessons register' for partners to adopt following the first wave. <p>As the pandemic enters the second wave / national lockdown, capitalising on the learning from the first wave experience should put the Council at a good level of preparedness to manage second /</p>	




Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				subsequent waves / lockdowns as well as any potential additional pressures (seasonal flu, adverse weather).	
	Management of Property (LA Trading Company)	Risk based review of the Council's controls in place for managing property and the Council's assurance regarding the operation and risks surrounding the LA Trading Company.	Q1-Q2	<p>While the Company was not fully operational and had not undertaken any development at the time of the audit, assurance can be given that the design of controls is adequate for when the company commences operations.</p> <p>There is a governance agreement in place between the Council and the Company which is designed to manage the risks to the Council from the operations of the trading company, Lichfield Housing Limited. The governance agreement includes matters delegated for approval to the shareholder committee, board or director. Additionally, there is an assigned officer of the Council whose role will be to consult, request information and manage the relationship with the Company. The agreement has been signed by the Council (Director and Leader) and the Company (Managing Director and Finance Director) and has been agreed by the Portfolio Holder for Investment, Economic Growth and Tourism (Chairman of the SAMC). The company has a business plan which was developed through Leadership Team and has been formally presented and agreed by the Chairman of the SAMC (<i>SAMC has since been disbanded</i>) with figures presented to the full Committee through update reports. The</p>	 <p>Substantial Assurance</p> <p>Number of actions H-0 M-1 L-1</p>



Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<p>issue of shares and agreement of a loan has been agreed through the shareholder committee. Stages of development of the company are overseen through a delivery plan. Delivery actions being a standing agenda item for the Board. The provision of the support services supplied by the Council is included in a letter of agreement signed by the Head of Finance and Procurement. It is envisaged that individual service agreements will be formalised as the needs of the Company require. The Company has appointed a legal company for support and advice.</p> <p>Some minor weaknesses were noted in the effectiveness of controls, for example in ensuring that the recent review of Portfolio Responsibilities are reflected in the Governance Agreement and also within the Portfolio Holder's service responsibilities in the next review of the constitution. Ensuring training is in place for the new Portfolio Holder is also recommended</p>	
	Planning	Risk based review of systems of internal control for planning (using CIPFA control matrices), to include applications, appeals, fee management.	Q2		
ICT	ICT Backup and Recovery	A review of how data and applications are backed up. This areas has not been previously audited in any detail.	Q2		

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
	Remote Working	A risk based review giving assurance over the adequacy of the Council's ICT operations with the shift towards remote working arising from Covid-19 crisis.	Q3	<p>There are a robust set of corporate IT policies governing home working and remote access, with key messages being re-enforced in the weekly Chief Executive communication. There is an inventory of all computer hardware which has details of the computer equipment issued to users; it was tested and generally found to be up-to-date. Staff home working requirements were assessed at the time of the national lockdown and they were given the required computer equipment and remote access facilitates. Staff have been able to work from home during the Covid-19 pandemic and there has been no security breaches.</p> <p>The biggest area of risk identified is that not all laptop computers are encrypted and that users are not prevented from copying data onto untrusted removable storage devices. Both these weaknesses remain, despite being previously reported as part of our audit on Mobile Computing in 2017 and could lead to a potential data breach as well as financial penalties under the GDPR/Data Protection Act 2018.</p> <p>Users have remote access to the corporate network via Citrix or a Virtual Private Network (VPN) and we have identified security weaknesses in these solutions which should be addressed to protect against cyber-attacks. Historically, Skype for Business has been the main tool for internal collaboration, although it is now being replaced by</p>	 <p>Reasonable Assurance</p> <p>Number of actions H-2 M-2 L-8</p>

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				Zoom and Microsoft Teams. As the security and control functionality within Skype for Business is limited, it should be decommissioned as soon as possible.	
Governance, Fraud & Other Assurance	Pensions	Assurance statements to Staffordshire County Council	Q3	Complete	
	Disabled Facilities Grant		Q2	Complete	
	Housing Benefit Memorandum of Understanding	Assurance statement to enable the Chief Finance Officer sign off to DWP.	Q3	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 – See also Counter Fraud Update.	
	Annual Audit Opinion	Production of the Annual Audit Opinion.	Q2	Complete	
	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	Ongoing	
Follow up all no and limited assurance reports	Time Management System	Limited Assurance Follow up	Q1	Originally 14 recommendations were made and from these 6 have been implemented and 8 recommendations superseded due to a system change. TMS now sits within ICT who are the developers of the system and influence the process	 Substantial Assurance

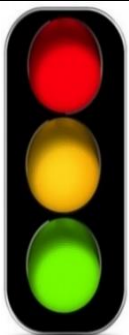
Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				and policy whilst working with HR. The introduction of the TMS.net system, now allows Heads of Service access to view and monitor their team's working hours. A Flexible Working Framework provides an overall guidance to staff whilst the Local Service Area Agreements (LSAA) provide the specific detail to the working hours and flexi balances agreed for their service area.	
	GIS	Limited Assurance Follow up	Q1	<p>Originally 12 medium risk recommendations were made and from these 5 have been implemented, 3 have been partially implemented and 4 are still outstanding.</p> <p>All outstanding recommendations have been rescheduled for implementation by October 2020.</p>	 <p>Reasonable Assurance</p>
	GDPR	Limited Assurance Follow up	Q1	<p>May 2020 Follow Up Outcome: Originally 14 high and medium risk recommendations were made and from these 4 had been implemented and 10 partially implemented. Of the outstanding recommendations 6 are classed as high priority and 4 as medium. All outstanding recommendations were initially rescheduled for implementation by 31 October 2020.</p> <p>January 2021 Progress Update: Implementation date on remaining actions was amended to the end of January 2021 at the request of management. An audit progress update report has been completed (late January 2021) and circulated to the Committee. The current status is, a further 2 high</p>	 <p>Limited Assurance</p>

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				and 2 medium actions have now been implemented, 4 high and 2 medium actions remain outstanding. A further follow up is planned for February /March 2021.	
	Transparency Code	Limited Assurance Follow up	Q1	Originally 15 recommendations were made and from these 10 have been implemented, 1 has been partially implemented and 4 are still outstanding. Of the outstanding recommendations none are classed as high priority, all 4 are medium. All outstanding recommendations have been rescheduled for implementation by October 2020.	 Reasonable Assurance
	Mobile Computing	Limited Assurance Follow up	Q1	Originally 8 recommendations were made and from these 7 have been implemented, 1 has been partially implemented. The outstanding recommendation is classed as medium priority and has a revised implementation date of 31 October 2020.	 Reasonable Assurance
	IT Application Controls	Limited Assurance Follow up	Q2	Originally 14 recommendations were made and from these 6 have been implemented, 1 has been partially implemented and 7 are still outstanding. Of the outstanding recommendations none are classed as high priority, all 8 are medium. All outstanding recommendations have been rescheduled for implementation by March 2021.	 Reasonable Assurance
	High Expenditure	Limited Assurance Follow up	Q2	Two recommendations were made in the original audit report (1 high and 1 medium risk). The medium recommendation was found to be	

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				implemented at the previous follow up audit with one high recommendation outstanding. The findings of this follow up review confirm that the outstanding recommendation is now implemented.	 Substantial Assurance
	PR and Communications	Limited Assurance Follow up	Q3	Seven recommendations were made. The findings of this implementation review show that three recommendations have been fully implemented, two have been partially implemented and two remain outstanding.	 Reasonable Assurance
	Property Leases and Charges	Limited Assurance Follow up	Q3	Follow up in progress	
	GDPR	Limited Assurance Follow up	Q3	Follow up in progress	

Appendix 02: 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.