



2023/24 Head of Internal Audit Opinion and Annual Report

East Staffordshire Borough Council

17 June 2024



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Introduction

The Council is required by the Accounts & Audit Regulations 2015 “to undertake an adequate and effective internal audit of its accounting records and of its system of internal control, taking into account Public Sector Internal Auditing Standards or guidance”.

This report contains my final opinion, along with a summary of your internal audit service for the 2023/24 financial year.

The provision of assurance services is the main role for an internal audit provider within the public sector and as part of this role, and in compliance with Public Sector Internal Audit Standards (PSIAS), the Head of Internal Audit will provide an opinion that is based on an objective assessment of the organisation’s framework of governance, risk management and internal control. The opinion should contribute towards developing the Annual Governance Statement.

Your 2023/24 Head of Internal Audit Opinion

My opinion is provided on the basis of an objective assessment of the framework of governance, risk management and control. To provide my opinion, I have considered:

- the arrangements for strategic risk management and the Board Assurance Framework
- Internal audit plan outturn
- the implementation of internal audit actions
- third party assurances.

The work undertaken within the Internal Audit Plan for the 2023/24 financial year is limited to the scope agreed with the organisation’s executive officers and approved by the Audit Committee, and as detailed within our final reports.

Context

In providing an opinion for the financial year, we have reflected on key issues faced across public sector organisations. Throughout 2023/24 Authorities have continued to face a range of challenges which has enhanced the need for strengthened control arrangements.

The 2023/24 revenue budget for 2023/24 was set by Full Council in February 2023 with a net budget requirement of £15.640m to be funded from Business Rates, Council Tax and other general grant funding. The 2023/24 Revenue and Capital Outturn Report for quarter 4 presented to Cabinet in June 2024 reported an overall revenue budget variance of £501k underspend against the net budget requirement of £15.640m. The Council has seen a number of pressures across services during 2023/24, which have been offset by additional interest achieved on Council investments due to current high interest rates, leading to an underspend over all. The three year Capital Programme was set by Council in February 2023 and during 2023/24, there was £4.127m spend against the Mainstream Capital Programme, which was slightly lower than the £5.389m projected at quarter 3. £1.265m was proposed to be carried forward and reprofiled to be spent during 2024/25. A further £4.120m of capital was spent against the Towns Fund Projects.

Investments as at 31 March 2024 were £49.7m. Treasury management activities during the year were reported as being in line with the approved Treasury Management Strategy and investment returns from the start of the financial year to the end of March, averaged 5.03% (2.08% equivalent average as at March 2023).

During the year, there have been the following executive officer changes:

- Lisa Turner, interim Chief Finance & S151 Officer left the Council in October 2023 and Lloyd Haynes joined as Chief Finance & S151 Officer in January 2024. Interim arrangements for S151 Officer support were in place for the period late October 2023 to early January 2024.

Your Head of Internal Audit Opinion for 2023/24 is provided below:

I am providing an opinion of Significant assurance that there is a generally sound framework of governance, risk management and control designed to meet the organisations objectives, and controls are generally being applied consistently.

Strategic risk management– I am providing an opinion of Significant Assurance. The Council has updated the Strategic and Corporate Risk Registers and further developed arrangements during 2023/24.

Internal Audit outturn – I am providing an opinion of Significant Assurance for this element of the opinion. We have issued 1 moderate review and 1 limited review which are in areas where the Council has requested inclusion in the plan as they were known areas of potential risk.

Implementation of Internal Audit Actions – I am providing an opinion of Moderate Assurance for this element of the opinion. At year end the Council’s overall action implementation rate was 62%.

This opinion should be taken in its entirety for the Annual Governance Statement and any other purpose for which it is repeated.

Limitations to the opinion

It is management's responsibility to develop and maintain a sound system of governance, risk management and control. This opinion is based on the work undertaken. Where good levels of control are in place, there are still instances where this may fail, for example, poor judgement in decision-making, human error, control processes being deliberately circumvented, management overriding controls and the occurrence of unforeseeable circumstances. As our scope of work is limited, there may be weaknesses in control systems that we are not aware of.

The opinion does not imply that Internal Audit have reviewed all risks and assurances relating to the organisation. The opinion is substantially derived from the conduct of a risk-based plan generated from an organisation-led Assurance Framework, which is one component that the Board considers in making its Annual Governance Statement.

Summary findings

Strategic risk management

The Council has reviewed its Risk Management Policy and risk register formats during the course of 2023/24 with the new Risk Management Policy and new risk register templates having been approved by both the Cabinet and Audit Committee in September 2023.

Cabinet received and reviewed the Strategic and Corporate Risk Register in June, September, October, December 2023 and March 2024.

The Audit Committee reviews the Strategic and Corporate Risk Register quarterly in line with its remit to provide oversight and assurance to Cabinet on the adequacy of governance, risk management and internal control processes.

Risk Management is a standing agenda item at the monthly Corporate Management Team meetings. Chief Officers (Heads of Service) are responsible for collating risk management information at a service level with service managers and make recommendations to the Corporate Management Team for consideration of the risk for inclusion in the Risk Register. The Risk Register is reviewed on a quarterly basis by the Corporate Management Team before being presented to various groups and committees including Cabinet and the Audit Committee.

We have reviewed the format of the Strategic and Corporate Risk Register which includes alignment to the corporate objectives, risk description, original and current risk scores and risk owners. Risks are scored using a 5 by 5 scoring matrix and guidance for assessing the likelihood and impact is provided.

During our Head of Internal Audit Opinion work programme (memo published in January 2024), we raised the following recommendations:

Ref	Recommendation	Update
1	<p>Risk Management Policy – The Risk Management Policy should be amended to include a definition of risk appetite and the Council’s own risk appetite should be determined and included in the policy.</p> <p>Medium risk (3 x 3)</p> <p>Due date: 31 October 2024</p>	This action is not yet due.
2	<p>Risk Register Format - The classification of both strategic and corporate risks in the Risk Management Policy should be further clarified to provide clear guidance on whether risks should be classified as strategic or corporate risks. The risk registers should be reviewed and the duplicated risks identified categorised as strategic or corporate risks.</p> <p>Medium risk (3 x 3)</p> <p>Due date: 31 March 2024</p>	This action has been implemented.

Ref	Recommendation	Update
3	<p>Risk Register Content - A review of risk consequences and treatment, and of detail of the risk, for the identified risks, and population of SMART actions, will be provided at the next reported update of the Risk Register. The use of Target Risk scores should be incorporated into the next review and update of the Risk Management Policy.</p> <p>Medium risk (3 x 3)</p> <p>Due date: 31 October 2024</p>	This action is not yet due.

Internal Audit Plan outturn

In line with the PSIAS, your Internal Audit Plan was developed using a risk based process aligning our work with your 2023/24 Corporate Plan, strategic objectives and Strategic Risk Register. The planning process is designed to ensure that I discharge my statutory responsibility to provide a balanced Head of Internal Audit Opinion at the end of the financial year. The Audit Plan was shared with External Audit to ensure effective use of resources.

The Plan reflects the resources made available to Internal Audit as advised and agreed by the Chief Finance & S151 Officer and as agreed by your Audit Committee. The Audit Plan contains a mix of core audits that we define as required coverage to adhere to PSIAS over a five-year cycle in support of your Annual Governance Statement, as well as legislative and regulatory requirements. The balance of reviews reflects current and emerging risks to your organisation.

Following the Councils revised Corporate Plan in July 2023 we engaged with the Interim Chief Finance & S151 Officer and Heads of Services in August 2023 in producing the internal audit plan. The 2023/24 Plan was discussed and agreed by the Interim Chief Finance & S151 Officer, the Corporate Management Team and approved at the September 2023 Audit Committee meeting.

During the year, we have liaised with designated lead officers within the organisation to discuss delivery of the Internal Audit Plan and to ensure that the work agreed at the start of the financial year continues to be reflective of changes in your risks and assurance needs.

Progress in relation to the delivery of your Internal Audit Plan has been reported regularly to the Audit Committee.

In agreeing the Internal Audit Plan, we identified a number of key assignments and risk based reviews. Whilst we recognise that the organisation engages internal audit to assist in areas of concern, the following completed reviews have been provided a moderate or limited assurance opinion:

- Commercial property management – follow up (moderate assurance)
- Brewhouse – income collection (limited assurance)

One high risk issue has been identified and formally reported as a result of our 2023/24 work. This relates to the arrangements for the banking of cash and following our review action was taken to address the issue raised.

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

Substantial Assurance	<ul style="list-style-type: none"> Recruitment processes
Significant Assurance	<ul style="list-style-type: none"> Payroll Performance management Stronger Towns Fund Stronger Towns Fund follow up Members Induction Premises Licensing Revenues Benefits (<i>indicative assurance level, currently at draft report stage</i>) Financial management and reporting (<i>indicative assurance level, currently at draft report stage</i>)
Moderate Assurance	<ul style="list-style-type: none"> Commercial property management – follow up
Limited Assurance	<ul style="list-style-type: none"> Brewhouse – income collection
Weak Assurance	<ul style="list-style-type: none"> None
Other	<ul style="list-style-type: none"> Grant certification work

The following audits from the 2023/24 Internal Audit Plan remain in progress and will be reported as part of the 2024/25 opinion:

- Housing allocations (services are provided by Trent & Dove Housing)

Implementation of Internal Audit actions

As part of PSIAS, I am required to consider the appropriateness of the organisation's response to Internal Audit recommendations and action subsequently agreed.

As part of an established process, we use our online action tracking system to provide a summary of open and closed actions as part of our progress reports to the Audit Committee. We also provide a list of outstanding actions to the S151 Officer and Heads of Service (risk owners) on a monthly basis.

Since 1 April 2023, we have tracked 34 actions that fell due for completion in year to 31 March 2024. As at 31 March 2024, the organisation have an overall action implementation rate of **62%**. This rate falls within our moderate assurance range for 2023/24.

For information, next year we will consider the percentage of actions implemented by the original due date (first follow up) and whether there is a robust process and proactive culture with respect to actions. In 2023/24 the first follow up implementation rate was 21%.

At 31st March 2024 there was 1 action outstanding from assignments reported during previous financial years relating to the procedures and records maintained for the management of homelessness debts.

Third party assurances

In arriving at my Annual Head of Internal Audit Opinion, no relevant third party assurances have been brought to my attention.

Introduction

This report sets out service delivery by 360 Assurance during 2023/24.

Performance

We are required to comply with the mandatory Public Sector Internal Audit Standards (PSIAS). We adhere to these Standards and our working processes are set out in our Internal Audit Manual. Annually, all staff complete a declaration to acknowledge understanding and adherence to the Manual and sign a certificate of independence recording any possible conflicts of interest.

We have an annual programme of quality assurance to ensure compliance with PSIAS and this is reported to our Management Team and Management Board.

PSIAS require that providers of internal audit services have an independent assessment at least every five years. Our most recent external assessment of compliance with the Standards was undertaken by CIPFA in November 2022. This review confirmed that 360 Assurance achieved the highest level of compliance; that is we **fully conform** to the requirements of the standards.

Achievement of the plan

The 2023/24 Internal Audit Plan was approved at the Audit Committee meeting in September 2023. Delivery of the plan has been reported to every meeting of the Audit Committee. The plan has been regularly reviewed and updated through the committee and any significant changes appropriately approved.

Staffing

As the Director of 360 Assurance, I have a strategic responsibility for overseeing the effective delivery of the internal audit services to the organisation. The contract is delivered by a team of staff led by your nominated Client Lead, Tracey Barnard-Ghaut, and supported by Ruby Deo as your Client Manager.

Key Performance Indicators (KPIs)

[Appendix A](#) sets out the KPIs that were agreed as part of our contract with the organisation and our achievement against each of the indicators during the year.

Client satisfaction questionnaires

We issue client satisfaction questionnaires following the conclusion of all audit reviews. The questionnaire seeks to confirm that the auditee was appropriately engaged in the planning and reporting process and that our approach to the review and subsequent report provided added value to the organisation.

Responses received during 2023/24 are summarised in the graph below (based on 5 CSQs returned):



Where we have received comments on specific areas of service, these are reviewed and action taken, as appropriate, by the relevant Client Lead. Feedback is provided to the client lead officer.

I would like to pass on my thanks, and those of my team, to the Council for their continued support in helping us to deliver our work in what has been another challenging year for the public sector.

Leanne Hawkes
Director

KPI	Measure	Target	Actual	2023/24 Actual performance	
Service delivery and value					
1	Issue a Client Satisfaction Questionnaire (CSQ) following completion of every audit assignment.	The 360 Assurance CSQ link to be issued to the Client Lead for all audits. To be chased once. Outcomes to be presented to Audit Committee. Any negative responses to be appropriately followed up.	100%	100%	A CSQ was issued for all final reports. See also pages 9 and 11.
2	Produce an Annual Audit Plan and submit to the Audit Committee for approval on a timely basis. Plan aligned to client identified strategic risk/priorities.	A risk-based plan to be produced in accordance with 360 Assurance strategic planning guidance. Plan should be approved prior to commencement of financial year. Plan linked to strategic objectives and risks as identified in assurance framework. Plan demonstrates consideration of emerging risks (sector proposed risks) and major transformation projects. Plan considers other expected third party assurances to avoid duplication.	Yes	Yes	The audit plan was approved at the Audit Committee meeting in September 2023 following the Council's Corporate Plan being revised in July 2023. During the year, we regularly reviewed the plan and all changes were reported through the Audit Committee.
3	Plan implemented within agreed budget.	The audit plan is delivered within the agreed budget, delivering the agreed number of outputs.	Yes	Yes	The audit plan was delivered as agreed with the Audit Committee.
4	Compliance with 360 Assurance Quality Monitoring Manual.	Implementation of the 360 Assurance Quality Monitoring Manual confirms compliance with PSIAS. Details of any non-compliance are provided.	Yes Details non-compliance	Yes	There are no areas of non-compliance in year.

KPI	Measure	Target	Actual	2023/24 Actual performance	
5	Final report issued within 5 working days of executive sign-off.	From date Executive Lead provides approval to issue to date the report is issued.	100%	100%	Of the 10 audit assignments reported from the 2023/24 Plan, all were issued within 5 working days of executive sign-off.
6	Terms of Reference issued before commencement of the audit.	Before the audit work starts, the Terms of Reference is agreed with the Executive Lead.	100%	100%	Of the 13 Terms of Reference agreed in the year, all were issued before the commencement of the audit.
7	Draft report issued within 10 working days of exit meeting.	The draft report to be provided for client review within 10 working days of holding the exit meeting.	100%	100%	Of the 13 audit assignments reported from the 2023/24 Plan, all were issued within 10 working days of the exit meeting.
8	Overall client satisfaction rating of satisfied or highly satisfied.	Responses to client satisfaction questionnaires to record an overall satisfaction rating of satisfied or highly satisfied.	90%	100%	A CSQ was issued for all final reports. 5 responses were received during the year, all of which were rated highly satisfied or satisfied.
People					
9	Percentage of audit staff with relevant qualifications. ¹	Relevant qualification defined by designated professional background. To be calculated based on days charged to the client.	60%	94%	Met

¹ Relevant qualification includes for example: CCAB including passed finalists, CIA/CMIIA, and professional qualification such as registered nurse and relevant masters.

KPI	Measure	Target	Actual	2023/24 Actual performance	
Client KPIs					
1	Terms of Reference to be agreed within 10 working days of being received.	From date sent to Executive Lead to date approval is received.	100%	100%	Of the 13 audit assignments reported from the 2023/24 Plan, there were no delays in agreeing the Terms of Reference.
2	Information has been provided and staff have been available to meet the timescales set out within the Terms of Reference.	Recognising client pressures - the provision of information and availability of client staff has not impacted on delivering the audit within the agreed timescales.	100%	85%	There were delays in receipt of information from the Council for 2 reviews.
3	Management responses received within 10 working days of receiving the final draft report.	Complete sign off process to be completed from receipt of final draft report within 10 working days.	100%	100%	There were no delays in management responses for the 10 final reports issued to date.