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| <b>Report of:</b>       | <b>Chief Internal Auditor</b>                         |
| <b>Contact Officer:</b> | <b>Stephen Baddeley</b>                               |
| <b>Contact Number:</b>  | <b>01543 4415</b>                                     |
| <b>Report Track:</b>    | <b>Audit &amp; Governance<br/>Committee: 08/02/21</b> |

**Audit & Governance Committee**  
**8 February 2021**  
**Internal Audit Progress Report 2020-21**

**1 Purpose of Report**

- 1.1 To present to the Audit & Governance committee for information a progress report on the work of Internal Audit.

**2 Recommendation(s)**

- 2.1 That the Committee approves the revised Audit Plan set out in Appendix 1
- 2.2 That the Committee notes the progress report

**3 Key Issues and Reasons for Recommendations**

**Key Issues**

- 3.1 2020-21 has been an unusual year for the Internal Audit section as like most services of the Council it has been impacted by the Coronavirus pandemic. In the early part of the year most of the Internal Audit work was put on hold and staff were redeployed to assist in the response.
- 3.2 The Internal Audit Section started to progress audits from June 2020 but the lost time and the changed environment both within the Council and wider has led to a need to revise the Audit Plan for the year.

**Reasons for Recommendations**

- 3.3 The original Internal Audit plan could not be completed in the remainder of the year and did not fully reflect the current risks to the Council. The plan has been revised based on an estimate of the audit resources available for the rest of the year and current risks faced by the Council

**4 Relationship to Corporate Priorities**

- 4.1 The system of internal control is a key element of the Council's corporate governance arrangements which cuts across all corporate priorities

**5 Report Detail****Audit Plan**

- 5.1 The Internal Audit Plan for 2020-21 was originally approved by the Audit Committee on 24<sup>th</sup> March 2020 which was right at the start of the Pandemic before the Council was fully aware of its impact. The Plan had been compiled following the usual process and with an assumption that the Council would be operating on a business as usual basis. However, this assumption quickly proved to be incorrect. The Audit Team were initially diverted to assist with the Council's response to Covid and suspended planned Audit work to not divert front line services from their response to the pandemic and its effects on their service delivery. Managers and the s151 Officer have been consulted as part of the process to revise the Audit Plan.
- 5.2 The revised Audit Plan is attached as Appendix 1. This has had a significant reduction in terms of the number of audits included. It has been revised to focus on the key risk areas and main internal processes relating to Finance and HR which have seen changes to adjust to the remote working environment which we are currently operating in. In addition, an audit has been added reviews in relation to Covid response and spending on the Covid Cost centre which has been established to record additional expenditure relating to dealing with the pandemic.
- 5.3 The plan has accounted for the revised number of days available and a contingency budget has also been retained to allow for unforeseen issues and the need for the team to be flexible in the delivery of work.

**Audit Work**

- 5.4 As the Council moved to a response phase to deal with the Pandemic the work of the Internal Audit Section was severely curtailed, Internal Audit staff moved to working from home and were redeployed to assist in other areas such as verification checks for the Business Grant process and to staff the Community Hub that was created. In addition, most front-line departments were focussing on changing processes to work more remotely and to deliver the Council's response to the Pandemic.
- 5.5 Although traditional Audit work was suspended until August 2020 the section were still advising on changes to processes needed and were able to offer advice and opinions on the effectiveness of new processes that were created such as the Covid Grants to Business and Community Hub due to their involvement in them. The knowledge and information obtained will be used to help inform the Annual Audit Opinion.

### Item No. 4.3

- 5.6 As it has not been possible to report quarterly so far this year, this report is a summary of the Internal Audit work up to 30th November 2020 and is a report of progress against the revised audit plan.
- 5.7 The report is a snapshot view of the areas at the time that they were reviewed and does not necessarily reflect the actions that have been or are being taken by managers to address the weaknesses identified. The inclusion or comment on any area or function in this report does not indicate that the matters are being escalated to Members for further action. Internal Audit routinely follow-up the recommendations that have been made and will bring to the attention of the committee any relevant areas where significant weaknesses have not been addressed by managers.
- 5.8 The table below gives a summary of the level of assurance for each of the audits completed in the quarter. More detailed information on each of the reports issued is contained in Appendix 2.

| Number of Audits | Assurance                | Definition   |
|------------------|--------------------------|--|
| 0                | <b>Substantial</b><br>✓  | All High (Red) and Medium (Amber) risks have appropriate controls in place and these controls are operating effectively.<br><br>No action is required by management.   |
| 3                | <b>Partial</b><br>▲      | One or more Medium (Amber) risks are lacking appropriate controls and/or controls are not operating effectively to manage the risks. The residual risk score for the affected Medium risks are 6 or below.<br><br>Prompt action is required by management to address the weaknesses identified in accordance with the agreed action plan.  |
| 1                | <b>Limited</b><br>!      | One or more Medium (Amber) risks are lacking appropriate controls and/or controls are not operating effectively to manage the risks. The residual risk score for the affected Medium risks are 9 or higher.<br><br>Prompt action is required by management to address the weaknesses identified in accordance with the agreed action plan. |
| 0                | <b>No Assurance</b><br>✘ | One or more High (Red) risks are lacking appropriate controls and/or controls are not operating effectively to manage the risks.<br><br>Immediate action is required by management to address the weaknesses identified in accordance with the agreed action plan.   |
| 0                | <b>N/A</b>               | One piece of work was issued where it was not appropriate to issue an Assurance due to the narrow scope of the work – this was in relation to Pension Testing on behalf of Staffordshire County Council.   |

- 5.9 Appendix 3 lists the audits that were in progress but had not been completed to draft report stage by the end of the quarter.
- 5.10 No follow-ups have been completed up to the end of November, but plans are in place to recommence the follow-up of audits during the remainder of the year.

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| <b>6 Implications</b> |
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**6.1 Financial**

None

**6.2 Legal**

None

**6.3 Human Resources**

None

**6.4 Risk Management**

None

**6.5 Equality & Diversity**

None

**6.6 Climate Change**

None

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| <b>7 Appendices to the Report</b> |
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Appendix 1: Revised Audit Plan for 2020-21

Appendix 2: Audits Completed by 30<sup>th</sup> November 2020

Appendix 3: Audits in Progress at 30<sup>th</sup> November 2020

**Background Papers**

None

## Revised Audit Plan

## Shared Service Audits

| <b>Audit Area</b>                                       | <b>Head of Service</b> |
|---|------------------------|
| Housing Benefits  | Financial Management   |
| Council Tax   | Financial Management   |
| National Non-Domestic Rates                             | Financial Management   |
| Council Tax Reduction Scheme - New arrangements 2020-21 | Financial Management   |
| Creditors   | Financial Management   |
| Pensions Assurance for the County                       | HR                     |
| Payroll   | HR                     |
| Staff Expenses  | HR                     |

## Cannock Chase DC Specific Audits

| <b>Audit Area</b>  | <b>Head of Service</b>             |
|--|------------------------------------|
| Review of Covid Response                                       | Corporate                          |
| Environment and Healthy Lifestyles Major Projects              | Environment and Healthy Lifestyles |
| Housing Void Management  | Housing & Partnerships             |
| Housing Property Services                                      | Housing & Partnerships             |
| Housing Allocations  | Housing & Partnerships             |
| Local Enterprise Partnership Arrangements / Combined Authority | Economic Development               |

**IT Audits**

| <b>Audit Area</b>           | <b>Head of Service</b> |
|-----------------------------|------------------------|
| Cyber and Network Security  | Technology             |
| IT Asset Management         | Technology             |
| Cloud Strategy and Security | Technology             |

## Audits Completed by 30 November 2020

| Audit  | Head of Service | Status | Number of High/Medium Recommendations | Assurance  | Comments & Key Issues  |
|--|-----------------|--------|---------------------------------------|--|--|
| Critical Information Systems not supported by IT | Technology★     | Draft  | 3                                     | Limited<br> | <ul style="list-style-type: none"> <li>• There is no current IT Strategy to inform the decision-making processes when allowing Critical IT Systems which are not supported by IT to be purchased/developed</li> <li>• There is no current up to date risk assessment in place regarding the critical IT systems not supported by IT</li> <li>• Whilst the Procurement Regulations require IT to be consulted as part of all IT related procurements there are no controls in place to enforce/monitor this.</li> </ul>   |
| Land Charges                                     | Governance      | Final  | 3                                     | Partial<br> | <ul style="list-style-type: none"> <li>• Some searches were not returned in the required timescales due to delays from other departments.</li> <li>• Some datasets used by Land Charges do not always contain accurate data – the responsible departments need to review and cleanse the relevant data. The lack of a consistent data source for the Land charges team is a barrier to efficient processing of searches.</li> <li>• Some improvements in performance information would be beneficial including monitoring and reporting on performance of the departments who provide data to the Land Charges Team</li> </ul> |

| Audit                               | Head of Service      | Status | Number of High/Medium Recommendations | Assurance  | Comments & Key Issues  |
|-------------------------------------|----------------------|--------|---------------------------------------|--|--|
| IT Capacity Management & Resilience | Technology★          | Final  | 7                                     | Partial<br> | <ul style="list-style-type: none"> <li>• There was no evidence of stress or load testing the network or remote access gateways to show it can cope with high demand in terms of users or processing of data or reporting on issues identified when the network was undergoing periods of high activity.</li> <li>• There are no documented procedures for hardware capacity management</li> <li>• There is no proactive monitoring of the Council's network</li> </ul>   |
| Debtors                             | Financial Management | Final  | 5                                     | Partial<br> | <ul style="list-style-type: none"> <li>• The Council has not finalised its Credit Control Policy and this remains in draft</li> <li>• The current system is unable to provide an effective periodic invoice process and requires a significant amount of manual intervention in the process.</li> <li>• The daily recovery process is reliant on one officer and there is no resilience in place should this person be unavailable due to leave/sickness etc.</li> <li>• The suppression of recovery on accounts is a manual process and there is no ability to set an end date where recovery would automatically recommence without further intervention. This means that unless reviewed and the suppression of recovery removed accounts could stay suppressed indefinitely.</li> <li>• There has been no permission sought from Cabinet to write-off irrecoverable debts over £2,500 which could mean that the debtor balance in the accounts is overstated.</li> </ul> |

★Services led by Stafford Borough Council as part of Shared Services

**Audit in Progress**

| <b>Audit</b>                                      | <b>Head of Service</b>             |
|---|------------------------------------|
| Environment and Healthy Lifestyles Major Projects | Environment and Healthy Lifestyles |
| Housing Void Management                           | Housing & Partnerships             |
| National Non-Domestic Rates                       | Financial Management               |
| Creditors   | Financial Management               |
| Pensions Assurance for the County                 | HR★                                |
| Payroll   | HR★                                |
| Staff Expenses                                    | HR★                                |
| Cyber and Network Security                        | Technology★                        |

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