

Dear Members

Audit and Accounts Committee

A meeting of the Audit and Accounts Committee will be held in the **Craddock Room, Civic Centre, Riverside, Stafford on Wednesday 30 March 2022 at 6.30pm** to deal with the business as set out on the agenda.

Please note that this meeting will be recorded.

Members are reminded that contact officers are shown in each report and members are welcome to raise questions etc in advance of the meeting with the appropriate officer.



Head of Law and Administration

**AUDIT AND ACCOUNTS COMMITTEE -
30 MARCH 2022**

Chair - Councillor A M Loughran

A G E N D A

- 1 Minutes of 18 January 2022 as circulated and published on 1 March 2022
- 2 Apologies
- 3 Officers' Reports

Page Nos

ITEM NO3(a)	Internal Audit Progress Report – January 2022	3 - 10
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CHIEF INTERNAL AUDITOR AND
RISK MANAGER

ITEM NO 3(b)	Internal Audit Plan for 2022-23	11 - 18
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CHIEF INTERNAL AUDITOR AND
RISK MANAGER

Membership

Chair - Councillor A M Loughran

M G Dodson	P W Jones
I D Fordham	A M Loughran
R A James	J A Nixon

Cabinet Member - Councillor R M Smith

ITEM NO 3(a)

ITEM NO 3(a)

Report of:	Chief Internal Auditor and Risk Manager
Contact Officer:	Stephen Baddeley
Telephone No:	01543 464415
Ward Interest:	Nil
Report Track:	Audit and Accounts 30/03/2022 (Only)

AUDIT AND ACCOUNTS COMMITTEE
30 MARCH 2022
Internal Audit Progress Report – January 2022

1 Purpose of Report

- 1.1 To present to the Audit and Accounts committee for information a progress report on the work of Internal Audit up to 31 January 2022.

2 Recommendation

- 2.1 That Committee note the progress report.

3 Key Issues and Reasons for Recommendation

Key Issues

- 3.1 Attached is a progress report showing the audits which have been issued between 1 April 2021 and 31 January 2022.

Reasons for Recommendations

- 3.2 The report has been prepared for Members information.

4 Relationship to Corporate Business Objectives

- 4.1 The system of internal controls reviewed by Internal Audit is a key element of the Council's corporate governance arrangements which cuts across all corporate priorities.

5	Report Detail
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- 5.1 This report is a summary of the Internal Audit work between 1 April 2021 and 31 January 2022 and is a report of progress against the audit plan. **APPENDIX 1** contains progress monitoring information.
- 5.2 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.
- 5.3 The table below gives a summary of the level of assurance for each of the audits completed in the period from 1 October to 31 January. More detailed information on each of the reports issued is contained in **APPENDIX 2**.

Number of Audits	Assurance	Definition
2	Substantial ✓	All High (Red) and Medium (Amber) risks have appropriate controls in place and these controls are operating effectively. No action is required by management.
0	Partial ▲	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. Prompt action is required by management to address the weaknesses identified in accordance with the agreed action plan.
0	Limited !	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. Prompt action is required by management to address the weaknesses identified in accordance with the agreed action plan.
0	No Assurance ✗	One or more High (Red) risks are lacking appropriate controls and/or controls are not operating effectively to manage the risks. Immediate action is required by management to address the weaknesses identified in accordance with the agreed action plan.
0	N/A	One piece of work was issued where it was not appropriate to issue an Assurance due to the narrow scope of the work.

5.4 **APPENDIX 3** lists the audits that were in progress but had not been completed to draft report stage by the end of the quarter.

5.5 **APPENDIX 4** shows information relating to follow-ups.

6	Implications
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6.1	Financial	Nil
	Legal	Nil
	Human Resources	Nil
	Human Rights Act	Nil
	Data Protection	Nil
	Risk Management	Nil

6.2	Community Impact Assessment Recommendations	<p>Impact on Public Sector Equality Duty: Nil</p> <p>Wider Community Impact: Nil</p>
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Previous Consideration - Nil

Background Papers – Internal Audit Reports

APPENDIX 1

Progress Monitoring

Number of Audits in Plan for 2021-22	Audits Completed to Draft	Audits In Progress	Percentage of Plan In Progress or Completed to Date
23	9	12	91%

Level of Assurance	No Assurance	Limited	Partial	Substantial	N/A
Number of Audits Issued in Year to date	0	0	4	4	1

N/A is where the nature of the review did not enable an opinion to be issued on the area under review.

This is normally where the focus is narrow or where a project is at an early stage of progress.

APPENDIX 2

Audits Completed by 1 October 2021 to 31 January 2022

Audit	Head of Service	Status	Number of High/Medium Recommendations	Assurance	Comments and Key Issues
Cannock Chase Special Area of Conservation (SBC Accountable Body)	Development	Final	0	Substantial ✓	
Climate Change	Corporate Business & Partnership Manager	Final	0	Substantial ✓	

APPENDIX 3

Audits in Progress

Audit	Head of Service
Treasury Management	Financial Management
Business Grants	Financial Management/ Development
Housing Benefits	Financial Management
Council Tax	Financial Management
National Non-Domestic Rates	Financial Management
S106 Monitoring and Delivery	Development
Economic Development Projects - Future High Street Fund, Station Gateway, Meecebrook	Development

Audit	Head of Service
Payroll	HR
Disabled Facility Grants	Development
Development Management	Development
IT Records and Document Retention	Technology
IT Asset Management	Technology

APPENDIX 4

Follow-ups Completed 1 October to 31 January 2022

Audit	Head of Service	Original Assurance	High/Medium Risk Recommendations				Revised Assurance	Comments and Key Outstanding Recommendations
			Implemented	In Progress	Not Implemented	Total		
Tree Management	Operations	Partial ▲	1	1	0	2	Partial ▲	Work was still progressing to complete the felling of trees identified in the 2015

ITEM NO 3(b)

ITEM NO 3(b)

Report of:	Chief Internal Auditor and Risk Manager
Contact Officer:	Stephen Baddeley
Telephone No:	01543 464415
Ward Interest:	Nil
Report Track:	Audit and Accounts 30/3/2022 (Only)

AUDIT AND ACCOUNTS COMMITTEE

30 MARCH 2022

Internal Audit Plan for 2022-23

1 Purpose of Report

- 1.1 To present to the Audit and Accounts Committee the Internal Audit Plan for 2022-23

2 Recommendation

- 2.1 That Committee approve the Internal Audit Plan for 2022-23.

3 Key Issues and Reasons for Recommendation

Key Issues

- 3.1 Internal Audit has a duty to provide the Council with an annual opinion on the effectiveness of its internal control environment and governance arrangements. The work of Internal Audit is also used as one of the sources of assurance for the Annual Governance Statement.
- 3.2 Internal Audit is required to produce a plan of work to ensure that it can give an appropriate opinion on the Council's key risk areas and systems and provide sufficient coverage to inform the Annual Governance Statement.

Reasons for Recommendations

- 3.3 The planned work is deemed to be sufficient to ensure that Internal Audit can deliver an appropriate opinion on the control environment and governance arrangements at the Council.

4 Relationship to Corporate Business Objectives
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- 4.1 This report supports all of the Council's Corporate Priorities by helping to ensure that there are effective governance arrangements in place.

5 Report Detail

- 5.1 Internal Audit is an assurance function which primarily provides an independent and objective opinion to the Council on its governance arrangements and internal controls. The Internal Audit Section does this by conducting an independent appraisal of all the Council's activities, financial and otherwise. It provides a service to the whole of the Council and to all levels of management.
- 5.2 To provide this assurance Internal Audit conducts an annual risk assessment and determines an audit plan for the year. Meetings are held with Heads of Service, the Chief Executive and the Council's s151 Officer as part of the risk assessment process to obtain views and comments in relation to the composition of the Internal Audit Plan. Comments are also invited from the External Auditor.

Resources

- 5.3 The resource available for the delivery of the Audit Plan across both authorities in 2022-23 is 594 days; the full details are shown in **APPENDIX 1**. The In-house team is currently carrying a vacancy, which is being covered by External Support from a contractor.
- 5.4 A second post is currently occupied by a Level 4 Apprentice has not been as productive due to ongoing training commitments. However, the Apprentice has just commenced the End-point Assessment period and will be more productive in 2022-23 due to less study time.
- 5.5 A request was received in 2021-22 from Cannock Chase District Council's Leisure Contractor, Inspiring Healthy Lifestyles (IHL), to provide them with an Internal Audit function for 12 months in return for an agreed fee - this arrangement has been agreed to continue into 2022-23. It has been agreed that the Shared Service will provide 40 days of internal audit work and 5 management days to IHL. The fee is being split equally between Cannock Chase District Council and Stafford Borough Council. It is anticipated that the fee for 2022-23 will be used to purchase an electronic working paper system for the section to improve efficiency within the team.
- 5.6 The resources can be broken down into:

Allocation of Resources to Audit Plan Requirements	
Shared Service Audits	180
Stafford BC Specific Audits	135
Cannock Chase DC Specific Audits	179

IT Audit Plan	60
IHL Audit Plan	40
Total Days	594

- 5.7 The difference in days between Cannock Chase DC and Stafford BC specific days is due to Cannock retaining its housing stock and is funded from the Housing Revenue Account.
- 5.8 The resources available for the year are considered sufficient to cover enough work to adequately inform the Annual Audit Opinion for 2022-23

Annual Audit Plan

- 5.9 A light touch review of the Audit Universe has been undertaken and the main risks being faced by the Council have been identified. This work has been used to inform the audit plan. As a result the focus of work for 2022-23 is based around:
- (i) the strategic risk areas;
 - (ii) major projects; and
 - (iii) key systems.
- 5.10 The plan has been prepared and is attached as **APPENDIX 2**. This shows two elements:
- (i) The areas delivered as a Shared Service with Cannock Chase District Council; and
- 5.11 Those services solely delivered by Stafford Borough Council. Two area have been identified as high priority areas but not included formally in the Audit Plan for 2022-23 but will be taking a responsive approach. These are:
- (i) Implementation of New Finance System and E-Payments System- this was originally included in the 2021-22 Audit Plan but delays in the implementation and full roll out of the system along with the effects of the Covid Pandemic and delays with the External Audit of the Accounts have meant that this was not reviewed. A decision has been taken not to include the review on the 2022-23 plan and instead support the implementation of the software with greater advice and monitoring of the development of new working practices and procedures. This will allow Internal Audit to have an overview of the system as it develops during 2022-23.
 - (ii) Proposals for Potential Further Development of Shared Services - This was originally flagged in Summer 2021 as part of the report to share a Chief Executive between the two Councils. A further report is due to go to both Councils in April 2022 on this matter. Internal Audit will continue to monitor the situation in relation to this and where necessary seek to support the development of arrangements to explore options for the

development of further sharing of services should this be supported by Members.

- 5.12 A predetermined budget of time has not been allocated to the individual audits. Instead, we intend to allocate blocks of time to each theme/area that we are looking to provide assurance on to allow a more flexible use of resources.
- 5.13 The IT Audit Plan for 2022-23 is also attached as **APPENDIX 3**. This has been compiled following discussions between the Chief Internal Auditor and Risk Manager, the Council's IT Audit Contractor and the Head of Technology.

6	Implications
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6.1	Financial	Nil
	Legal	Nil
	Human Resources	Nil
	Human Rights Act	Nil
	Data Protection	Nil
	Risk Management	Nil

6.2	Community Impact Assessment Recommendations	Impact on Public Sector Equality Duty: Nil Wider Community Impact: Nil
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Previous Consideration - Nil

Background Papers – File available in Internal Audit

APPENDIX 1: Available Audit Resources 2022-23

APPENDIX 2: Internal Audit Plan 2022-23

APPENDIX 3: IT Audit Plan 2022-23

APPENDIX 1

AUDIT AND ACCOUNTS COMMITTEE

30 MARCH 2022

Internal Audit Plan for 2021-22

Available Audit Resources 2022-23

			General Audit Total	IT Audit Support	Total Days - Revised Plan
Staffing of the Team (Excludes Chief Internal Auditor)			3		
In House Total Days			783		783
External Support			150	60	210
Days Available			933	60	993
Less Non Operational (leave, training etc)			248		248
Chargeable Days			685	60	745
<u>Chargeable Work</u>					
Fraud			8		8
Advice, Consultancy			28		28
Contingency Budget			100		100
Follow-ups			15		15
Audits			534	60	594
Chargeable Days			685	60	745
<u>Allocation of Resources to Audit Plan Requirements</u>					
Shared Service Audits			180		
Stafford BC Specific Audits			135		
Cannock Chase DC Specific Audits			179		
IT Audit Plan			60		
IHL Days			40		
Total Days			594		

APPENDIX 2**AUDIT AND ACCOUNTS COMMITTEE****30 MARCH 2022****Internal Audit Plan for 2021-22****Internal Audit Plan for 2022-23****Shared Services**

Audit Area	Service Lead Officer	Notes
Project Governance Arrangements	Corporate	A review of the overarching Project Management Arrangements/Processes at both Councils
Building Control	Economic Development	A review of the Building Control Service
Housing Benefits	Finance	A review of the Housing Benefits Arrangements
Council Tax	Finance	A review of arrangements for the collection and billing of Council Tax.
National Non-Domestic Rates	Finance	A review of arrangements for the collection and billing of Non-domestic rates.
Capital Programme	Finance	A review of arrangements for monitoring and managing the Capital Programme at both Councils.
Agency Staff and Consultant use	Corporate	A review of policies and procedures for the use of Agency Staff and Consultants including a review of IR35 compliance arrangements.
Procurement	Governance and Corporate Services	A review of procurement arrangements taking into account Spend Analysis, Procurement Regulation Compliance and the use of Purchasing Card.

Audit Area	Service Lead Officer	Notes
Payroll	Human Resources	A review of the arrangements for processing pay and expenses to employees.
IT Strategy Resources and operational plans	Technology	A review of the framework and plans to deliver the Council's IT Strategy.
Replacement Customer Relationship Management Project	Technology/Governance and Corporate Services/Operations	A review of the project to procure a replacement CRM solution to help deliver the Councils digital strategy.

Stafford BC Specific Audits

Audit Area	Service Lead Officer	Notes
Development Major Projects	Development	A review of the major projects led by Development including Station Gateway, Future High Streets
Climate Change and Green Recovery	Corporate Business and Partnerships	A review of the arrangements put in place to deliver the Council's Climate Change and Green Recovery Strategy
Leisure Contract Monitoring Arrangements	Operations	A review of the arrangement put in place to monitor the Council's Leisure Contractor.
Corporate Complaints	Law and Admin	A review of the Council's corporate complaints process.
Asset Management Plans	Corporate Business Manager	A review of the arrangements to produce and deliver the Councils Asset Management Plan
Streetscene	Operations	A review of the Streetscene function
Property Management and Rentals	Human Resources/Law and Admin	A review of the arrangements to manage the Council's commercial property portfolio.

APPENDIX 3**AUDIT AND ACCOUNTS COMMITTEE****30 MARCH 2022****Internal Audit Plan for 2021-22****IT Audit Plan for 2022-23**

Audit Area	Notes
IT Resilience	To provide assurance that appropriate and effective resilience arrangements are in place to manage the loss of information or critical systems, ensuring that in such an event key frontline services can continue to be provided.
Wireless Network security	To provide assurance over the adequacy of the arrangements for monitoring and developing of wireless access points and network capacity to support business needs and the strategy of the Council as staff increasingly work at different locations/ remotely.
Remote Working	Assurance over the Council's Remote Working Policies and that they are aligned to the best practice guidance. This will include the controls for user education, network connectivity and capacity monitoring, asset tracking and mobile device management
Critical applications security	To provide assurance over the security of information assets through the management of the Councils' IT applications.