

Appendix 1

Internal Audit Quarterly Progress Report – Quarter 3 (December 2019) FINAL REPORT



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 (Current)**
- 03 Assurance and Recommendation Classifications (Proposed)**

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The matters raised in this report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and 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 required. This report was produced solely for the use and benefit of Tamworth Borough 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 the end of December 2019.

Scope and purpose of internal audit

The Accounts and Audit Regulations 2015 require councils to undertake an effective internal audit to evaluate the effectiveness of their risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards or guidance.

This opinion forms part of the framework of assurances that is received by the Council and should be used to help inform the Annual Governance Statement. Internal audit also has an independent and objective consultancy role to help managers improve risk management, governance and control.

Internal audit's professional responsibilities for the period ending 31 December 2019 are set out within Public Sector Internal Audit Standards (PSIAS) produced by the Internal Audit Standards Advisory Board.

Acknowledgments

We are grateful to the executive directors, assistant directors, heads of service, service managers and other staff throughout the Council for the assistance provided during the period.

02 Internal Audit Work Undertaken to Quarter 3

The internal audit plan for 2019/20 was considered and approved by the Audit & Governance Committee at the March 2019 meeting. The plan was for a total of 29 audits.

Two audits (community leisure and project management) were postponed at managers' request, last quarter. No further changes to

the plan have been made this quarter. Performance against the plan is reported in section 05.

Despite a robust recruitment process, we have been unable to appoint to our Principal Auditor vacancy and our Assistant Auditor is currently on maternity leave. It has therefore been necessary to obtain external support from HW Controls & Assurance, to assist in delivery of the remainder of the audit plan for this financial year. Their programme of work is now underway.

The audit findings in respect 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 and progress against the plan is included at **Appendix 01**.

A description of the levels of assurance used in assessing the control environment and effectiveness of controls and the priority classification of recommendations that have been used is detailed at **Appendix 02**. To enable clarity going forward, these descriptions have been modified. The proposed new descriptions, which have been endorsed by Corporate Management Team, are at **Appendix 03** for the Committee's consideration.

03 Opinion

Scope of the Internal Audit 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, the 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 on 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 undertaken, the Head of Internal Audit & Governance's opinion on the Council's framework of governance, risk management and internal control is reasonable in its overall adequacy and effectiveness. Certain weaknesses and exceptions were highlighted by our audit work. These matters have been discussed with management, to whom we have made recommendations. All of these have been, or are in the process of being addressed.

Specific Issues

No specific issues have been highlighted through the work undertaken by internal audit during the quarter.

Fraud & Irregularity

No matters of fraud or irregularity have been reported during the quarter. A Fraud awareness day was held for all staff, promoting the

recently refreshed counter fraud and whistleblowing policies on 20 November 2019.

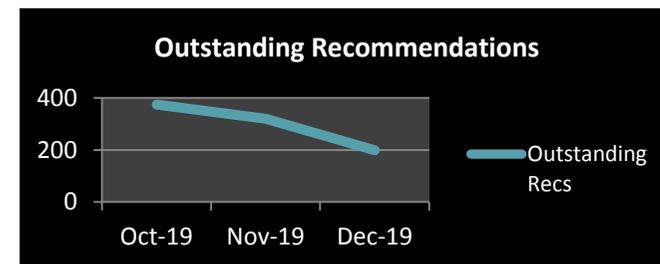
Consultancy & Advice

The audit team may be requested by managers to undertake consultancy and advice on governance, risk management and internal control matters from time to time. The following pieces of work were undertaken during the period:

- Review of housing rents year end close down processes.
- Assistance on CCTV corporate project board.
- Training delivered (professional boundaries) to sheltered housing scheme managers.

04 Follow Up

At the last Audit & Governance Committee, members approved a new approach to audit follow up. Since the last Audit & Governance Committee, managers have been undertaking the planned 'blitz' of outstanding audit recommendations held on the system. Progress is positive and is as below:



At the end of Dec 2019, 101 high and 98 medium priority actions (199 actions in total, low are not tracked) remained on the system. Further work is being undertaken to address remaining actions and the new system for audit follow up commences in Quarter 4 (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).

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 any 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

Internal audit's main performance measures and the quarter's outturn are as follows:

- To achieve at least 90% of the plan by the end of the financial year - the current out-turn is at 85% (23 commenced / started, out of 27 audits) so in line with the expectation for the period (75%).
- Draft reports issued within 15 working days of completion of fieldwork – current out-turn is 100%.
- Percentage of recommendations accepted by management - current out-turn is 100%.



Appendix 01: Summary of Internal Audit Work Undertaken

Audit	Level of Assurance	Executive Summary	Recommendations		
			High	Medium	Low
Corporate Business Continuity	Limited	It is with some concern that Audit have to report only limited assurance can be given that the system, process or activity will achieve its objectives safely and effectively as controls are in place but operating poorly, or controls in place are inadequate.	15	5	0
Disabled Facilities Grant Assurance Audit	N/A	Certification Opinion.	1	0	0
Housing Repairs Quarter 1	Reasonable	Audit are pleased to be able to report reasonable assurance can be given that the system, process or activity should achieve its objectives safely and effectively however there are some control weaknesses but most key controls are in place and operating effectively.	1	0	0
Housing Repairs Quarter 2	Reasonable	Audit are pleased to be able to report reasonable assurance can be given that the system, process or activity should achieve its objectives safely and effectively however there are some control weaknesses but most key controls are in place and operating effectively.	0	0	0
Pension Contribution Assurance	N/A	Certification Opinion.	0	0	0
Property Contracts Quarter 1	Reasonable	Audit are pleased to be able to report reasonable assurance can be given that the system, process or activity should achieve its objectives safely and effectively however there are some control weaknesses but most key controls are in place and operating effectively.	0	2	0
Property Contracts Quarter 2	Limited	It is with some concern that Audit have to report only limited assurance can be given that the system, process or activity will achieve its objectives safely and effectively as controls are in place but operating poorly, or controls in place are inadequate.	3	8	0
Municipal Charities	Transactional	Complete.	0	0	0
Council Tax	Work In Progress				
NNDR	Work In Progress				
Payroll	Work In Progress				
Bank Reconciliation & Cash	Work In Progress				

Audit	Level of Assurance	Executive Summary	Recommendations		
			High	Medium	Low
Housing Rents	Work In Progress				
Housing Repairs Q3	Work In Progress				
Housing Repairs Q4	Work In Progress				
Property Contracts Q3	Work In Progress				
Property Contracts Q4	Work In Progress				
Community Safety	Work In Progress				
Income Management	Work In Progress				
Customer Services	Work In Progress				
I Trent Application	Work In Progress				
Cyber Resilience	Work In Progress				
Data Protection	Work In Progress				
Corporate Policy management	Not Started				
Outdoor Events	Not started				
Organisation Transformation	Not started				
Self Service Technology	Not Started				

Audit (Implementation Review (IR) and Further Implementation (FIR) Reviews)	Level of Assurance	Executive Summary	Recommendations		
			High	Medium	Low
CCTV Further Implementation Review (FIR)	Reasonable	The revised audit opinion is that reasonable assurance can be given that the system, process or activity should achieve its objectives safely and effectively however there are some control weaknesses but most key controls are in place and operating effectively.	1	3	0
Committee Decisions & Reporting Implementation Review (IR)	Reasonable	The revised audit opinion is that reasonable assurance can be given that the system, process or activity should achieve its objectives safely and effectively however there are some control weaknesses but most key controls are in place and operating effectively.	6	1	0
Efin Application IR	Substantial	The revised audit opinion is that substantial assurance can be given that the system, process or activity should achieve its objectives safely and effectively and that controls are in place and operating	0	0	0

Audit (Implementation Review (IR) and Further Implementation (FIR) Reviews)	Level of Assurance	Executive Summary	Recommendations		
			High	Medium	Low
		satisfactorily.			
Housing Regeneration & Affordable Housing IR	No	The revised audit opinion is that no assurance can be given that the system, process or activity will achieve its objectives safely and effectively as controls are not in place or are failing.	1	0	0
Housing Services FIR	Reasonable	The revised audit opinion is that reasonable assurance can be given that the system, process or activity should achieve its objectives safely and effectively however there are some control weaknesses but most key controls are in place and operating effectively.	0	2	0
IT Governance IR	No	The revised audit opinion is that no assurance can be given that the system, process _or activity will achieve its objectives safely and effectively as controls are not in place _or are failing.	6	2	0
Licences FIR	Reasonable	The revised audit opinion is that reasonable assurance can be given that the system, process or activity should achieve its objectives safely and effectively however there are some control weaknesses but most key controls are in place and operating effectively.	1	0	0
Network Controls FIR	Reasonable	The revised audit opinion is that reasonable assurance can be given that the system, process or activity should achieve its objectives safely and effectively however there are some control weaknesses but most key controls are in place and operating effectively.	0	4	0
Pentana IR Review	Reasonable	The revised audit opinion is that reasonable assurance can be given that the system, process or activity should achieve its objectives safely and effectively however there are some control weaknesses but most key controls are in place and operating effectively.	1	6	0
Sheltered Housing IR	Reasonable	The revised audit opinion is that reasonable assurance can be given that the system, process or activity should achieve its objectives safely and effectively however there are some control weaknesses but most key controls are in place and operating effectively.	1	1	0
Street Scene IR	Limited	The revised audit opinion is that limited assurance can be given that the system, process or activity will achieve its objectives safely and effectively as controls are in place but operating poorly, or controls in place are inadequate.	3	5	0

Audit (Implementation Review (IR) and Further Implementation (FIR) Reviews)	Level of Assurance	Executive Summary	Recommendations		
			High	Medium	Low
Tourism & Town Centre IR	Reasonable	The revised audit opinion is that reasonable assurance can be given that the system, process or activity should achieve its objectives safely and effectively however there are some control weaknesses but most key controls are in place and operating effectively.	0	11	0
Tourism & Town Centre FIR	Reasonable	The revised audit opinion is that reasonable assurance can be given that the system, process or activity should achieve its objectives safely and effectively however there are some control weaknesses but most key controls are in place and operating effectively.	0	5	0
Website FIR	Reasonable	The revised audit opinion is that reasonable assurance can be given that the system, process or activity should achieve its objectives safely and effectively however there are some control weaknesses but most key controls are in place and operating effectively.	0	1	0

Appendix 02: Assurance and Recommendation Classifications (Current)

We have used the following levels of assurance and recommendation classifications within our audit reports. Proposed changes to these are at Appendix 03.

Overall opinion	assurance	Definition
Substantial		Audit are pleased to be able to report substantial assurance can be given that the system, process or activity should achieve its objectives safely and effectively and that controls are in place and operating satisfactorily.
Reasonable		Audit are pleased to be able to report reasonable assurance can be given that the system, process or activity should achieve its objectives safely and effectively however there are some control weaknesses but most key controls are in place and operating effectively.
Limited		It is with some concern that Audit have to report only limited assurance can be given that the system, process or activity will achieve its objectives safely and effectively as controls are in place but operating poorly, or controls in place are inadequate.
No		It is with some concern that Audit has to report no assurance can be given that the system, process or activity will achieve its objectives safely and effectively as controls are not in place or are failing.

Recommendation Priority	Definition
Red	<p>Red priority recommendations will be made if one of the following criteria is met:</p> <ol style="list-style-type: none"> 1. Adversely affects the Annual Governance Statement; 2. Results in significant loss of funds or assets; 3. May lead to service delivery failures which could adversely affect the Council's reputation; 4. Shows non-compliance with statutory requirements, the Council's Constitution, Codes or Policies and or any Cabinet approved initiatives; 5. Changes the effectiveness of key controls; 6. Significant opportunity exists for real gains in processing efficiency; 7. Poor cost controls or potential for significant savings and/or revenue generation;

8. Significant impact environmentally, socially or economically.
All other recommendations that do not meet the above criteria will be classed as amber priority recommendations.

Amber

All other recommendations that do not meet the above criteria will be classed as amber priority recommendations.

Appendix 03: Assurance and Recommendation Classifications (Proposed)

The following clarification to the definitions of levels of assurance and recommendation classifications has been proposed and endorsed by the Corporate Management Team and is submitted for the Audit & Governance Committee's consideration.

Overall 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.

Recommendation Priority	Definition
High	High priority recommendation representing a fundamental control weakness which exposes the organisation to a high degree of unnecessary risk.
Medium	Medium priority recommendation representing a significant control weakness which exposes the organisation to a moderate degree of unnecessary risk.
Low (Housekeeping)	Low priority (housekeeping) recommendation highlighted opportunities to implement a good or better practice, to add value, improve efficiency of further reduce the organisation's exposure to risk.