

## Appendix 1

# Internal Audit Progress Report (Quarter 3) December 2021



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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 31 December 2021.

### **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 is 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 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 directors, 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 2021/22 was approved by the Audit & Governance Committee at its meeting in March 2021. The plan was for a total of 17 audits.

Quarter three work has been centred on undertaking and delivering the audits from internal resources and also from TIAA and E-tec Business Services. These appointments supplement the current

audit resources available and also provide assurance that planned work will be completed within time and budget. We have additionally supported National Fraud Initiative (NFI) national data checks on Council Tax Single Person Discount and continue with Covid related Grant applications.

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 this year is included at **Appendix 01**, together with the position regarding the remaining audit reviews has also been included.

## **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, 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 completed, the Audit Manager’s 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 audit work. These matters have been discussed with management, to whom recommendations have been made. 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 period.

### Fraud & Irregularity

No matters of fraud or irregularity have been reported during the period.

### 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. No additional pieces of work were identified during Quarter 3 of 2021/22

## 04 Follow Up

As previously agreed by the Committee for 2021/2022, all high priority actions and those arising from no and limited overall assurance reports are followed up by audit, managers confirmation applies to the rest.

The total outstanding actions at the end of quarter three are 79 (25 high, 46 medium, 8 low). During Quarter 3 the Audit Manager held meetings with all Assistant Directors to review all outstanding recommendations as at 30 September 2021.

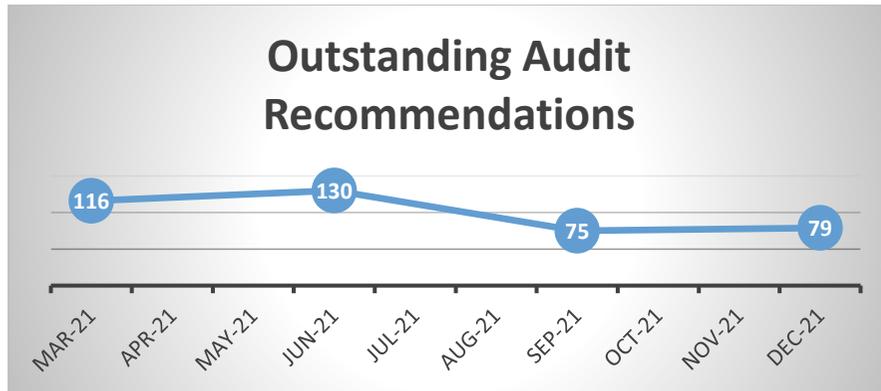
Priority of Recs	Number of O/S recs – 30 September 2021	Number of recs closed during the period Q2 to Q3	Number of additional recs made during Q3	Number of current O/S recs as at 31 December 2021	Overall movement of rec numbers between Q2 and Q3
High	24	3	4	25	+1
Medium	39	6	13	46	+7
Low	12	7	3	8	-4

There are currently 12 high priority recommendations which are overdue and these are being followed up by Audit as part of the Quarter 4 review with Assistant Directors. The current high priority recommendations relate to reviews of GDPR/Data Protection (5 recommendations), Cyber Security (3 recommendations), Health & Safety (2 recommendations) and Property Management (2 recommendations).

The reviews being undertaken have closed off a number of recommendations and this is reflected in the current number of outstanding recommendations. Where high priority recommendations were closed evidence was obtained from management to confirm implementation. It should be noted that

due to ongoing audits the numbers of outstanding audit recommendations varies over time.

Of those audits which received a no or limited assurance opinion which require follow up, a summary of progress to date is given at **Appendix 01**.



## 06 PERFORMANCE OF INTERNAL AUDIT

### Compliance with professional standards

We employ a risk-based approach in planning and conducting our audit assignments. Internal audit work has been performed in accordance with PSIAS.

### Conflicts of interest

There have been no instances during the year which have impacted on internal audit's independence that have led to any declarations of interest.

## Performance of Internal Audit

### Internal audit quality assurance

To ensure the quality of the work internal audit performs, there is 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 - **47%**
- 100% Draft reports issued within 6 weeks of start date - **100%**
- 100% Closure meetings conducted within 5 days of completion of audit work – **100%**
- 100% draft reports to be issued within 10 working days of closure meeting – **100%**
- 100% of all high priority actions are implemented at follow up – **83%**
- All no and limited assurance reports have a revised assurance rating of substantial or reasonable on follow up – **100%**
- Achieve an average customer satisfaction score of 4 or more – **4.75**
- Added value – **Annual measure**

## Appendix 01: Summary of Internal Audit Work Undertaken

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
Core Financial Systems	Assets and Inventory	Risk based review covering the adequacy and effectiveness of controls regarding the Council's assets and inventory.	Q4		
	NNDR	Risk based review of NNDR including assurance over the adequacy of controls around the maintenance of systems recording taxable properties and liable persons, billing, discounts and reliefs, collection, refunds and write offs.	Q2 Scoped 15/9/2021 Terms of Ref 15/9/2021	Work currently progressing, expected completion date 31 January 2022.	
	Procurement	Risk based review of strategic procurement including policy and procedural review (including changes arising from Exit from the European Union), planning, high level spend and compliance with contract rules, contract management.	Q3 Scoped and Terms of Ref issued 20/12/2021		
	Creditors	Standard risk based review of creditors, including controls surrounding supplier set up, ordering, goods receipting, payment systems	Q2 Scoped 15/9/2021 Terms of Ref 21/9/2021	Review currently progressing.	
Strategic & Operational Risks	Pandemic Risks	'Flash' audits of dynamic risks arising from the Council's pandemic response. To include, for example, thematic reviews over continuity and recovery arrangements, business	Q1-Q4	Governance Control measures to mitigate against the risk of potential governance failings arising from the Covid-19 crisis a year on from the start of the pandemic, were found to be adequate and	

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
		grants, productivity and performance.		<p>effective. A number of good practice areas were noted:</p> <ul style="list-style-type: none"> <li>• The system implemented by the Authority for remote governance was in accordance with the Local Authorities and Police and crime Panels (Coronavirus) (Flexibility of Local authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020.</li> <li>• Remote meetings were set up quickly and effectively using Microsoft Teams Live.</li> <li>• Internal and external training was provided to staff and members providing an understanding of the system e.g. logging on, microphones etc. as well as etiquette during live meetings. The first live remote meeting took place on 9th June 2020 (Planning Committee).</li> <li>• Urgent decision arrangements are in place managed in line with the Constitution with further information provided on the Authorities website. There have been no urgent decisions between 1 April 2020 and 28 April 2021.</li> <li>• 'Remote Meetings Best Practice Procedures' were created setting out meeting procedures (before and during), exclusion of public and press, technical failures, etc. Additionally, reminder guidance is sent out to all Councillors prior to a meeting.</li> <li>• From the 7th May 2021 traditional face to face meetings will resume. This has been reflected in the work currently been undertaken by Health &amp; Safety to ensure</li> </ul>	Substantial Assurance

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<p>updated Government guidance is being met. E.g. Risk Assessments for all venues including space requirements, desk layout, plastic screens etc.</p> <ul style="list-style-type: none"> <li>• The Authorities website makes reference to ‘provisional’ meetings earmarked after 7th May with proposed venues e.g. Tamworth Assembly Rooms and Council Chambers. Hybrid meetings (live streaming of face to face meetings) are not yet set up but members of the public will be able to attend in person.</li> <li>• The Communications Team is on ‘stand by’ to release a statement on the Authorities Website and to Local Press once all details have been confirmed. Guidance notes are also being prepared for Councillors and Officers for the new arrangements.</li> </ul> <p>With the continuation of Council meetings occurring albeit in a pre-Covid format the following areas are suggested as a forward focus:</p> <ul style="list-style-type: none"> <li>• Covid specific risk assessments should be regularly reviewed and amended where new hazards are identified to ensure they are in line with Government Legislation.</li> <li>• As the Government is encouraging local authorities to provide remote access to the public until 21st June 2021, further investigation into the technology required to implement Hybrid Meetings will help reduce numbers attending meetings and ensure members and the public’s safety.</li> </ul>	

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<p>Productivity</p> <p>Control measures to mitigate against the risk of productivity being adversely impacted by the Covid-19 crisis were found to be adequate and effective. A number of good practice areas were noted:</p> <ul style="list-style-type: none"> <li>• Staff within Customer Services, Revenues and Housing adapted to remote working, with productivity being managed via 1-2-1's and weekly Teams meetings. Areas are informed of changes and staff encouraged to develop new ways of delivering their service. The website and phone messages have been updated, to provide customers with current information.</li> <li>• Performance monitoring has continued with monthly meetings held between management and higher management to discuss 'Monthly Performance Updates'. The introduction of new work streams such as grant / support payments, meant the Revenues Team were tasked with additional pressures to ensure businesses and the general public were supported quickly. Covid-19 grant schemes have been and continue to be administered effectively. KPI's are being monitored closely and data will help determine the direction of travel once the restrictions of the pandemic are lifted.</li> <li>• Where required, processes were amended i.e. daily lists for sheltered accommodation to ensure they were in line with Government guidelines as well as setting</li> </ul>	 <p>Substantial Assurance</p>

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<p>up a 'Tenant Working Group', which provided additional support whilst Tenant Regulations were placed on hold.</p> <ul style="list-style-type: none"> <li>• An 'Activity App' has been rolled out in Customer Services which provides 'real-time' statistics and makes call handling simpler. Additionally, the implementation of a 'Self-Service Portal' is nearing completion, giving customers the opportunity to access information independently i.e. council tax balances etc. with the aim to reduce telephone traffic.</li> <li>• A suite of KPI's for each service area is monitored and reviewed on a regular basis by managers and assistant directors. During the peak of the first lockdown some KPI's for Revenues fell below target due to national government restrictions. Recovery action was placed on hold from March 20 resuming in August 20 and despite the initial backlog, target values are returning back to normal. KPI's for Customer Services and Housing show no concern even though there has been an increase in the demand for webchats, emails and telephone calls.</li> <li>• As part of the Authorities 'Reset and Recovery' arrangements, service areas have demonstrated the ability to deliver services remotely and continue to adapt and monitor their processes and procedures.</li> </ul> <p>As the Covid Pandemic is still continuing, a forward focus is suggested on lessons learned to</p>	

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				ensure service delivery is maintained with KPI's continuing to be reviewed. Additionally, 1-2-1's and weekly Teams meetings will ensure productivity is maintained and staff have a good level of preparedness for additional pressures following the Governments 'Road Map out of Lockdown'. Service delivery will be discussed at Cabinet in July to ascertain the direction of travel.	
	Recovery and Reset	Programme assurance based review of Recovery and Reset programme. Programme assurance includes programme planning, governance structure and controls, delivery, change management, RAIDD management (Risk, Action, Issue, Decision, Dependency), testing and reporting.	Q4		
	Future High Street	Programme assurance review (as recovery and rest above) of progression towards transformation of the town centre following the £21.65m allocation of Future High Street Funding.	TBC		
	Preparedness for regulatory compliance arising from Housing White Paper	Risk based review of organisation preparedness for new regulatory inspection regime.	Scoping meeting 5/1/2022  Audit Brief issued 10/1/2022	Field work to commence.	
	Climate Change	Risk based review looking at the Council's preparation to de-carbonisation / climate change agenda.	Q4		

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
	Partnerships	Risk based review of the Council's controls around strategic partnerships.	Q2	<p>The system has some good controls in place to mitigate against key risks. There is a Partnership Coordination Group which is the accountable body for the delivery of all key partnership plans, all responsible bodies attend. For the partnerships reviewed as part of the audit, Terms of Reference were in place, which documented the roles and responsibilities of the partners and the aims, objectives and purpose of the partnerships. Regular meetings are held and adequate records retained. The work of the partnerships is reported to other groups/organisations for oversight. The weaknesses found within the partnership system include the lack of an up to date, central record of all partnerships across the council and the partnership policy being out of date. Implementation of the recommendations in the action plan will enhance arrangements and address these risks.</p>	 Reasonable Assurance
	Shared Service	Risk based review of controls in place for effective delivery of shared services e.g. waste management, CCTV, legal services, building control, internal audit.	Q2	<p>The system has some good controls in place to mitigate against key risks. The shared service system for both legal services and joint waste is designed with controls in place to mitigate the major risks and were found to be adequate and effective.</p> <p><b>Legal Services</b></p> <p>A comprehensive formal agreement in place, which sets out the scope of services, the cost and contributions of each council, the Governance Arrangements and the Terms of Reference of the board. Board meetings are held regularly between the 3 members. Details of the service and instruction forms are available to staff on the Infozone. Payments for the services are in line with the agreement. A review of the first year of</p>	 Reasonable Assurance

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<p>the service has been completed and reported to the Corporate Scrutiny Committee, areas where changes are required have been identified. Some weaknesses were noted in relation to the counter signing of instruction forms and the introduction of performance indicators to monitor the timeliness of cases. Implementation of the recommendations in the action plan will enhance arrangements and address these risks.</p> <p><b>Joint Waste Services</b>  A Joint Waste Committee Constitution provides the overarching agreement which sets out objectives, roles and responsibilities, delegations and governance arrangements for the joint waste service committee. A business plan including actions, risks, staffing and finances was produced in 2018/19. The Staffordshire Waste Partnership (of which both Councils are part) has a joint strategy covering all the districts, County Council and Stoke.</p> <p>LDC lead on the joint waste service however there are relationships with staff at TBC including the Chief Waste Office (Chief Executive), Accountants, PR Officer and Customer Services. The costs are proportioned by the number of properties in each area. TBC pay LDC a quarterly charge for which an order is raised. Recycling credit claims are claimed on behalf of TBC. A reconciliation of income/ costs is completed at year end. Financial information is provided and meetings are held between the accountants at both authorities and budgets are monitored and discussed with the General Manager and the Chief Waste Officer.</p> <p>Liaison is on-going between the Chief Waste Officer and the General Manager and there is an</p>	

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<p>awareness of incidents in real time. Regular meetings are also held with the Head of Service at Lichfield District Council and for fundamental service changes, both Councils are involved. Feedback from users is received through both the Tell Us scheme and direct to LDC. Complaints are responded to by LDC however records are retained at Tamworth recording the stage of complaint, the complaint and response time. The Chief Waste Officer will receive details of any complaints which require escalation. Some weaknesses were noted, although a Constitution is in place the governance arrangements in terms of the frequency of the joint waste service committee meetings is not being followed. Additionally, consideration should be given to publishing minutes of these meetings on the Council's website. It was also noted that there is a reliance on one key officer at TBC. KPI's, although calculated quarterly are not shared widely within Tamworth Borough Council. A business plan and rolling annual action plan has not been produced since 2018/19 and there is no formal year-end review of performance against KPI's, action status, finances etc. Formal meetings are not minuted.</p>	
	Assembly Rooms	Risk based review looking at key aspects of the Assembly Room's operations e.g. income, asset management, marketing, stock and inventory management, procurement, security and agility of operations on recovery. Audit carried forward from 2020/21.	Q4		
	Castle	Risk based review looking at key aspects of the Castle's operations	Q3	Field work complete and draft report compiled.	

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
		e.g. income, asset management, marketing, stock and inventory management, procurement, security and agility of operations on recovery. Audit carried forward from 2020/21.	Scoped 20/9/2021 Terms of Ref 22/9/2021		
	Housing Repairs	Risk based review and follow up of recommendations.	Q3/Q4	Draft with management for comment and review.	
ICT	IT Back Up and Recovery	Risk based review around new IT system implementation and the failure and/or unavailability of systems.	Q3 Audit Scoped and Briefed 1/12/2021	Work to commence in mid-January 2022.	
	Payment Card Industry Standard (PCI DSS)	Risk based review of implementation and ownership.	Q4	<p>The council take card payments in a number of areas and hence there is an obligation to comply with PCI DSS requirements. Card payments are taken online via the corporate website, over the telephone and in person using Chip &amp; Pin payment machines.</p> <p>Our audit has identified a weak system of internal control over PCI DSS and areas of non-compliance. The council are currently paying a penalty charge of £225 per month from the bank for being non-compliant and this could increase should there be a data breach. There is also the risk of reputational damage should cardholder data be compromised.</p> <p>There is no overall corporate lead for PCI compliance and other roles and responsibilities are not formally defined, leading to a piecemeal approach to compliance activities. A PCI DSS Policy and supporting procedure were drafted in 2019 but they have never been finalised and agreed.</p>	 <p>Limited Assurance</p>

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<p>The scope of the PCI environment has not been explicitly defined to ensure all relevant areas are assessed for compliance. Staff who handle card payments are not provided with any formal training on their PCI responsibilities and a PCI Self-Assessment Questionnaire (SAQ) is also not completed annually as required under PCI DSS.</p> <p>Copies of written agreements with third-party service providers were not available to confirm that their responsibilities for safeguarding cardholder data is defined, and there are also no procedures in place to check the PCI compliance status of third-parties on an annual basis.</p>	
	Disabled Facilities Grant	Assurance statements to Staffordshire County Council / accounts preparation.	Q4	Assurance work completed during Q3 and assurance statement signed off and submitted to Staffordshire County Council	N/A
	Municipal Charities		Q4		
	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	N/A
	Annual Governance Statement	Production of the AGS.	Q1-Q2	Complete	N/A
	Annual Audit Opinion	Production of the Annual Audit Opinion	Q1-Q2		N/A
	Management and Planning	Management, planning and assurance reporting to CMT and Audit & Governance Committee	Q1-Q4	Ongoing	N/A
	Ad hoc / Contingency / Consultancy	Contingency allocation to be utilised upon agreement of the Chief Finance Officer	Q1-Q4	Ongoing	N/A
Follow Up of No and Limited Assurance	Housing Contracts	Limited Assurance follow up.	Q1	Originally 8 recommendations were made, and agreed to be implemented by management. The findings of the follow up review show 7 of the recommendations have been implemented and 1	

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
Opinion Audits				has been superseded by a recommendation made in the 20/21 audit review of Planned Maintenance	Reasonable Assurance
	Property Contracts - DFA	Limited Assurance follow up.	Q1	Originally 11 recommendations were made, and agreed to be implemented by management. The findings of the follow up review show 3 of the recommendations have been implemented, 1 has not been implemented and 7 are no longer applicable.	 Reasonable Assurance
	Street Scene	Limited Assurance follow up.	Q3	Originally 8 recommendations were made, and agreed to be implemented by management. The findings of the follow up review show 7 recommendations have been implemented and 1 is no longer applicable and has been superseded due to system changes.	 Reasonable Assurance

## Appendix 02: Assurance and Recommendation Classifications

Overall Assurance Opinion	Definition
<b>Substantial</b>	There is a sound system of internal control designed to achieve the organisation's objectives. The control processes tested are being consistently applied.
<b>Reasonable</b>	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.
<b>Limited</b>	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.
<b>No</b>	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
<b>High</b>	High priority recommendation representing a fundamental control weakness which exposes the organisation to a high degree of unnecessary risk.
<b>Medium</b>	Medium priority recommendation representing a significant control weakness which exposes the organisation to a moderate degree of unnecessary risk.
<b>Low (Housekeeping)</b>	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.