Appendix 1

Tamworth
Borough Council

Internal Audit Annual Report (including Quarter 4 2021/22
Progress Results)
May 2022

Contents

In the event of any questions arising from this report please contact Andrew Wood, Audit Manager andrew-wood@tamworth.gov.uk

01 INTRODUCTION

BACKGROUND

This report comprises Internal Audit's Annual Report, including results for quarter 4 to 31 March 2022.

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 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 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.

Two audits (Climate Change/Recovery & Reset) were removed from the plan during the year. This was due to the ongoing progress being made by the Council in this area. The audit of

Climate Change has been programmed within the Audit Plan for 2022/2023. Recovery & Reset audit will be completed in early 2022/2023.

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 during the year is included at **Appendix 01.** Progress against the plan and performance against internal performance measures is at section 05.

During 2021/22 we have completed 80% of the Audit Plan against a target of 90%. This was due to issues previously reported to the committee in relation to the procurement of IT and general auditor services, with these being delivered from mid September.

3 further targets were also not achieved due to the current agile working arrangements and affects of the pandemic on staff availability.

03 OPINION

SCOPE OF THE OPINION

In giving the annual audit opinion 2021/22, 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 major pieces of consultancy work were undertaken during the year.

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 four are 93 (24 high, 51 medium, 18 low). During Quarter 4 the Audit Manager held meetings with all Assistant Directors to review all outstanding recommendations as at 31 March 2022.

Priority of Recs	Number of O/S recs – 31 December 2021	Number of recs closed during the period Q3 to Q4	Number of additional recs made during Q4	Number of current O/S recs as at 31 March 2022	Overall movement of rec numbers between Q2 and Q3
High	25	5	4	24	-1
Medium	46	5	10	51	+5
Low	8	2	12	18	+10

As at 31 March 2022 there were 24 high priority recommendations however of these 16 were overdue and these were all followed up by Audit as part of the Quarter 1 review with Assistant Directors. During this review it was identified that a number of these recommendations had been completed and closed off with the

remaining recommendations reviewed. The current high priority recommendations which are overdue relate Property Compliance (1), Housing Repairs (1) and PCI DSS (1). The remaining recommendations have been confirmed by audit to be in progress and management are working towards completion.

Audit & Governance Committee asked for further detail relating to currently overdue audit recommendations and this is provided below, taking into account the comments and observations received by audit during our management discussions;

Property Compliance - A DFA Policy should be introduced to ensure that there is consistency across all DFA awards. This recommendation was scheduled for completion by 31 March 2022. As required by the agreed recommendation, the policy has been included within the new Council Housing Repairs Policy which has concluded its consultation period. Publication is expected to be complete by 30 June 2022.

Housing Repairs – The Housing Repairs Policy is reviewed and updated. This was scheduled for completion by 30 April 2022. As required by the agreed recommendation, the policy has been included within the new Council Housing Repairs Policy which has concluded its consultation period. Publication is expected to be complete by 30 June 2022.

PCI DSS – repairs required to 2 Chip & PIN machines held at Tourist Information. This recommendation was scheduled for completion by 28 February 2022 and was reported as completed May 2022.

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.**

Outstanding Audit Recommendations

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 **- 80%**
- 100% Draft reports issued within 6 weeks of start date - **74%**
- 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 – **75%**
- 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	Draft report issued to management for comment.	
	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-Q4	Controls were in place to mitigate against key risks. The Academy System maintains a record for each account of the total amount of income due to be received based on the rateable value of the property and any discounts/exemption if applicable. In addition it maintains a record of all transactions relating to bills issued, refunds made and income received, including if any reminder letters have been sent or summons issued. Sample testing relating to discounts/exemptions, refunds and arrears was conducted. In all cases appropriate documentation had been maintained to support the transactions and, where appropriate, action relating to arrears had occurred. A reconciliation of daily NDR income received is conducted between the Academy System and the Aims System. A sample of 10 daily reconciliations were reviewed. In all cases any discrepancy had been investigated and the reason for the discrepancy noted. In addition a monthly reconciliation of NDR Income received is carried out between the Academy system and the General Ledger. Four reconciliations were reviewed and in all cases no differences had been noted and all the reconciliations had been appropriately completed and authorised. In addition, reconciliations of the total Rateable Value are carried out between the Academy system and Valuation Office listings and reconciliation details are appropriately maintained. For a sample of 5 VO lists there were no discrepancies identified. A secondary check had also been conducted for all cases where there had been a change in the Rateable Value compared to the previous list.	Substantial Assurance

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				As per the previous audit report five recommendations had been made, out of which two were not agreed. For the three that had been agreed, it was confirmed that two had been actioned. However, one relating to periodic reviews of discounts applied had not been actioned and therefore the recommendation has been reiterated. It was also noted that no current year write offs had been processed and an appropriate recommendation has been made.	
	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	Draft report completed and currently in for management review and comment.	
	Creditors	Standard risk based review of creditors, including controls surrounding supplier set up, ordering, goods receipting, payment systems	Q2	The creditors system is designed with controls in place to mitigate against the major risks. The Council's Financial Guidance provides a framework for procurement activity and the Accountancy service have internal policies and procedures in place, as an example, for setting up new suppliers, invoice matching routing and invoice payment runs. There is clear segregation of duties through the ordering and payment processes to mitigate against the risk of fraud / error. Controls were found to be operating effectively. Audit trails were retained for weekly payment runs, with payments over £30,000 highlighted for Director of Finance approval. Orders were raised and independently approved. New suppliers were set up on completion of a supplier request form. Credit card usage forms were completed for all transactions tested. The invoice register, which includes invoices	Reasonable Assurance

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				received that are on hold or haven't been paid, is available on E-financials and the register was issued to all managers in December 2021, together with information on unmatched/ unapproved orders. Spend over £500 is published in accordance with the Local Government Transparency code. Some minor weaknesses in the operation of controls were identified which need to be addressed, payment information for suppliers. A review of creditor related guidance notes held on the intranet and providing payment guidance for suppliers. Appropriate approval of credit card transactions and reporting of payment Performance Indicators.	
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 grants, productivity and performance.	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 effective. A number of good practice areas were noted: • 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. • Remote meetings were set up quickly and effectively using Microsoft Teams Live. • 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). • Urgent decision arrangements are in place managed in line with the Constitution with further information provided on the Authorities	Substantial Assurance

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				website. There have been no urgent decisions between 1 April 2020 and 28 April 2021.	
				• '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.	
				• From the 7th May 2021 traditional face to face meetings will resume. This has been reflected in the work currently been undertaken by Health & Safety to ensure updated Government guidance is being met. E.g. Risk Assessments for all venues including space requirements, desk layout, plastic screens etc.	
				• 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.	
				• 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.	
				With the continuation of Council meetings occurring albeit in a pre-Covid format the following areas are suggested as a forward focus:	
				• Covid specific risk assessments should be regularly reviewed and amended where new hazards are identified to ensure they are in line with Government Legislation.	
				• As the Government is encouraging local authorities to provide remote access to the public until 21st June 2021, further	

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				investigation into the technology required to implement Hybrid Meetings will help reduce numbers attending meetings and ensure members and the public's safety. Productivity 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: • 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. • 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. • 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 up a 'Tenant Working Group', which provided additional	 Substantial Assurance

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				support whilst Tenant Regulations were placed on hold. • 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. • 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. • 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. As the Covid Pandemic is still continuing, a forward focus is suggested on lessons learned to 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.	

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
	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	Work ongoing to report during 2022/2023.	
	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.	Q4	There are robust arrangements in place for the governance, management and delivery of Future High Street Fund and related projects. There are robust contract management processes in place and these included the maintenance of contract registers and a formalised procurement process. This was supported by management authorisation of contracts. Conflicts of interest are also effectively managed through the use of current council processes for member and officer declarations of interest. Business cases were fully developed and approved by management. These were formally approved by Council and kept under review through the Scrutiny Committee processes. Funding agreements have been retained and appropriate sign off carried out in accordance with DLUHC requirements. The respective grant offer letters have been fully retained. There are fully developed terms of reference in place which have been approved by scrutiny committee and these are supported by quarterly reporting arrangements. Financial oversight is maintained by Accountancy and there are fully developed management accountant processes in place.	 Substantial Assurance

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				Risk registers have been developed and are reviewed on a regular basis by management. This is further supported by reporting to scrutiny committee. In addition, Audit & Governance Committee have set up a specific sub-committee to review the FHSF risk registers on a quarterly basis. Management oversight of risks is carried out on a monthly basis and reported to both Programme and Delivery Board meetings.	
	Preparedness for regulatory compliance arising from Housing White Paper	Risk based review of organisation preparedness for new regulatory inspection regime.	Q4	While the Council at this stage cannot demonstrate that it meets the requirements of the White Paper, assurance can be given that the design of controls is adequate and demonstrates that preparations have commenced to ensure that the requirements of the paper will be considered, evaluated, monitored and actioned. There is an awareness of the White Paper and revision to the new regulatory inspection regime Council wide. Presentations have been made to Cabinet, the Corporate Management Team (CMT), the Housing and Homeless Committee and the Tenant Consultative Group. A consultant has been appointed to oversee the project with the aid of the Assistant Director of Neighbourhoods and the Housing Manager. External Consultants were invited to tender to complete the self-assessment work. A budget of £20k to fund the independent self-assessment and action plan has been approved by Cabinet. Tender returns are currently being evaluated. A high level project plan is in place which includes key dates and leads for determined outcomes such as commissioning of a contractor, final report of self-assessment etc. This will be detailed further to provide an end of project key date once the self-assessment and action plan have been completed by the appointed consultant. The target date for the draft report being presented to Cabinet along with the self-assessment and improvement action plan is June 2022.	Substantial Assurance

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				The White Paper implementation will be a Corporate Project and will be undertaken as a One Council Approach, required teams will be identified. A project initiation document will be developed and progress will be monitored by the Project Board through monthly meetings where a highlight report will be circulated. Recipients of the progress report will also include the CMT, the Housing and Homelessness Committee and the Tenants Consultative Group. At this stage in the project, there are no weaknesses identified in the operation of the controls that need to be addressed. The Council should continue to produce a gap analysis and action plan. Actions should be monitored against key timescales and addressed to ensure the White Paper requirements are implemented. This should be the forward focus during 2022/23. A further audit will be undertaken during 2022/23 to assess the progress of the preparations and project plan.	
	Climate Change	Risk based review looking at the Council's preparation to de-carbonisation / climate change agenda.	Q4	Deferred to 2022/2023.	
	Partnerships	Risk based review of the Council's controls around strategic partnerships.	Q2	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.	Reasonable Assurance

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
	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	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. **Legal Services** 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 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. **Joint Waste Services** 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. 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	Reasonable Assurance

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				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. Liaison is on-going between the Chief Waste Officer and the General Manager and there is an 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.	
	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	Q4	Ongoing work into 2022/23.	

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
		operations on recovery. Audit carried forward from 2020/21.			
	Castle	Risk based review looking at key aspects of the Castle'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.	Q3	The system has some good controls in place to mitigate against key risks. Income received through admissions is received through the Gardiff till system. Testing noted that daily cash up sheets were being completed and takings agreed to the Z read. All cash up sheets had been signed by two officers. Testing of banking confirmed that the income collected had been received in the bank and processed to the ledger. Income from room hire could be agreed to booking forms and with the exception of one booking, agreed to approved fees and charges. A process is in place to receipt income received through the on-line booking system (Spektrix) and interface to the ledger. Purchases are independently raised and are approved. An update of the castle action plan noted that actions are traffic light coded to monitor the progress of implementation. The weaknesses found within the castle processes included the need for a full implementation of a stock recording system, regular stock takes, a stock/income reconciliation and enhanced security over the stock currently held. In addition stock system procedure notes are required once the stock system id fully implemented. Consideration should also be given to reviewing the value of expenditure for key suppliers both cumulatively and corporately to ensure best value is achieved. Secondly management should consider adopting a blanket ordering process with suppliers where goods are required promptly. Invoices should be raised more promptly. Lastly The Castle action plan update December 2021 should be presented to Cabinet/ CMT to ensure	Reasonable Assurance

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				transparency of the progress of delivery of the approved actions.	
	Housing Repairs	Risk based review and follow up of recommendations.	Q3/Q4	The reactive repairs system is designed with controls in place to mitigate the major risks and these were extensively tested in February 2021 and reported to management in May 2021 with an agreed action plan highlighted in Appendix 2 of this report. This report will review the processes in place and those highlighted by both staff and management with regards to the contract performance and the impact of contractual monitoring. Jobs are recorded on both the Council's Housing Management System, Orchard and the contractors system, Castleton. Post inspections are completed by the Project Officers and payment on Orchard is authorised by the Senior Project Officer. Currently the system has invoice approvals automatically set for any jobs to the value of £250 or above. There are a number of areas for improvement identified during the audit. These relate to the following; • Incorrect SOR codes being used; • Errors being reported following post inspection despite previous management intervention; • Rejected jobs; • Over claiming by the Engie; and • Overall management of the contract and liaison with Engie. Work has been completed to extrapolate between the overall jobs allocated to Engie for the period 1st April to 31st October 2021 and then identify rejected claims and estimate a potential liability if these claims had not been rejected. This is information is detailed below in the detailed findings.	 Limited Assurance

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				As highlighted below the key risk evaluation remains the same as during the previous audit. Management processes in relation to procedural guidance and repairs reporting is robust. There are however concerns in relation to weaknesses around the payments to the contractor and the levels of issues arising from monitoring checks on the works undertaken.	
ICT	IT Back Up and Recovery	Risk based review around new IT system implementation and the failure and/or unavailability of systems.	Q4	Corporate standards for the backup and recovery of ICT systems and data are defined within a formal backup policy and associated procedure document. The two documents generally cover all relevant areas, although we have suggested one improvement to the procedure and the policy needs to be formally approved following some recent changes. A new backup solution is being implemented and was going through the final stages of setup and configuration during the course of the audit. A number of backup jobs are setup on the new solution and only when a successful backup is taken of a server is it removed from the old backup system. There are daily backups of ICT systems and data, which was confirmed by ensuring that a sample number of servers were associated with a relevant backup job. The frequency of backups is determined by the criticality of the server and how often the data changes. All backups are taken to digital media and tapes are no longer used, which removes an element of risk given they are inherently unreliable. The successful completion of all backup jobs is monitored on a daily basis and evidence of this is logged. However, our testing identified that backup failures are not always logged on the service desk for investigation in accordance with the agreed procedure. Backups are taken to a local appliance housed in the server room and there is a daily replication to the cloud for off-site and off-line storage. The cloud backup is in	 Reasonable Assurance

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				accordance with the National Cyber Security Centre's recommendation for an "air-gap" between the production and backup environments, to protect against ransomware cyber-attacks. The 3-2-1 backup rule is also followed to ensure there are resilient data backups. The local appliance and cloud backups are both encrypted to industry standards. The Network Backup Policy states that a quarterly recovery test should be performed. However, our testing found that a recovery test was not performed in the last quarter and a full annual recovery test has not been performed for at least two years. Testing is required to provide confirmation on the integrity and reliability of backups, including the new cloud backups.	
	Payment Card Industry Standard (PCI DSS)	Risk based review of implementation and ownership.	Q4	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 & Pin payment machines. 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. 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. 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	Limited Assurance

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				their PCI responsibilities and a PCI Self-Assessment Questionnaire (SAQ) is also not completed annually as required under PCI DSS. 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.	
	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	Ongoing work to be completed in 2022/2023	N/A
	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	Complete	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 Opinion Audits	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 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	

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				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
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.