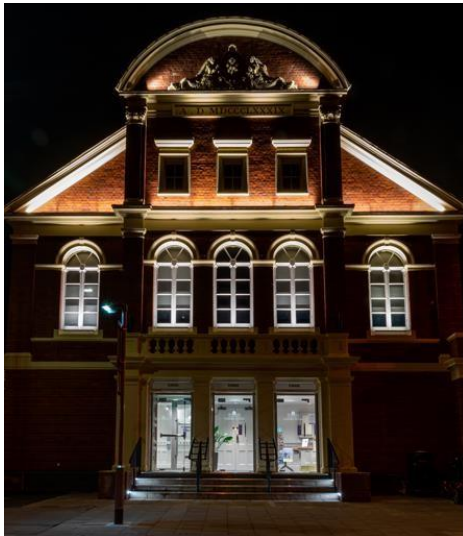# Internal Audit Progress Report (Quarter 2)
October 2022

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

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 theperiod to 30 September 2022.

SCOPE AND PURPOSE OF INTERNAL AUDIT

The Accounts and Audit Regulations require councils to undertake aneffective 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 improverisk management, governance and control.

Internal Audit's professional responsibilities as auditors are set out within Public Sector Internal Audit Standards (PSIAS) produced by theInternal Audit Standards Advisory Board 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 theperiod.

02 INTERNAL AUDIT WORK UNDERTAKEN

The internal audit plan for 2022/23 was approved by the Audit & Governance Committee at its meeting in March 2022. The plan was fora total of 18 audits. To the end of quarter 2 2022/2023 we have completed 28% of the audit plan. An analysis of audit plan completion and indicatively planned audits is shown in the table below;

	Q1	Q2	Q3	Q4
Number of audits allocated per quarter	3	4	8	3
% of plan	17	22	44	17
Cumulative audit plan %	6	28		

Planned work initially envisaged that by 30 September 2022 we would have completed 39% of the Audit Plan, actual out turn figures show that we have completed 28% of the expected plan.

Quarter two work has continued with maintained final completion of the audit plan for 2021/22, completing annual reports, compliance statements and supporting assurance work on Coronavirus Business Grants and Energy Rebates.

We have now completed the procurement exercise for general auditor support and BDO were contracted to undertake these services from early September 2022. This will accelerate the completion of the remaining audits during quarter 3 – with a forecast completion rate at 31st December of 75% compared to the profiled 83%.

There have been a number of delays in progressing audits, obtaining management responses and obtaining management responses to our draft reports and this is reflected in only 25% of our draft reports being issued within 6 weeks of start date of the audit. Additionally, we have only completed 50% of our closure meetings within 5 days of the conclusion of the audit field work. Again, this has been attributed to delays in completing the draft report and organizing closure meetings with management. Audit management will keep all KPI's under review to ensure compliance and improved performance in these areas.

The audit findings of each review, together with recommendations foraction and the management response are set out in our detailed reports. A summary of the reports we have issued and the progress made thisyear is included at **Appendix 01**.

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 oractivities.
- Whether or not any limitations have been placed on the scope of internalaudit.
- Whether there have been any resource constraints imposed upon us whichmay 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 beencovered 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. Also see the fraud update on this Committee's agenda.

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. During the period to 30 September

2022, the following was undertaken:

- Attending disabled facilities grant working group;
- Test and Trace assurance statement; and
- Protect and Vaccinate assurance statement.

04 Follow Up

As previously agreed by the Committee, 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 2 are 81 (17 high, 43 medium, 21 low). During 2022/23 the Audit Manager continues to hold quarterly meetings with all Assistant Directors to review all outstanding recommendations. This has shown a specific improvement in the implementation and the number of recommendations, over time, has been shown within **Appendix 3**. This shows in tabular graph form the progress regarding the number of outstanding audit recommendations over time.

The Audit Manager is currently holding meetings with all Assistant Directors to review outstanding recommendations as at 30th September 2022 and will complete this work by 31 October 2022.

Priority of Recs	Number of O/S recs – 30 June 2022	Number of recs closed during the period July – Sept 2022	Number of additional recs made during Q2	Number of current O/S recs as at 30 Sept 2022	Overall movementof rec numbers during the quarter 2
High	14	1	4	17	+3
Medium	35	6	14	43	+8
Low	11	1	11	21	+10

As at 30 September 2022 there were 17 high priority recommendations outstanding however of these 13 were overdue, 5 from April 2022, 5 from June 2022 and 3 from September 2022, and these are being followed up during September/October 2022 as part of the Quarter 2 review with Assistant Directors. Since 30th September 2022 we have confirmed that from the 13 original overdue recommendations 5 recommendations are considered complete. The current high priority recommendations which are overdue relate Housing Repairs (1), PCI DSS (3), Data Protection (2) Licensing (1) and Pentana (1).

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 - 28% relates to assurance work completed.
- 100% Draft reports issued within 6 weeks of start date – 25% delays
- 100% Closure meetings conducted within 5 days of completion of audit work – 50%
- 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 – 100%
- 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 – 100% (3 out of 5 returned)

Assurance	Audit	Scope	Indicative Planned Quarter	Assurance Summary	Assurance Opinion
Core Financial Systems	Council Tax	Risk based review covering the adequacy and effectiveness of controls around the maintenance of systems, billing, discounts and reliefs, collection, refunds and write offs.	Q2	Allocated to BDO – scoping and briefing meetings to be held.	
	Payroll	Risk based review to ensure controls in place for the timely and accurate payment of salaries and subsistence allowances to staff and members. To include, new starters, leavers, accounting for tax and deductions.	Q3	Allocated to BDO – scoping and briefing meetings to be held.	
	Housing Rents	Risk based review of housing rents system to ensure correct rent charged, payments recorded, rent accounting systems are accurate. Controls in place for the setting up of rent debit.	Q3		
	Business Grants	Risk based review grants allocated to businesses to ensure compliance with award criteria and accurate/robust payment systems in place and operating. Proactive assessment processes in place prior to grant award. Robust processes in place for the repayment and recovery of grants.	Q1-Q4	Ongoing assurance review.	
Strategic & Operational Risks	Cemeteries	Risk based review of the cemetery operations to ensure compliance with Health & Safety requirements, together with overall management controls of the service.	Q1-Q4	The system has some good controls in place to mitigate against key risks. Training has been provided to staff via an external provider and is regularly refreshed. Risk assessments are completed annually for cemetery related tasks and use of equipment. Equipment is certified as in good working order each year, with equipment rotated to prevent wear and tear. Testing confirmed that all income due has been received and at the correct fee. Documentation in relation to burials, cremations, pre-selects and memorials was in place. Grave maintenance records are completed which include the grave size to be dug; sizes agreed to those provided by the funeral directors.	 H-0 M-7 L-2 Reasonable Assurance

| | | | | Grave sizes are independently checked for size prior to the burial/ cremation. Cemetery maps were updated with both burials and preselects details. A 6-month check of the grave is completed. Memorial applications are required to use accredited stonemasons and approval is received through a permit issued by the cemetery officer.
The weaknesses found within the cemeteries system included the requirement to document a workflow for all processes, staff cover for absences to be addressed, retention of documentation in one location and recording receipt for all income, restricted access to amending records, consider enforcement action/ revision of regulations for non-compliance with the cemetery rules and documenting memorial safety testing policy/ procedure.
Implementation of the recommendations in the action plan will enhance arrangements and address these risks. | |
| | Recovery and Reset | Programme assurance based review of Recovery and Reset programme. Programme assurance includes programme planning, governance structure and controls, delivery, | Q3 | Allocated to BDO – scoping and briefing meetings to be held. | |

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
		change management, RAIDD management (Risk, Action, Issue, Decision, Dependency), testing and reporting.			
	Future High Street Fund	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.	Q3		
	Housing White Paper – follow up	Risk based review of organisation implementation for new regulatory inspection regime.	Q3		
	Climate Change	Risk based review looking at the Council's preparation to de-carbonisation / climate change agenda.	Q1	Allocated to BDO – scoping and briefing meetings to be held.	
	Income Management	Risk based review of the Council's controls around the management of income throughout the Council is ensure that this collected in a robust manner that accounts for monies received.	Q4	Allocated to BDO – scoping and briefing meetings to be held.	
	Project Management	Programme assurance based review of Council's Project Management systems. Programme assurance includes programme planning, governance structure and controls, delivery, change management, RAIDD management (Risk, Action, Issue, Decision, Dependency), testing and reporting.	Q3	Allocated to BDO – scoping and briefing meetings to be held.	
	Landlord Health & Safety	Compliance review to ensure that the Council maintains compliance with relevant H&S legislation as it affects; asbestos, lifts, fire assessments and general H&S within housing stock –	Q1	The landlord health and safety system is designed with controls in place to mitigate the major risks. Compliance activities are recorded and scheduling facilities act as a prompt for regular inspection. The Orchard Housing Management system is updated with additions and disposals of properties. Task scheduling and documents such as risk assessments are held on the Zetasafe	H-1 M-8 L-2

			electrical/gas.		system.	Reasonable Assurance
					Assurance is provided by Morgan Lambert who inspect gas and electric certificates and Zurich who inspect lift maintenance. The contractor, Graham is accredited for fire risk assessment, surveying of asbestos and holds registration with legionella control association.	
					Testing noted that fire risk assessments were completed annually, completed gas and electric inspections were confirmed by the relevant certificates and legionella risk assessments have been completed. Firefighting equipment checks are completed annually, and jobs raised to rectify any remedial action. Lifts and stairlifts have been serviced in accordance with the schedule.	
					Meetings are held with the contractors regularly, compliance meetings with EQUANs fortnightly and Graham, monthly. Agenda items include servicing programme, remedial actions, action monitoring tracker status.	
					The weaknesses found within the landlord health and safety system included obtaining confirmation that remedial action has been undertaken following on from fire and legionella risk assessments and EICR's (requesting new certificates). Information was requested in relation to the systems in place for empty properties to confirm compliance with the legionella policy. Although some documents and an overview were provided, more detail and clarification was requested but not provided during the course of the audit.	
					Additional areas of control weakness were also identified. There were two void properties that had not had an asbestos survey completed during the void period. The asbestos policy needs reviewing to align to current practice. Legionella required actions should be updated on the Zetasafe tracking system. There is a performance indicator for gas and electric only, with key performance indicators (KPI's) for lift inspections, fire assessments, asbestos surveys or legionella risk assessment/ sampling not in place. New tenants would benefit from documented responsibilities in relation to asbestos, gas and electric management. Relevant staff would benefit from refresher training. Implementation of the recommendations in the action plan will enhance arrangements. Draft report issued for management comment	

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
	Events Management	Risk based review looking at key aspects of the council's operations in relation to the management of events, to include; bidding for external events, management of internal events.	Q2		
ICT	Web Portals	ICT review of the development and management of web portals to ensure that this is developed and rolled out in a consistent and managed manner. To ensure that web portals do not place Council systems at risk. Web Portal management is maintained and regularly updated.	Q2-Q4	Fieldwork completed and draft report issued to management for review.	
	GDPR	A risk based review to ensure compliance with GDPR legislation across the authority.	Q2-Q4		
	Disabled Facilities Grant	Assurance Statement	Q3	Assurance work required for certification sign off	
	Municipal Charities	Preparation of municipal charities accounts	Q3	Charity accounts completed to 31 December 2021.	Completed
	Pensions	Assurance Statement	Q4	Allocated to BDO – scoping and briefing meetings to be held.	
	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	On-going	
	Annual Governance Statement	Production of the AGS	Q1-Q2	AGS fully completed and reported to Audit & Governance Committee.	

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
	Annual Audit Opinion	Production of the Annual Audit Opinion	Q1-Q2		
	Management and Planning	Management, planning and assurance reporting to CMT and Audit & Governance Committee	Q1-Q4	On-going	
	Ad-hoc / Consultancy / Contingency	Contingency allocation to be utilised upon agreement of the Chief Finance Officer	Q1-Q4	On-going	
	IA QAIP and PSIAS	Review of PSIAS standards and review	Q3		
Additional Assurance Reviews requested by management	Protect and Vaccinate	Assurance review to enable sign off by the Chief Executive and S151 Officer		Complete	
	Test and Trace	Assurance review to enable sign off by the Chief Executive		Complete	
21/22 Planned Audits finalised	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.		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	H-0 M-0 L-2 Substantial Assurance

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				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. 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.	
	Assets and Inventory	Risk based review covering the adequacy and effectiveness of controls regarding the Council's assets and inventory.		The audit was completed on five service areas (Sheltered Housing, Marmion House/Town Hall, TEC, Castle and IT). Information was not provided to the auditor for the Assembly Rooms, Street Scene and Leisure. The asset and inventory system is designed well with controls in place to mitigate against the risks. Assurance can be given that the design of controls is adequate and the controls were found to be operating effectively.	H-0 M-4 L-2 Reasonable Assurance

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				The requirements of managing assets and inventory is noted in the Council's Financial Guidance Section C 11. Service areas maintain records of equipment required to carry out their functions. The Council Asset Register is maintained in the Asset Manager system and access is restricted to Finance. The Asset Register is updated annually, service areas update their inventories at the time of any additions or disposals. The Council Asset Register is maintained by the Assistant Director – Finance and is updated once a year as part of the Final accounts process although other registers such as Insurance Register are updated as and when necessary throughout the year. Again, as part of final accounts process asset users are asked to verify that they still have and use the assets allocated to them. All responses from managers are collated by the Assistant Director Finance Property is secured when not in use as appropriate, locked rooms, CCTV, alarm systems, keys locked in secure cabinets. IT equipment is tagged with pre-printed numbered tags that cannot be easily removed. Some areas for improvement were identified. Inventory records are not fully completed and lack detail as required in the Financial Guidance. The IT Asset Register did not include detail of the employee allocated the equipment. The replacement of equipment is not reflected as a disposal / addition to the record. There was no	

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				evidence to confirm that an annual verification of inventory had been completed. Inventories are not consistently security marked. Implementation of the recommendations in the action plan will enhance arrangements and address these risks.	
Follow Up of No and Limited Assurance Opinion Audits					

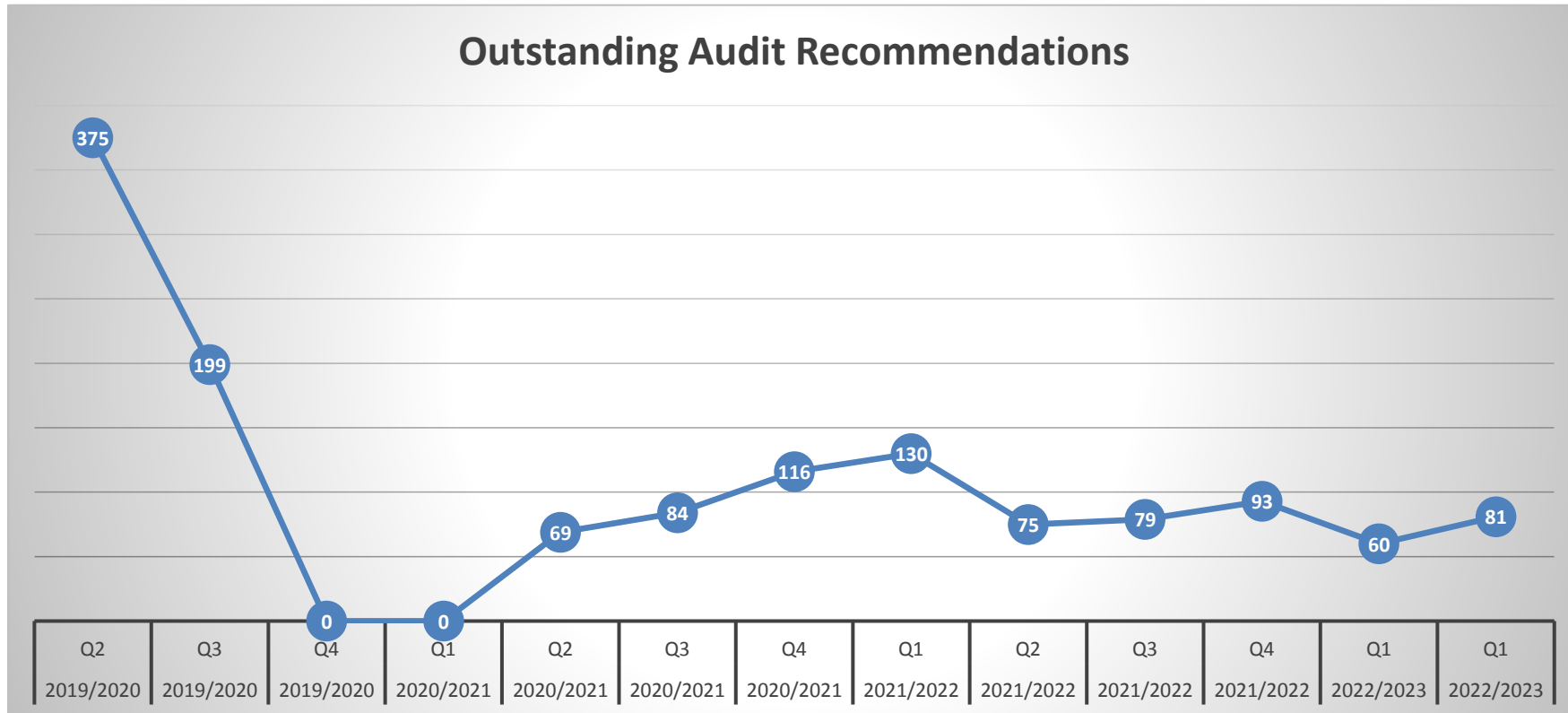**Appendix 02: Assurance and Recommendation Classifications**

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.

Appendix 03: Outstanding Audit Recommendations

The graph below shows the number of outstanding audit recommendations over time.

Outstanding Audit Recommendations

	Q2 2019/2020	Q3 2019/2020	Q4 2019/2020	Q1 2020/2021	Q2 2020/2021	Q3 2020/2021	Q4 2020/2021	Q1 2021/2022	Q2 2021/2022	Q3 2021/2022	Q4 2021/2022	Q1 2022/2023	Q1 2022/2023
Value	375	199	0	0	69	84	116	130	75	79	93	60	81

To inform the process I have included a table below outlining the number of outstanding actions whether High, Medium or Low Priority.

Below is a table showing the number of recommendations in each assurance level.

Number of outstanding recommendations by priority
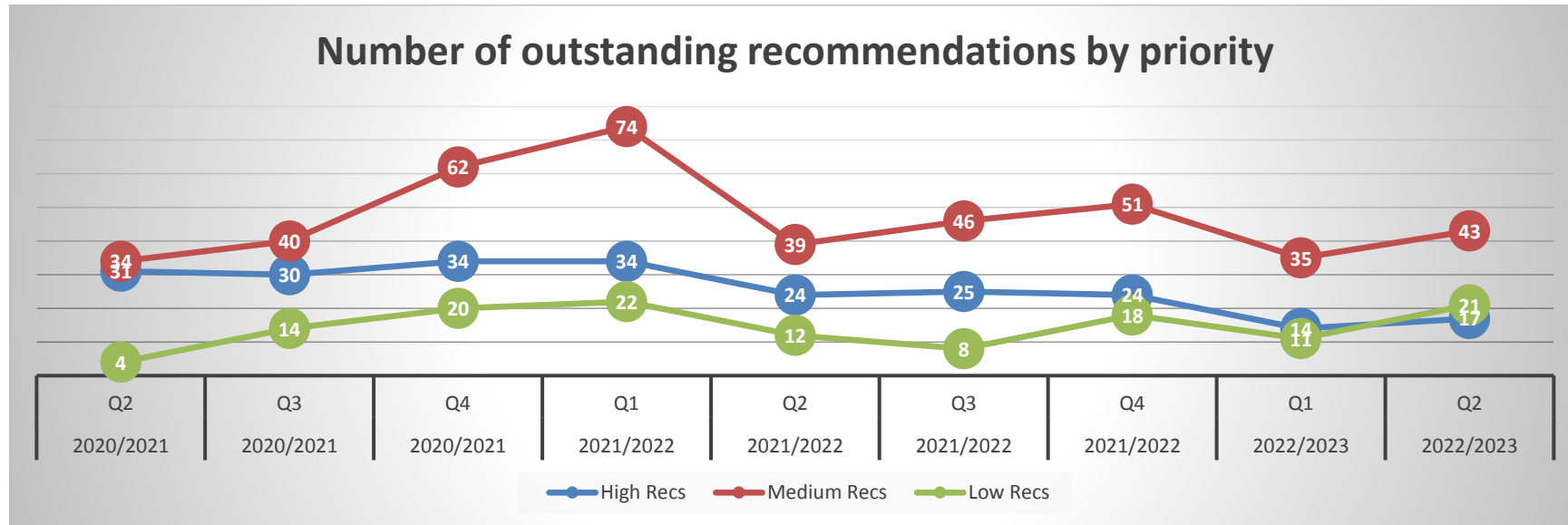
Financial Year	Quarter	No of Outstanding Recommendations	No of High Recs	No of Medium Recs	No of Low recs
2019/2020	Q2	375			
	Q3	199	101	98	NIL
	Q4				
2020/2021	Q1				
	Q2	69	31	34	4
	Q3	84	30	40	14
	Q4	116	34	62	20
2021/2022	Q1	130	34	74	22
	Q2	75	24	39	12
	Q3	79	25	46	8
	Q4	93	24	51	18
2022/2023	Q1	60	14	35	11
	Q2	81	17	43	21

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