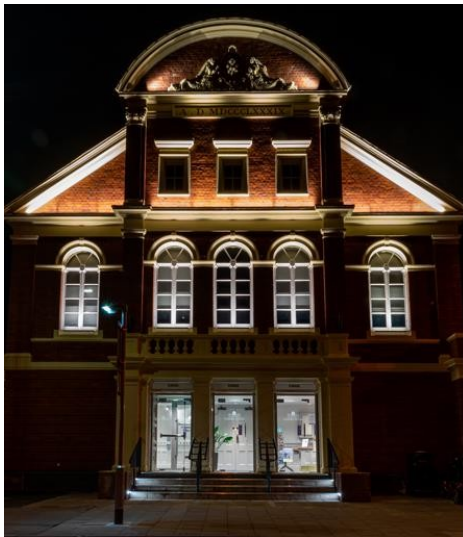# Internal Audit Progress Report (Quarter 1)
July 2023

Contents

01 Introduction
02 Internal Audit Work Undertaken
03 Opinion
04 Follow Up
05 Performance of Internal Audit

Appendices
01 Summary of Internal Audit Work Undertaken
02 Assurance and Recommendation Classifications

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 summarises internal audit activity and performance for the period to 30 June 2023.

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 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 2023/24 was approved by the Audit & Governance Committee at its meeting in March 2023. The plan was for a total of 16 audits. To the end of quarter 1 2023/2024 due to exceptional circumstances we have completed 0% of the audit plan. However we have fully completed all of the 3 audits rolled forward from 2022/23. Work has been ongoing on 4 audits during Q1 of 2023/24 as outlined in the attached **Appendix 1** and which were not completed by 30 June 2023. 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	4	4	6	2
% of plan	25	25	37	13
Cumulative 2023/24 audit plan % completed	0			
Completed and finalised 2022/23 audits	2			
Audits drafted and awaiting management agreement 2022/23	1			

Planned work initially envisaged that by 30 June 2023 we would have completed 25% of the Audit Plan, actual outturn figures show that we have due to exceptional circumstances that we have completed 0% of the expected plan. The work undertaken and the progress on each audit is shown in summary and progress made this year 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 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. 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 June 2023 no additional work was requested.

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 1 are 64 (13 high, 33 medium, 18 low). During 2023/24 the Audit Manager will continues to hold quarterly meetings with all Assistant Directors to review all outstanding recommendations. This has shown a specificimprovement 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.

Priority of Recs	Number of O/S recs – 31 Mar 2023	Number of recs closed during the period Mar 23 – June 23	Number of additional recs made during Q1	Number of current O/S recs as at 30 June 2023	Overall movement of rec numbers during the quarter 1
High	12	0	1	13	+1
Medium	34	1	0	33	-1
Low	20	2	0	18	-2

As at 31 March 2023 there were 13 high priority recommendations outstanding however of these 12 were overdue and these are being followed up during July/August 2023 as part of the Quarter 1 review with Assistant Directors.

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 - 0% relates to assurance work completed.
- 100% Draft reports issued within 6 weeks of start date – non recorded
- 100% Closure meetings conducted within 5days of completion of audit work – N/A
- 100% draft reports to be issued within 10 working days of closure meeting – N/A
- 100% of all high priority actions are implemented at follow up – N/A
- All no and limited assurance reports have arevised assurance rating of substantial or reasonable on follow up – Not applicable
- Achieve an average customer satisfaction score of 4 or more – not applicable

Appendix 01: Summary of Internal Audit Work Undertaken

Assurance	Audit/Corporate Risk	Scope	Indicative Planned Quarter	Assurance Summary	Assurance Opinion
Core Financial Systems	Creditors CR1,CR6	Risk based review covering the adequacy and effectiveness of controls around the maintenance of creditors systems.	Q2	Audit brief scoped and finalized.	
	Procurement CR1, CR6	Risk based review of Procurement systems to ensure controls in place for the adherence to procurement legislative requirements.	Q1	Audit briefed and scoped, fieldwork started.	
Strategic & Operational Risks	Business Continuity CR1, CR2, CR3, CR6	Risk based review of the council's arrangements for business continuity.	Q2	Audit briefed issued and management responses requested.	
	Corporate Policy Management CR1, CR3, CR4, CR5, CR6	Risk based review of the council's arrangements for policy development, update and change. Incorporating reporting and approval requirements.	Q3	Audit brief issued and agreed with management.	
	Taxi Licences CR3, CR4, CR6	Risk based review of the council's management arrangements for taxi licensing across the Borough, ensuring all checks both individual and vehicle are carried out and completed.	Q3	Allocated to BDO, scoping to be agreed.	

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
	Community Safety CR3, CR4, CR6	Risk based review of Community Safety arrangements at the Council.	Q3	To be allocated.	
	Training & Development CR2, CR6	Risk based review looking at the Council's arrangements for training and development.	Q1	Audit briefed and scoped to be deferred to Q2/Q3.	
	Safeguarding CR3, CR4, CR5, CR6	Risk based review of the Council's controls around the safeguarding to ensure all legislative requirements are met and being consistently applied.	Q4	Audit scoped and agreed with management, fieldwork started.	
	Insurance CR1	Risk based review to ensure that all insurable risks are identified and appropriately managed.	Q3	To be allocated.	
	Time recording & absence management CR2	Risk based review to ensure that time recording system is appropriately managed and that a consistent approach is maintained in respect of absence management.	Q1	Fieldwork started and draft report compiled for management responses.	
	Shared Services CR1, CR3, CR5	Risk based review looking at key aspects of the council's shared services arrangements.	Q2	Allocated to BDO, scoping and briefing of audit to be undertaken.	

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
	Housing Voids CR1	Risk based review looking at Housing Void arrangements to ensure properties are appropriately managed and void periods minimised.	Q1	Audit scoped and briefed all fieldwork completed, at draft report stage.	
	Events Management Defer to 23/24	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.	Q3	Deferred through to 2023/24.	
ICT	Remote Working	ICT review of the development of remote working solutions.	Q1-Q4	Allocated to E-Tec Business Services, to brief and scope reviews.	
	Network Infrastructure	ICT review of the council's network infrastructure to ensure that it is maximised and 'downtime' minimised with the resolution of issues in a prompt manner by third party suppliers.	Q1-Q4	Allocated to E-Tec Business Services, to brief and scope reviews.	
Governance Fraud & Other Assurance	Disabled Facilities Grant	Assurance Statement	Q3	Assurance work required for certification sign off	
	Municipal Charities	Preparation of municipal charities accounts	Q3	2022 accounts being currently completed.	No assurance required.
	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 for 2022/23.	

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
	Annual Audit Opinion	Production of the Annual Audit Opinion	Q1-Q2	Complete	
	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	Ongoing	
22/23 Planned Audits finalised	Agency Staff	Risk based review of the arrangements for appointment and monitoring of Agency Staff.		The system has some good controls in place to mitigate against key risks. A business case is completed and approved. These were seen for all the agency staff tested. The recruitment for temporary agency staff form was completed for all staff. Agency staff personal details are obtained, and staff had undertaken an induction which included reference to the Council's code of conduct and corporate training of policies/ procedures. Training was provided either in person or through Astute. Performance was monitored by the Manager who agrees workload and hours worked prior to approval for the payment of the invoices. Some weaknesses were identified which included the recruitment of temporary agency staff form not being fully completed, particularly the clearance checks required to be completed by the agency. A DBS check had not been evidenced by the agency for any of the sample tested. Declaration of interest/ secondary employment forms are referred to in the code of conduct which staff are made aware of at induction. Two induction forms did not provide evidence that the code of conduct had been discussed. In addition, two booking forms/ contract for agency staff could not be located. Implementation of the recommendations in the action plan will enhance arrangements and address these risks.	H-1 M-3 L-0 Substantial Assurance

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.		The Council have Substantial controls in place to support the management of the Recovery and Reset Programme. As this was a key corporate programme, we would expect robust governance to support oversight and monitoring of projects. Support for the Recovery and Reset Programme was provided by Trueman Change, who maintained effective oversight of risks, performance and the delivery of the programme. They also developed clear reports on the progress of the Programme and individual projects to the ELT and the Corporate Scrutiny Committee. Financial savings and project costs were monitored regularly and escalated through the governance structures where required. Furthermore, project initiation documentation identified the project objectives, providing tangible measures to assess the success of the Programme. Overall, this was a well-managed programme with robust oversight and documentation. Programme templates supported consistency for project proposals, reporting and post-implementation evaluations of projects.	H-0 M-0 L-0 Substantial Assurance
	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.		We have reached the overall opinion that the Council's controls for income management, collection and reporting were Substantial. The Council's Financial Guidance establishes clear policies and procedures for cash handling and banking, and income collection from non-cash transactions. Our review of three departments where cash is regularly collected identified that there was compliance with these procedures, maintaining security of cash and prompt banking. The Finance Team perform monthly reconciliations between E-Fins (the general ledger system) and Academy (the revenues system) to ensure that council tax and NNDR payments, which are a high proportion of the Council's income, to ensure that transactions are coded correctly. Similarly, the suspense account was cleared regularly and our review of 15 suspense account transactions identified	H-0 M-0 L-0 Substantial Assurance

				that these were supported by sufficient backing documentation. The Revenues and Benefits Team produce monthly reporting on income collection and management, focused on council tax, NNDR and sundry debts. These were robust and provided comparisons to the target collection rates and the previous year.	

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 2020/2021	Q3 2020/2021	Q4 2020/2021	Q1 2021/2022	Q2 2021/2022	Q3 2021/2022	Q4 2021/2022	Q1 2022/2023	Q2 2022/2023	Q3 2022/2023	Q4 2022/2023	Q1 2023/2024
Value	69	84	116	130	75	79	93	60	81	82	66	64

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
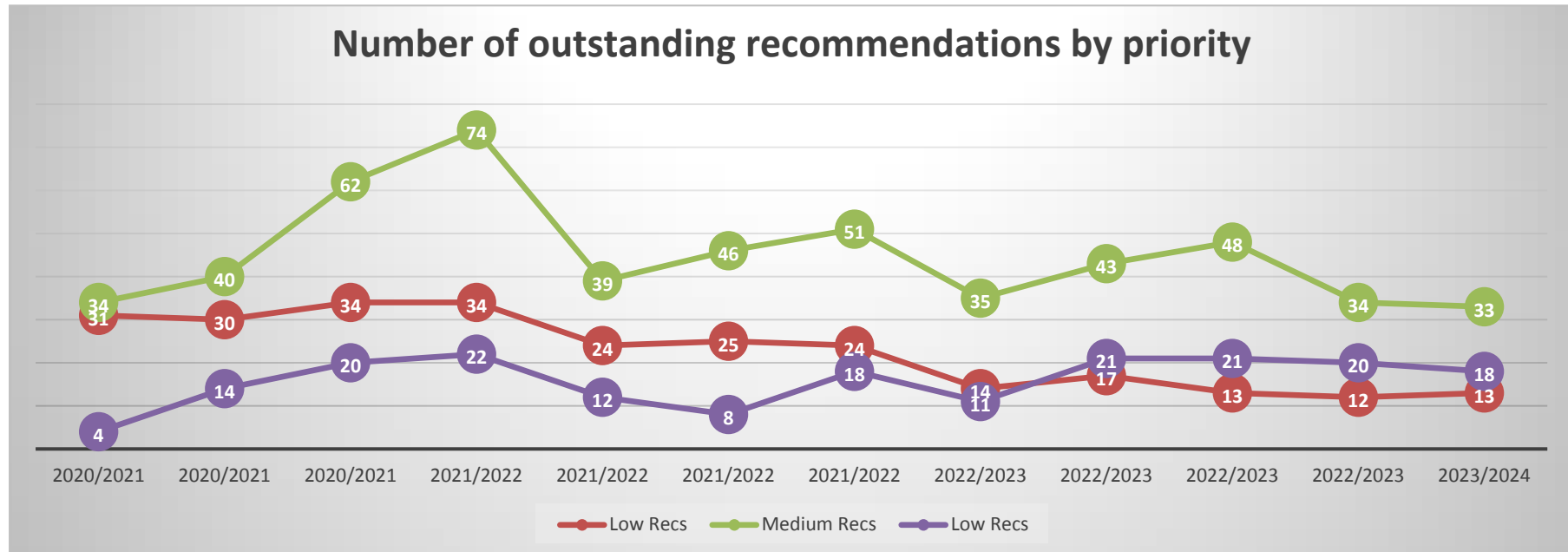
Financial Year	Quarter	No of Outstanding Recommendations	No of High Recs	No of Medium Recs	No of Low recs
2019/2020	Q2	375			
	Q3	199	101	98	NIL
	Q4				
2020/2021	Q1				
	Q2	69	31	34	4
	Q3	84	30	40	14
	Q4	116	34	62	20
2021/2022	Q1	130	34	74	22
	Q2	75	24	39	12
	Q3	79	25	46	8
	Q4	93	24	51	18
2022/2023	Q1	60	14	35	11
	Q2	81	17	43	21
	Q3	82	13	48	21
	Q4	66	12	34	20
2023/2024	Q1	64	13	33	18