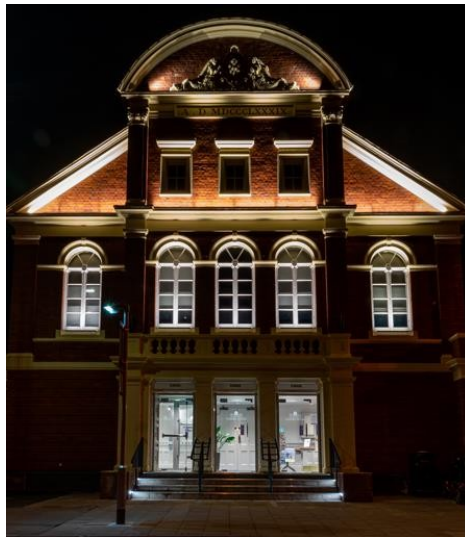# Internal Audit Progress Report (Quarter 3)
February 2025

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In the event of any questions arising from this report please contact Rebecca Neill, Interim Audit Manager rebecca-neill@tamworth.gov.uk

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 2024.

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 (PSIAS) or guidance.

Internal audit's professional responsibilities as auditors are currently set out within Public Sector Internal Audit Standards (PSIAS) produced by the Internal Audit Standards Advisory Board. From 1 April 2025, PSIAS is replaced by:

- Global Internal Audit Standards (GIAS) globalinternalauditstandards_2024january9_editable.pdf
- CIPFA's application note GIAS in the UK Public Sector Global Internal Audit Standards in the UK Public Sector | CIPFA

A gap analysis is being undertaken to ensure that internal audit's practice remains compliant and the outcome will be reported to Committee in March 2025.

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.

ACKNOWLEDGEMENTS

Internal audit is grateful to all staff assisting auditors with their work during the period.

02 INTERNAL AUDIT WORK UNDERTAKEN

The internal audit plan for 2024/25 was approved by the Audit & Governance Committee in March 2024. The plan was for a total of 16 audits. To the end of quarter 3 2024/2025, 35% of the audit plan has been completed against a target of 81%:

	Q1	Q2	Q3	Q4
Number of audits allocated per quarter	4	4	5	3
% of plan	25	25	31	19
Cumulative 2024/25 audit plan % completed	12	18	35	
Completed and finalised 2023/24 audits	3	3	5	
Audits drafted and awaiting management agreement 2024/25	1	0	2	

Performance is below target, largely due to staff sickness absence, increased time spent on non-planned audit activity (advice / irregularity). The service has been unable to recruit a permanent replacement for the Audit Manager post (post holder left mid December 2024). Interim support has since been brought in and work is now underway to complete as many of the remaining audits as possible by existing staff and BDO (internal audit's contracted partner). Performance against internal audit's performance measures will also be strengthened during Q4 (section 6). Progress on each audit is shown in summary at **Appendix 01**.

All audits rolled forward from 2023/24 have now been completed and are also detailed in 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 council's framework of governance, risk management and internal control is reasonable in its overall design and effectiveness. Certainweaknesses 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

A whistleblowing allegation was received by Internal Audit during the quarter. Work has been completed and a draft audit report, containing recommendations to improve the control environment is in the process of being finalised with management.

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 31 December 2024 the following consultancy / advisory work was undertaken:

- Advice and support given to management in respect of cash collection at the Assembly Rooms. A draft report has been produced containing recommendations to improve controls and is in the process of being finalised with management.

04 FOLLOW UP

The Committee have previously agreed a process for audit follow up which is that all high priority actions and those arising from no and limited overall assurance reports are followed up by audit, managers' confirmation applies to the remainder. While management have continued to report the status of their recommendations, the system for audit verification has been effected due to audit staff shortages. The system will now recommence in Q4.

A summary of total actions reported as outstanding are as below and more detail is provided at **Appendix 03**.

Priority of Recs	Number of O/S recs @ 1 April 2024	Number of recs closed Apr to Dec 2024	Number of additional recs Apr to Dec 2024	Number of O/S recsas @ 31 Dec 2024	Overall movement of rec numbers
High	9	6	3	6	-3
Medium	26	26	21	21	-5
Low	12	20	15	7	-5
	47	52	39	34	-13

The Committee passed a resolution at November's Committee that officers responsible for any overdue high priority actions are invited to assist the Committee in understanding issues affecting progress. These are also detailed at Appendix 03.

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.
- Regular meetings of our networking groups, which issue technical and sector updates.

Performance Measures
- Complete 90% of the audit plan – 35% 🔴
- 100% Draft reports issued within 6 weeks of start date – 63% 🔴
- 100% Closure meetings conducted within 5 days of completion of audit work – 56% 🔴
- 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 – TBC process recommencing Q4 🟡
- All no and limited assurance reports have a revised assurance rating of substantial or reasonable on follow up – TBC, process recommencing Q4. 🟡
- Achieve an average customer satisfaction score of 4 or more – 100% 🟢

Appendix 01: Summary of Internal Audit Work Undertaken

Assurance	Audit/Corporate Risk	Scope	Indicative Planned Quarter	Assurance Summary	Assurance Opinion
Core Financial Systems	Main Accounting & Budgetary Control CR1, CR6	Risk based review covering the adequacy and effectiveness of controls around the maintenance of main accounting and budgetary control systems.	Q3	Scoping meeting held and audit brief completed.	
	Debtors CR1, CR6	Risk based review of Debtors systems to ensure controls in place for the adherence to procurement legislative requirements.	Q2	The debtors system is designed well with adequate controls in place to mitigate against risk. Guidance is available through the Corporate Credit Policy and Financial Guidance which set out the terms of effective credit management and debtor recovery. Payments are correctly credited to customer accounts and instalments plans are adhered to. The suspense account at 1/5/24 is zero. Credit notes and refunds are initially raised and authorised by the service area and are processed by the Revenues Team. Write offs are approved in line with the Corporate Credit Policy. The E-Fins system has the functionality to send reminders for debt recovery. Aged debt reports are produced monthly for budget holders to review and discuss at monthly budget holder meetings. Reconciliations are completed and authorised each month. It was noted through testing that delays in recovery action incurred between 2021 and 2023, this was due to depletion of staff resource and there was a period of time where the Council was out of contract with the enforcement agency. Currently the section is fully staffed with an enforcement agency appointed. Some areas for improvement were noted. The Corporate Credit Policy requires updating to reflect the current recovery action timescales. Accounts that are put on hold should be independently reviewed. Invoices should be raised promptly and all supporting documentation, such as rental agreements should be retained.	 Reasonable Assurance H-0 M-2 L-1

Assurance	Audit/Corporate Risk	Scope	Indicative Planned Quarter	Assurance Summary	Assurance Opinion
	Bank Reconciliation and Cash Collection CR1, CR6	Risk based review across the authority for all cash collection areas to ensure that robust arrangements are in place for the collection and reconciliation of cash.	Q3	Scoping meeting held and audit brief completed.	
	Reactive Repairs CR1, CR4	Risk based review of the Reactive Repairs systems to ensure robust arrangement in place for the allocation and management repairs.	Q4		
Strategic & Operational Risks	Customer Services CR6	Risk based review of the council's arrangements for interactions with members of the public.	Q1		
	CCTV CR3, CR4, CR6	Risk based review of the council's arrangements for CCTV and shared service and controls around ASB and commissioner standards in conjunction with WMCA.	Q1	Fieldwork complete and draft report issued.	
	Food Safety CR3, CR4, CR5	Risk based review of the council's management arrangements for food safety across the Borough.	Q2	The system has some good controls in place to mitigate against key risks. Inspections were completed and an inspection sheet was seen for all. A report was provided to the premise, which included the FHR and actions to address any weaknesses. During Covid, inspections were put on hold and the Council has been addressing the backlog through a recovery plan. Currently there are 137 inspections outstanding of which 128 are risk rated E. These are subject to an alternative enforcement strategy and questionnaires are being issued for the premise to self assess. There are no A or B risk rated premise inspections overdue. A sample of 3 complaints were reviewed and these had all been investigated and liaison with external parties was evident. There is a food service plan 2024/25 in place that provides inspection targets and looks at the previous	Reasonable Assurance H-0 M-2 L-2

Assurance	Audit/Corporate Risk	Scope	Indicative Planned Quarter	Assurance Summary	Assurance Opinion
				year's performance. Two performance indicators for 2023/24 are held on Pentana, the performance management system performance. These are current and upto date for quarter 4. A further 3 have been added for 2024/25. The Council reports performance to the FSA every six months. Reports were seen for October 2023 and April 2024. Areas for improvement include for new businesses ensuring a promptness for registering and inspecting. A delay was also noted for some inspections that were overdue. Procedure notes/ policies also need updating.	
	Tourism, Town Centre and Shared Prosperity Fund CR3, CR5	Risk based review of Tourism and Town Centre promotion. Additionally review the arrangements for the Shared Prosperity Fund and confirm outputs and deliverables are being achieved.	Q3	Scoping meeting held and audit brief completed.	
	PR & Comms CR3, CR4, CR5	Risk based review looking at the Council's arrangements for PR and Communications.	Q2	Fieldwork complete and draft report issued.	
	Scheme of Delegation CR1, CR2, CR3, CR4, CR5, CR6	Risk based review of the Council's controls around the operation of the scheme of delegations to ensure all legislative requirements are met and being consistently applied.	Q4	Scoping meeting held and audit brief completed.	
	VAT CR1, CR3	Risk based review to ensure that all VAT is correctly recorded and reported.	Q4	Scoping meeting held and audit brief completed.	
	Performance Management CR1, CR2	Risk based review to ensure that performance management system is providing a consistent approach is maintained.	Q1		

Assurance	Audit/Corporate Risk	Scope	Indicative Planned Quarter	Assurance Summary	Assurance Opinion
	Social Housing Regulatory Programme CR3, CR4,CR5	Risk based review looking at key aspects of the council's Social Housing Regulatory Programme to ensure delivery.	Q2		
	Events Management CR1, CR4,CR5	Risk based review looking at Events Management across the Borough	Q3	Fieldwork commenced.	

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
ICT	Network & Infrastructure Management and Monitoring	Risk based audit of Network & Infrastructure Management and Monitoring	Q4		
	Cyber Security	Risk based audit of Cyber Security	Q4	The audit has identified a number of areas where cyber security controls need to be improved. From a governance perspective, cyber is not included on the IT risk register or the corporate risk register. The IT risk register has a number of legacy risks around information security but they are scored as medium/low risk, whereas in the current climate cyber poses a much greater risk. Cyber should be added to risk registers to ensure it is effectively managed. All users are required to undertake mandatory training on cyber security, which covers key risk areas such as phishing, social engineering and passwords. Currently the training is refreshed every three years and we are recommending that it is reduced to annually given the importance of users remaining aware of their cyber security responsibilities. There is a cyber awareness page on the Intranet and cyber security articles are published in the newsletter. A phishing simulation exercise was performed in March 2024 and the results were positive with only one user clicking on an embedded link. Sophos Central is used for malware protection on clients and servers. The solution is generally well configured, although we identified some scanning policies are not enabled and should therefore be reviewed. We also found that the current scheduled scan of laptops/desktops is configured to run on a Sunday morning when most of them will likely be switched off and not therefore get scanned. The service desk check Sophos on a daily basis for any errors or issues but this is not logged and hence there is no assurance that the check is performed. Emails are scanned for	 Limited Assurance H-0 M-2 L-2

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				malware in Microsoft 365 and there are plans to install malware protection on mobile devices. Network level administrator access is limited to five members of the IT team. We found they use their administrator accounts for activities which should not performed using privileged accounts, such as reading emails and web browsing. There are a number of service accounts running with a higher level of privilege than they need and the management of Windows local administrator accounts can be improved. IT have a vulnerability assessment tool which scans key infrastructure and a sample of clients for security vulnerabilities on a weekly basis. The assessment tool is currently reporting a large number of critical and high risk security vulnerabilities. The IT Health Check in March 2024 also highlighted a significant number of critical and high risk vulnerabilities. We acknowledge that IT are working their way through these vulnerabilities but whilst they exist, they present a significant risk to the Council. The security patching of servers and laptops/desktops is performed monthly. The rollout of security updates was confirmed, although one of the patching tools is reporting a number of computers that have not been patched and they should be followed up. The documented patching policy also needs to be reviewed and updated.	
Governance Fraud & Other Assurance	Disabled Facilities Grant	Assurance Statement	Q3	Completed and report issued.	N/A
	Municipal Charities	Preparation of municipal charities accounts	Q4		N/A

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
	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	N/A
	Annual Governance Statement	Production of the AGS	Q1-Q2	Completed	N/A
	Annual Audit Opinion	Production of the Annual Audit Opinion	Q1-Q2	Completed	N/A
	Management and Planning	Management, planning and assurance reporting to CMT and Audit & Governance Committee	Q1-Q4	On-going	N/A
	Ad-hoc / Consultancy / Contingency	Contingency allocation to be utilised upon agreement of the Chief Finance Officer	Q1-Q4	On-going	N/A
	Follow Up of Recommendations	Follow up of high priority recommendation implementation and no / limited assurance reports	Q1-Q4	On-going	N/A
	IA QAIP and PSIAS	Review of PSIAS standards and review	Q4	Gap analysis with Global Internal Audit Standards and CIPFA Code of Practice Note to be undertaken and reported to March 2025 Committee	N/A

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
23/24 Finalised Audits	Community Safety	Risk based audit of Community Safety	Q3	Overall, the council has reasonable controls in place for the community safety processes, including the arrangements for the Tamworth Vulnerability Partnership, three-year rolling Community Safety Partnership Plan and the supporting Partnership Workplan. However, we have raised findings relating to: 1. The workplan does not have a timeframe for each key project and it is updated internally without a tracker to indicate the date of when the specific action was completed. Our testing of a sample of actions showed the progress report of the workplan is not always accurate based on the RAG ratings assigned. (Medium, Finding 1). 2. The Antisocial behaviour terms of reference is a draft version and has not been updated to reflect structure changes within the Council. (Medium, Finding 2). 3. There are no aims and objectives outlined in the 2023-2026 Community Safety Partnership Plan. (Low, Finding 3).	Reasonable Assurance H-0 M-2 L-1

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	AssuranceOpinion
	Taxi Licensing	Risk based audit of the Taxi Licensing system	Q3	Overall, the Council has reasonable processes in place to ensure taxi licences are processed in accordance with statutory legislation, including conducting background checks for new applications. Enforcement actions such as a penalty point system are also in place. However, we have raised findings relating to: 1. Application evidence – we identified exceptions in the documentation records for driver and vehicle license applications, including not submitting all forms, not obtaining full logbooks and insurance and DBS checks not being updated. (Medium, Finding 1). Enforcement and escalation – the Council does not schedule spot checks to ensure it is able to identify breaches and out of date information in a timely manner and results of checks are not recorded centrally. (Medium, Finding 2).	Reasonable Assurance H-0 M-2 L-0
	Risk Management	Risk based audit of risk management	Q4	We have reached the overall opinion that the Council have reasonable controls to support risk management. This is because there was generally a sound system of internal control, with some weaknesses which may put the organisation's objectives in this area at risk. There were appropriate reporting structures in place to ensure that the Senior Management Team and the Audit and Governance Committee have oversight of corporate risks however, some control measures were inadequate and not challenged. The Council have acted over the past year to improve risk management, from the review of its Risk Management Policy and Risk Management Strategy, to external training for the Operational Risk Champions Group by Zurich. However, some staff remained unclear on how local risk registers interacted with corporate risks. There were gaps identified in the quality and completion of service	Reasonable Assurance H-0 M-2 L-1

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	AssuranceOpinion
				area risk registers.	
	Business Continuity	Risk based audit of Business Continuity	Q2	We have reached the overall opinion that the Council have inadequate controls to support business continuity and therefore we have provided a Limited Assurance opinion. BCPs were not regularly reviewed and updated, demonstrated by the fact that 21 of the 22 were still using the previous templates with the Corporate Finance BCP review ongoing at the time of our review. As a result, the BCPs either did not reflect the Council's actual processes or service areas were unaware of their BCPs, which could cause a significant risk to the adequacy of the response to an incident. This was further impacted by the lack of a consistent and thorough training programme for service leads. The Council are currently in the process of refreshing its service area BCPs which could improve the controls. There was a lack of governance structures in place to oversee the implementation of the Council's business continuity arrangements. There was support provided by the CCU but we would expect the Council to have robust internal governance to ensure there is sufficient ownership and monitoring of the BCP arrangements. The risk of 'Inability to deliver economic growth, sustainability and prosperity in the Borough', which 'inadequate business continuity planning' is identified as a causing factor, has a current risk score of 9 on the Council's Corporate Risk Register (with a target risk score of 4). Therefore, if appropriate controls are not implemented to support adequate BCPs and staff training, this could impact the achievement of the Council's objectives.	Limited Assurance H-1 M-2 L-0

| Assurance	Audit	Scope	Planned Quarter	Assurance Summary	AssuranceOpinion
	Shared Service	Risk based audit of Shared Service		Overall, the council has reasonable control in place for the management of the shared services, including the authorisation of Pos, invoicing and payment runs and adequate oversight through ongoing performance reporting and meetings. However, we raised findings relating to: 1. Performance reporting and issue escalation – our review of the agreements identified that, while there were performance reporting and escalation processes in place, these had not been formally documented and agreed to within the signed agreements. We also identified scope to improve the frequency of reporting and monitoring within the Building Control Service. 2. Approval of payment runs – there was one instance where a payment had been verbally confirmed and we were therefore unable to obtain evidence of this. 3. Time evidence recording – there was no time record evidence available to support the operation cost based on the agreed working hours required in the internal audit service. This may raise the risk of under or overcharging for work delivered by the Internal Audit Manager.	Reasonable Assurance H – 0 M – 2 L - 1

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.

Number of outstanding recommendations by priority

— No. of High Recs   — No. of Medium Recs   — No. of Low Recs
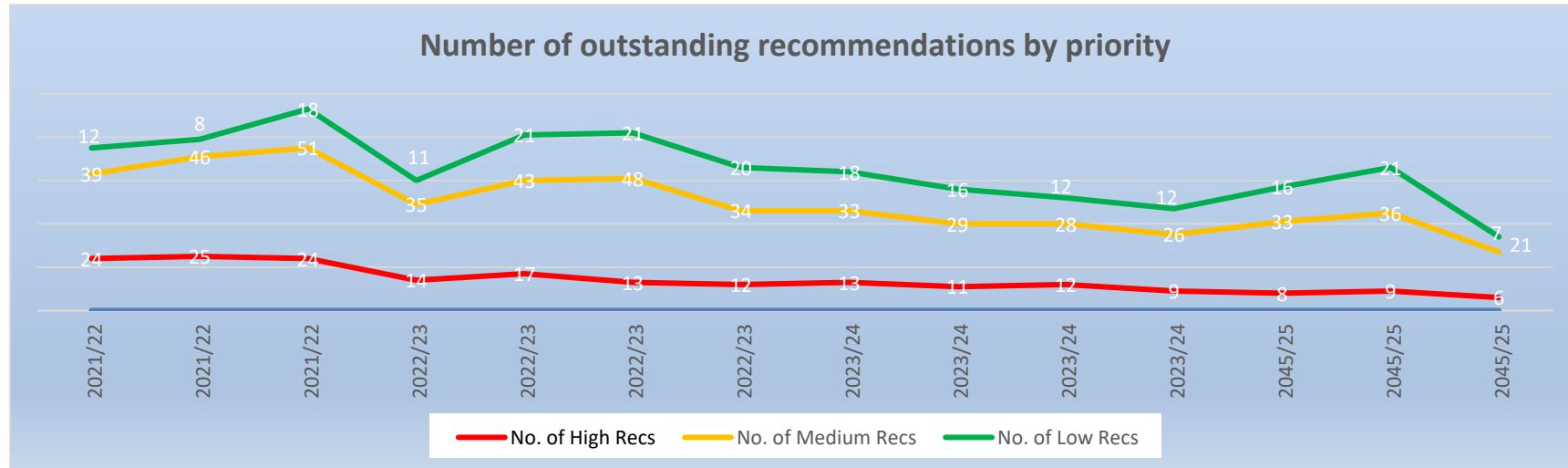
Financial Year	Quarter	No of Outstanding Recommendations	No of High Recs	No of Medium Recs	No of Low recs
2021/2022	Q1	130	34	74	22
	Q2	75	24	39	12
	Q3	79	25	46	8
	Q4	93	24	51	18
2022/2023	Q1	60	14	35	11
	Q2	81	17	43	21
	Q3	82	13	48	21
	Q4	66	12	34	20
2023/2024	Q1	64	13	33	18
	Q2	56	11	29	16
	Q3	52	12	28	12
	Q4	47	9	26	12
2024/2025	Q1	57	8	33	16
	Q2	66	9	36	21
	Q3	34	*6	21	7
*Of the 6 high recs, 5 are overdue as detailed in the table below					

Overdue High Priority Recommendations			
Audit	**Year**	**Recommendation**	**Current Status (Reported)**
Procurement	2018/19	a) Detailed procedures notes are developed for the use of the contract register on Pentana and made available to staff.	Detailed procedure notes in the form of a contract management user guide are on the procurement pages of the internet. **Implemented**
		b) Detailed training is provided to staff on the requirements of contract monitoring and management, how to use and update the contract register in Pentana to ensure staff are fully aware of their responsibilities and how to appropriately manage their contracts.	Recommendation superceded - Contract Management Training to be rolled out in March 2025/ April 2025, to include the provision of the Procurement Act 2023 **Interim Executive Director, Finance** **March / April 2025**
PCI DSS Compliance	2021/22	The PCI DSS Policy and Procedure should be reviewed and finalised. The policy should clearly define all key roles and responsibilities, including the corporate lead for PCI compliance.	Multi disciplinary (IT, Finance. Governance) team now in place with PCI DSS Accreditation Action Plan. Working towards full compliance by May 2025.
PCI DSS Compliance	2021/22	The scope of the PCI environment should be explicitly defined, covering people, processes and technology. This should include a list of all service providers. Data flow maps may help define the PCI scope.	**Interim Executive Director, Finance, Assistant Director, People.** **June 2025**
PCI DSS Compliance	2021/22	The relevant SAQ's should be identified and completed on an annual basis.	
Business Continuity	2023/24	A Business Continuity Working Group should be established to: - Oversee the review and testing of the Council's BCPs. - Report to senior management on business continuity	Business Continuity Working Group to be established– agenda per the recommendation. **Assistant Director, Assets** **February 2025**

	- activities. - Ensure that the BCPs align to the Council's corporate objectives. - Ensure stakeholders understand their roles and responsibilities for BCP. - A terms of reference for the Working Group should be established, outling the membership and role of the group.	