

Internal Audit Progress Report as at 30 September 2022



1 Introduction

The purpose of this report is to bring the Audit and Risk Assurance Committee up to date with the progress made against the delivery of the 2022/23 Internal Audit Plan.

The information included in this progress report will feed into and inform our overall opinion in our Internal Audit Annual Report issued at the year end. Where appropriate each report we issue during the year is given an overall opinion based on the following criteria:

No Assurance	Limited	Reasonable	Substantial
Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

This is based upon the number and type of recommendations we make in each report. Each recommendation is categorised in line with the following:

Fundamental	Action is imperative to ensure that the objectives for the area under review are met.
Significant	Requires action to avoid exposure to significant risks in achieving the objectives for the area under review.
Merits attention	Action advised to enhance control or improve operational efficiency.

For school reviews, the overall opinion is based on the following criteria to match the assurance categories awarded by Ofsted:

Inadequate	<ul style="list-style-type: none">• Risk of objectives not being achieved due to the absence of key internal controls, with significant breakdown in the application of controls.
Satisfactory	<ul style="list-style-type: none">• Reasonable framework of key controls exists, but could be stronger to support achievement of objectives, with occasional breakdown in the application of controls.
Good	<ul style="list-style-type: none">• Effective framework of key controls ensures objectives are likely to be achieved and controls are applied but with some minor lapses.
Outstanding	<ul style="list-style-type: none">• Robust framework of key controls ensures objectives should be achieved and controls are applied continuously.

The overall opinion for each of the school reviews is based upon the number and type of recommendations we make in each report, in line with the recommendation classifications for non-schools, i.e. fundamental, significant and merits attention.

2 Summary of work completed between 1 April and 30 September 2022

AAN	Assessment of Assurance Need Rating (High/Medium risk).
*	Awaiting Response (all longstanding responses will be brought to the attention of the committee throughout the year for monitoring purposes).
N/A	Not Applicable, review outside of normal risk-based auditing approach/customer request/grant claim.

Auditable Area	AAN rating	Recommendations			Total	Number accepted	Level of Assurance
		Fundamental	Significant	Merits attention			
Governance, Housing	High	-	4	4	8	8	Reasonable
Budgetary Control	High	-	2	1	3	3	Reasonable
Disabled Facility Grant	Medium	-	4	5	9	9	Limited
Prevention and Promotion Fund for Better Mental Health Grant 2021/22	N/A	-	-	-	-	-	N/A
Universal Drug Treatment 2021/22 Grant	N/A	-	-	-	-	-	N/A
Local Authority Test and Trace Contain Outbreak Management Fund Grant	N/A	-	-	-	-	-	N/A
Schools Financial Value Standard	N/A	-	-	-	-	-	N/A
Council Complaints follow up	N/A	-	1	1	2	2	N/A
Riverside Rents	Medium	-	4	-	4	4	Reasonable
Cash Handling	Medium	-	3	1	4	4	Reasonable
School audits							
Hamstead Infant School	Medium	-	1	3	4	4	Good
Oakham Primary School	Medium	-	-	6	6	6	Good
Brickhouse Primary School	Medium	-	3	5	8	*	Satisfactory

[ILO: UNCLASSIFIED]

Audits underway as at 31 October 2022

• Events Governance
• Waste Services
• Treasury Management
• Main Accounting System
• Accounts Receivable
• Benefits
• Riverside, Planned Maintenance
• National Non-Domestic Rates
• Boscobel Repairs
• Hargate Primary
• Albert Pritchard Infant School
• The Orchard School
• Riverside, leaseholders follow up
• Riverside method statements review

3 *Issues to bring to the committee's attention for the period April to September 2022*

Grant Funding 2021/22

We undertook three reviews to confirm that the information contained in each of the grant returns was in accordance with the Acts specified in the guidance notes for each alongside the relevant regulations, determinations, circular notes, instructions and other agreed arrangements. No issues were identified which prevented submission of any of the three claims and it was determined that in all significant respects, the conditions attached to the use of the grants had been complied with.

Schools Financial Value Standard 2021/22

The Schools Financial Value Standard (SFVS) is applicable to all maintained schools and is a mandatory self-assessment exercise that must be completed annually. The standard is a tool to help schools and local authorities meet basic standards for good financial health and resource management. We are responsible for administering the completion and submission of the self-assessments and for informing the Department for Education of the submission rate. For 2021/22, all maintained schools in Sandwell completed and submitted the self-assessment.

School Audits

Following the Covid-19 related lockdown we have now re-commenced our annual school audit programme, and three such reviews have been undertaken in order to assess whether they had adequate governance, risk management and control processes in place to ensure that financial management and governance arrangements were satisfactory. Two schools received good assurance and one school satisfactory.

[ILO: UNCLASSIFIED]

Council Complaints, follow up

In our previous review of the Council's complaints process, we made a recommendation that Investigating Officers retain documentary evidence of when the initial contact took place, and that a full written response needed to be issued to the customer which addressed all concerns. It was noted that work had been undertaken to implement the recommendation. However, it was found that due to the limitations of the system, some complaints could be updated by other teams without the Customer Feedback Team's knowledge, and as such not every complaint may be appropriately monitored. Therefore, a further recommendation has been made with respect to this.

It was also noted that since the initial review took place a new comprehensive customer feedback guide was introduced in January 2021. However, the document available on the Council's website was still the previous version. This has now been updated.

Riverside, Rents

Riverside manage a proportion of the councils housing stock under a PFI agreement. The housing rents section at Riverside is responsible for collecting rent, the recovery of rent arrears and former tenants' arrears. A review was undertaken which included following up the previous year's recommendations to ensure they had been implemented, and we identified the following areas where improvements could be made, two of which remained outstanding from the previous year:

- It was noted that at least three cases had increased due to a Malware incident on the Riverside system, which for a period of 10 weeks prevented arrears being adequately monitored. It was requested that a risk assessment and ICT business continuity arrangements needed to be updated to ensure there are alternative ways for the arrears/payments to be monitored and chased during any future major disruption.
- The property extract reconciliation (rent variation spreadsheet) which provides evidence of the housing stock had been updated to address the six properties from the previous audit report. However, a property sold in October 2021 had not been included within the current reconciliations and therefore the recommendation was reapplied to ensure that properties sold under the right to buy scheme have been removed prior to submitting the data to the Council.
- Arrears have continued to increase for a fourth year running. It was noted that Riverside have worked with the Councils Welfare Rights team over the last few years to obtain back payments for tenants to help in some cases with the ongoing delays in universal payments. We are also aware that this was compounded when evictions were suspended by the Government until 31 May 2021. However, due to the contract held it was considered that Riverside needed to explore what options are available to them to obtaining extra resource in this area to ensure the trend can be mitigated as much as possible.

Governance, Housing

An audit of the Governance Arrangements within the Housing Directorate was undertaken at the request of the Director for Housing. The objective of the audit was to provide assurance that governance activities within Housing were operating effectively and providing a strategic focus and direction on the services delivered.

Recommendations were made highlighting that not all of the regular formal group meetings had a Terms of Reference clearly defining their purpose and objectives, there was an absence of quorum numbers within Housing meetings, declaration of interests were not included as a standard agenda item and although risk management processes were taking place, improvements were needed to fully embed the process.

It was noted that work was ongoing under the new director in order to make improvements to the governance structure within Housing, including a framework to engage with tenants now taking place with the new Tenant and Leaseholder Strategy Group, and the creation of a new Tenant Liaison Officer post to help focus and drive improvements forward. Furthermore, Housing has adopted the Council's Corporate Plan strategic outcomes to give the directorate a clear and consistent picture of its guiding principles.

Disabled Facility Grant

The Disabled Facilities Grant (DFG) is part of the Better Care Fund; a pooled budget seeking to integrate health, social care and, through the DFG, housing services. The purpose of the fund is to provide adaptations to help increase or maintain the functional independence of people with permanent or substantial disabilities. The planning of the adaptations should take account of the person's current needs and also give consideration to the likely needs of the client in the medium to long term. Our review highlighted four areas where improvements could be made, arising from the following:

- A potential data breach with grant documentation being emailed from what appeared to be a personal email account to a council email account. This was reported to the Information Governance Team for further review.
- The DFG policies and procedures used by officers to administer the grant and therefore provide staff with assistance, needed to be reviewed and updated. In reference to the above potential data breach, it was also recommended that the procedures include guidance on managing data security and ensuring compliance with UK Data Protection Regulations whilst processing service user's personal information.
- There was a lack of clear and readily available financial reports and monitoring information regarding the overall spend and position of the DFG. It was acknowledged that the monitoring of the grant was impacted by the move of the service area from Adults to Housing, thereby highlighting the service within Finance to be monitored between three areas of Capital, Adults and Housing. With insufficient financial monitoring information being received by the service area it was recommended that a more joined up approach be established, allowing a full overview of the spend.
- At the time of our review there was a backlog of completed DFG funded improvement works yet to be invoiced or issued completion certificates by the Contractor. This was not only causing a delay for the payment of the works undertaken but was also creating an expanding budget liability due to invoices not being submitted for payment. It was

recommended that the contractor be required to provide a remediation plan regarding the situation regarding the invoicing for completed works.

Cash Handling

In recent years the Council has significantly reduced the amount of cash that it handles. The bulk of the Council's cash is generated from cash payments made from the services the Council provides. The largest areas where cash is collected is Oldbury Cashiers and Highways car parking contract with APCOA. However, a number of other areas retain a cash payment facility for services such as Markets, Registrars and Meals on Wheels. The Council also operates a petty cash facility for reimbursement of minor expenditure and Cashiers provide a cheque encashment facility at Sandwell Council House for this service.

During our review we noted that there were no up to date cash and banking procedures for officers to operate or refer to, and as such variations to how cash is dealt with across the Council may have developed over time. It was acknowledged that the development of new procedures was in progress and since our review was finalised, the new procedures have been presented to the Leadership Team for the agreed roll out.

We also recommended that a wider review of the petty cash balances held across the borough be undertaken in order to establish that (i) they were still required and (ii) where they were, appropriate sums were held.

Budgetary Control

The General Fund Revenue Budget for the Council is held on the General Ledger module of the Oracle Financial system. Central control of the budget is managed by the Council's Strategic Finance team.

CIPFA were recently commissioned to undertake a review of the financial management and governance arrangements by the Council using the Financial Management Model. The outcome of their review is being used to drive the development of the Council's financial management operation and arrangements. It assessed the Council's financial management capability, its internal processes, and operations. It also examined how the Council plans its future financial management. The report contained a series of recommendations, from which an action plan has been developed. Following which, amongst others, benchmarking data on unit costs and fees and charges has been used in the 2022/23 budget process, and the leadership team now receive monthly budget monitoring information.

Therefore, to avoid duplication, our review focussed upon our previous recommendations in this area, and which continue to form part of the ongoing improvement processes put in place, including seeking to significantly reduce the number of journals that are used and working towards the finalisation of the 2020/21, and then the 2021/22 Statement of Accounts.

Procurement

We have been working closely with the Procurement team with regards to the roll-out of the enhanced use of the In-Tend system, ensuring that previous procurement related recommendations have been implemented, and that the updated Contract Procedure Rules are being complied with. We will report back upon this where appropriate, later in the year.

4 *Other activities undertaken by Audit Services*

CIPFA – Audit Committee Updates

We continue to present the regular CIPFA Audit Committee Updates to the committee as and when they are published.

Audit and Risk Assurance Committee – Terms of Reference

We continue to review and update the Audit and Risk Assurance Committee Terms of Reference on an annual, basis.

Internal Audit Plan

The Internal Audit annual plan for 2022/23 was submitted to the Audit and Risk Assurance Committee for approval.

Audit and Risk Assurance Committee Annual Report

Assistance was provided in the preparation of the Annual Report on the work of the Audit and Risk Assurance Committee.

Internal Audit's role in investigating allegations of Fraud

We continue to take part in investigations into allegations of potential fraud and where appropriate these are reported separately to the committee.

Annual Governance Statement

We play a key role in the preparation of the Annual Governance Statement which forms part of the annual published Statement of Accounts.

Advice and Guidance

We provide on-going advice and guidance to the council to assist with the continuous improvement of the overall control environment and to ensure compliance with relevant new legislation.

Liaising with the External Auditors

Where required, we continue to work with and assist the Council's External Auditors.

Wider Client base

The Council's internal auditors also provide the internal audit service to Sandwell Children's Trust, Sandwell Leisure Trust and the West Midlands Fire Service, and reports directly to these organisations audit committee, or equivalent, as appropriate. Through a shared service arrangement, it also provides the Head of Audit role to the City of Wolverhampton Council.