

# Annual Internal Audit Report - 2022/23



## 1 *Introduction*

1.1 Our internal audit work for the period from 1 April 2022 to 31 March 2023 was carried out in accordance with the internal audit plan. The plan was constructed in such a way as to allow us to make a statement on the adequacy and effectiveness of the council's governance, risk management and control processes. In this way, our annual report provides one element of the evidence that underpins the Annual Governance Statement the Council is required to make within its annual financial statements. This is only one aspect of the assurances available to the council as to the adequacy of governance, risk management and control processes. Other sources of assurance on which the council may rely could include:

- The work of the External Auditors (Grant Thornton)
- The result of any quality accreditation
- The outcome of any visits by HMRC
- Other pieces of consultancy or third-party work designed to alert the council to areas of improvement
- Other external review agencies (LGA, CIPFA etc.)

As stated above, the framework of assurance comprises a variety of sources and not only the Council's internal audit service. However, internal audit holds a unique role within a local Council as the main independent source of assurance on all internal controls. Internal audit is therefore central to this framework of assurance and is required to acquire an understanding not only of the council's risks and its overall whole control environment but also all sources of assurance. In this way, internal audit will be able to indicate whether key controls are adequately designed and effectively operated, regardless of the sources of that assurance. Also, consideration of the Council's governance, risk management, ethics-related objectives programmes and activities, and information technology governance is implicit in all internal audit activity.

1.2 The definition of internal audit, as described in the Public Sector Internal Audit Standards is:

Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Internal audit activity is organisationally independent and further details behind the framework within which internal audit operates, can be found in the internal audit charter which is reviewed annually by the Audit and Risk Assurance Committee.

### *Overall assurance*

1.3 As the providers of internal audit to the Council, we are required to provide the \*Section 151 Officer with an opinion on the adequacy and effectiveness of the Council's governance, risk management and control processes. In giving our opinion it should be noted that assurance can never be absolute. The most that internal audit can provide to the Section 151 Officer is reasonable assurance that there are no major weaknesses in the Council's governance, risk management and control processes. In assessing the level of assurance to be given, we have taken into account:

- All audits undertaken for the year ended 31 March 2023.
- Any follow-up action taken in respect of audits from previous periods.
- Any significant or fundamental recommendations not accepted by management.
- Any limitations which may have been placed on the scope of internal audit.
- The extent to which any resource constraints may impinge on the ability to meet the full audit needs of the council.
- The council's Strategic Risk Register is regularly presented to the Audit and Risk Assurance Committee

\* Section 151 of the Local Government Act requires the council to appoint a suitably qualified officer to be responsible for the proper administration of its financial affairs.

## 2 *Internal audit opinion*

2.1 We have conducted our audits in accordance with the Public Sector Internal Audit Standards. Within the context of the parameters set out in paragraph 1.3 above, our opinion is as follows:

2.2 Based on the work undertaken during the year by Internal Audit, alongside that undertaken by other external bodies, and as part of the continuing actions being taken by the Council in implementing the recommendations included in, and monitoring of, the Improvement Plan, we can provide **reasonable assurance** that the Council has adequate and effective governance, risk management and internal control processes.

However, it should be noted that the ongoing delays in the finalising and approving of the Council's Statement of Accounts from 2020/21 onwards, will need addressing in order to provide the Council with a more comprehensive and overall wider level of assurance going forward.

### *Improvement Plan*

In recent times the Council has received a number of critical external reviews alongside receiving Statutory Directions from the Secretary of State for Levelling Up, Housing and Communities, all of which passed comment on issues identified within the Council's governance arrangements. This included three statutory and a number of key recommendations being made by Grant Thornton in their Value for Money Governance Review. The recommendations made in these reports have been incorporated into an agreed Council wide Improvement Plan. During 2022/23 progress against these recommendations was being rigorously monitored across the Council, and subsequent follow up visits by both Grant Thornton and CIPFA indicated that improvements were being made.

### **In reaching our opinion, the following factors were also taken into particular consideration:**

- We have had unfettered access to all records and employees during 2022/23.
- The need for management to plan appropriate and timely action to implement our and other assurance providers' recommendations.
- Key areas of significance, identified as a result of our audit work performed in year are detailed later in this report.
- While stand-alone reviews of governance and risk management are not undertaken, consideration of both these issues are implicit in all internal audit work. Similarly,

assurance is gained from the regular review of the council's Strategic Risk Register as presented at meetings of the Audit and Risk Assurance Committee.

#### *Internal audit – limited assurance reports*

While not fundamental to the overall control environment, from our internal audit work we gave a 'limited' rating in the following areas and it remains important that the recommendations made in these areas are implemented and improvements made, in a timely manner:

- Disabled Facility Grant
- Taylors Lane Theft
- Boscobel Repairs/Voids
- Procurement and Contract Compliance

#### *Delays in the 2020/21, 2021/22 and 2022/23 Statement of Accounts and accompanying Annual Governance Statements*

There have been unfortunate delays in the completion and signing-off of the Council's Statement of Accounts for some time now. At the time this report was produced, the finalisation of the 2020/21 and 2021/22 Statement of Accounts had encountered similar delays. This will also have an impact on the 2022/23 Statement of Accounts. These delays in the finalisation of the Statement of Accounts, had resulted in similar delays in the production of the Council's Annual Governance Statements, which forms part of the Statement of Accounts. At the time this report was produced, the 2021/22 Annual Governance Statement was still being finalised and in effect remains 'live' until the Statement of Accounts are approved. This has also impacted upon the Council's ability to prepare its 2022/23 Annual Governance Statement, which in itself would usually help inform this annual report.

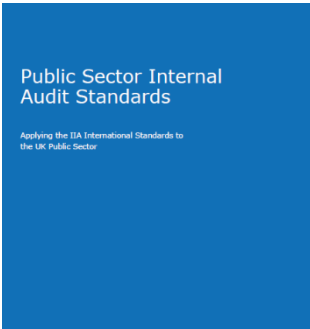
#### *Internal audit's role in fraud investigations*

During the year, a proportion of internal audit time was spent working with the Counter Fraud team on a range of fraud investigations. The outcomes of key investigations are reported where appropriate, separately to the Audit and Risk Assurance Committee through the regular Counter Fraud Update Reports.

#### *Key risks the council faces*

The key risks the council faces in delivering its outcomes are captured in a Strategic Risk Register which is updated as and when the risk profile of the Council changes and is reported to the Audit and Risk Assurance Committee on a regular basis.

### 3 Performance of the audit service



#### Compliance with the Public Sector Internal Audit Standards

The internal audit service follows the Public Sector Internal Audit Standards, and the Code of Ethics that form part of the standards, as laid out in the internal audit charter approved by the Audit and Risk Assurance Committee. The quality assurance and improvement programme self-assessment has identified no major non-conformances with these standards and therefore the internal audit activity has conformed with the international standards for the professional practice of internal auditing. An independent validation of the self-assessment process is being arranged for later this year.

#### Audit plans

Indicator	Actual
Audit Plan produced in advance of the year to which it relates (i.e. prior to 1 April 2023)	Yes. Approved by Audit and Risk Assurance Committee at its meeting in March 2023.

#### Recommendations

Indicator	Actual
90% of 2022/23 recommendations accepted by council management (where a response has been received)	100%

#### Relationships

Indicator	Actual
Feedback obtained from report recipients	No negative comments received
Satisfaction of Audit and Risk Assurance Committee members is good	No key issues have been flagged during the year

#### Reviews by other agencies

Indicator	Actual
Consideration of internal audit work by external audit	No issues raised
Outcome of external reviews by other agencies	No such reviews for 2022/23

#### Staffing

Indicator	Actual
% of Audit Services' employees professionally qualified (target 33%)	37 %

#### 4 *Summary of work completed*

Where appropriate, a detailed written report and action plan is prepared and issued for every internal audit review. The responsible officer will be asked to respond to the report by completing and returning the action plan. This response must show what actions have been taken or are planned in relation to each recommendation. If the recommendation is not accepted, this must also be stated. We are responsible for assessing whether the response is adequate.

#### *Audit reviews completed in 2022/23*

The following tables below list all the reports issued by internal audit during 2022/23, alongside their original Assessment of Assurance Need (AAN) risk score, the number and type of recommendations made, whether those recommendations have been accepted and an overall level of assurance for each review. Where appropriate each report we issue during the year is given an overall assurance opinion based on the following criteria:

Substantial	Reasonable	Limited	No Assurance
A robust framework of controls ensures objectives are likely to be achieved and controls are applied continuously or with only minor lapses.	A sufficient framework of key controls for objectives to be achieved but the control framework could be stronger, and controls are applied but with some lapses.	A risk of objectives not being achieved due to the absence of key internal controls and a significant breakdown in the application of controls.	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified.

For school reviews, during the year we used a different opinion statement to match the assurance categories awarded by Ofsted.

Summary of internal audit work completed for the year 2022/23

AAN	Assessment of assurance need rating
*	Awaiting response
NA	Not applicable, review outside of normal risk-based auditing approach/customer request etc.

Auditable area	AAN rating	Recommendations					Level of assurance
		Fundamental	Significant	Merits attention	Total	Number accepted	
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
Adults Weight Management 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
Riverside Leaseholders Follow up	Medium	-	-	2	2	2	N/A
Accounts Receivable	High	-	1	-	1	1	Substantial
Accounts Payable	High	-	3	-	3	3	Reasonable
Treasury Management	High	-	-	1	1	1	Substantial

Auditable area	AAN rating	Recommendations					Level of assurance
		Fundamental	Significant	Merits attention	Total	Number accepted	
Taylor's Lane Theft	N/A	-	12	-	12	12	Limited
Main Accounting System	High	-	2	1	3	3	Reasonable
Events Governance	Medium	-	4	-	4	4	Reasonable
Housing Benefits	High	-	2	1	3	3	Reasonable
National Non-Domestic Rates	High	-	-	-	-	-	Substantial
Riverside, Planned Maintenance	Medium	-	2	1	3	3	Reasonable
Adults Weight Management Grant	N/A	-	-	-	-	-	N/A
Council, Housing Rents	High	-	1	-	1	1	Reasonable
Income Management Follow up	Medium	-	-	-	-	-	N/A
Council Tax	High	-	-	1	1	1	Substantial
Events Payment Process (Contingency)	N/A	-	4	-	4	4	Reasonable
Boscobel Repairs/Voids	Medium	1	5	1	7	7	Limited
Riverside Method Statements	N/A	-	-	-	-	-	N/A
<b>Schools</b>							
Hamstead Infant School	Medium	-	1	3	4	4	Good
Oakham Primary School	Medium	-	-	6	6	6	Good
Brickhouse Primary School	Medium	-	2	5	7	7	Satisfactory
Sandwell Community School	Medium	-	2	4	6	6	Good
Orchard School	Medium	-	1	3	4	4	Good
Hargate Primary School	Medium	-	4	8	12	12	Satisfactory
Albert Pritchard Infant School	Medium	-	2	4	6	Draft	Satisfactory
<b>Reported for the first time:</b>							



Auditable area	AAN rating	Recommendations					Level of assurance
		Fundamental	Significant	Merits attention	Total	Number accepted	
Disposal of Land - Follow up	Medium	-	-	2	2	2	N/A
Payroll	High	-	3	-	3	3	Reasonable
Procurement and Contract Compliance	High	-	7	3	10	10	Limited

## 5 Key issues arising during the year

**The following audit reviews have already been reported back in detail to the Audit and Risk Assurance Committee at various stages during the year:**

### *Grant Funding 2021/22 (reported to the Committee in November 2022)*

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 (reported to the Committee in November 2022)*

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.

### *Council Complaints, follow up (reported to the Committee in November 2022)*

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 (reported to the Committee in November 2022)*

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 (reported to the Committee in November 2022)*

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 (reported to the Committee in November 2022)*

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 (reported to the Committee in November 2022)*

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 (reported to the Committee in November 2022)*

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 had been 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.

#### *Events Governance (reported to the Committee in March 2023)*

We undertook an audit of the Events Governance Framework in order to provide assurance that governance activities within the Events Team were operating effectively and provided a direction on the services delivered. This included looking at a number of issues raised by Grant Thornton in their recent Value for Money Governance review. Following the review, a new events governance framework with a range of improvements were being put in place, including a specification for an online events portal for community event applications, and a criteria for borough and community level events developed to outline requirements for the Council and event organisers to ensure decisions are considered, and made at the earliest opportunity, and at the right level.

It was noted that work was ongoing in order to continue to make improvements to the governance structure within events and this review created an opportunity to consider whether further improvements were needed. From our review we noted:

- The Event Planning Spreadsheet is a detailed plan that walks through each step of an event in order to enable timelines to be kept on track, and the event delivered in a successful manner. We noted that this was not always fully updated, with key fields on the spreadsheet not being completed.
- Invoices for one event had not been raised in a timely manner and an application for another event had not been fully completed with the appropriate narrative.

#### *Accounts Payable (reported to the Committee in March 2023)*

An annual review of this key financial system was undertaken in order to confirm that appropriate controls were in operation over the council's payment systems and that payments were made in an accurate and timely manner. We noted one new area where action was required, and actions relating to two previous recommendations still required further action:

- We noted that five officers held access to the accounts payable module when their current role indicated that this was not required. This was flagged and their access was amended.
- While a spreadsheet was now being maintained in order to highlight actions taken for duplicate payments, any potential overpayments made through Autopay could still potentially remain undetected or unresolved. However, as part of the development of the new system, the generation of a potential duplicate payments report will be included.
- There was no mechanism in place to log the number and reasons for returned remittances where payments had been made against incorrect addresses. A spreadsheet was originally set up, but the links had ceased to work and officers no longer updated it.

#### *Treasury Management (reported to the Committee in March 2023)*

Treasury Management is a key financial system and a vehicle to actively manage and monitor banking transactions to ensure cash is available to pay for debts as they fall due, while minimising borrowing costs. Due to this it is important for the Council to ensure sufficient funds are available to deliver the day to day operations, ensuring an acceptable balance is achieved between security, liquidity and return for any investments held.

The Council has a Treasury Management Strategy, and this is approved by the Council each year and the policy used to manage the daily cash flow through short-term borrowings and investments alongside a long-term strategy for the management of the Council's debt portfolio. No issues of significance were identified, and substantial assurance was given.

#### *Main Accounting System (reported to the Committee in March 2023)*

The Financial Management System or Main Accounting System is the fundamental accounting system used by the Council and resides on the General Ledger module of the Oracle Financial system. It records and consolidates all the financial transactions carried out by the Council. As part of the review we assessed procedures and controls within the main accounting system and also followed up the previous year's recommendations. We noted that two of our recommendations required further action, relating to the timely completion of reconciliations, and the contracts register on the intranet holding expired contracts.

#### *Housing Benefits (reported to the Committee in March 2023)*

Housing Benefits are a means tested benefit intended to help meet housing costs for rented accommodation. The Council reclaims most of the Housing Benefit they pay out from the Department for Works and Pensions, by submitting subsidy claims which are certified by the appointed external auditor.

As part of our review, we followed up our previous recommendations. We noted that while some work had taken place, both had areas that remained outstanding:

- No clear audit trail of calculations undertaken for the over £1,500 checks being retained.
- Manual adjustments, not always reviewed and signed as correct by the Lead Officer

#### *National Non-Domestic Rates (reported to the Committee in March 2023)*

NNDR is the charge given on most non-domestic properties such as shops, offices, pubs, warehouses and factories etc. The rate is calculated by the properties rateable value, which is an open market rental value calculated by the Valuation Office Agency. A number of non-domestic properties are exempt or entitled to claim business rate relief and it is the councils' responsibility to ensure each non-domestic property is charged the appropriate rate and that all money is collected. The overall objective was to provide assurance that the systems of control in respect of NNDR are adequate and are being consistently applied. Substantial assurance was given.

#### *Taylor's Lane theft (reported to the Committee in March 2023)*

In November 2022 a wood-chipper was stolen from the Council's Taylor's Lane depot. Following which a working group (including internal audit presence) was established in order to review the security arrangements at the depot and other Council sites, alongside consideration of wider security standards. It has been recognised that a number of controls and security processes were not fully operational at the time of the incident. Both ourselves through our report, and the working group made a number of recommendations in order to further safeguard council assets across the Council's estate, and these have been, or are being put in place.

#### *Riverside Leaseholders, Follow up (reported to the Committee in March 2023)*

Riverside manage a proportion of the Council's housing stock under a PFI agreement. As part of the agreement Riverside are responsible for the management of leasehold properties who undertake the management and maintenance on certain estates. In November 2021, we issued a report with four significant recommendations where improvements could be made, including:

- Clearly demonstrating that an advisory service was being provided.
- Consulting with leaseholders where planned work may impact on their property.
- Reviewing the charges to leaseholders to ensure they were a fair representation of the cost of the work.
- That the unitary charge be adjusted to omit the need to provide a cash desk facility if this was no longer provided.

Our latest review followed up our previous recommendations in order to ensure that sufficient action had been undertaken within the agreed timescales. Three of the recommendations had been implemented, but there was still scope for clearer consulting with leaseholders regarding planned work.

#### *Riverside, Planned Maintenance (reported to the Committee in March 2023)*

An annual programme for planned maintenance works is agreed between the Council and Riverside before the start of each new financial year to ensure the properties facilities etc meet the defined requirements in the agreed terms and conditions of the contract. The planned maintenance as well as the day to day repairs are undertaken by a contractor who were awarded the appropriate contracts following a competitive tendering exercise.

The nature of the works varies on an annual basis, but within the planned programme for 2022/23, the review included the replacement of kitchen units, replacement of electrical systems including new consumer units, replacement of gas central heating boilers and ancillary controls, roofing works and the replacement of existing extractor fans.

The completed work, where possible, is jointly inspected by the consultant surveyor, Riverside and the contractor. If the work has been carried out to a satisfactory standard a completion certificate is issued to Riverside. We identified two issues where improvements could be made, arising from the following:

- Three instances were found where work needed rectification on the properties visited from the original planned work, and one where a re-wire had not been undertaken at the tenant's request.
- Seven instances were found where extractor fans had not been installed either because the tenant was not available, or the work had been missed. The installation of extractor fans are important in removing moist air and in preventing the build-up of damp and mould.

Riverside have agreed to attend each of the properties identified in order to complete the works and ensure that any outstanding issues identified are cleared.

#### *Housing Rents, Council (reported to the Committee in March 2023)*

Following previous audit reviews, improvements continue to be made within the Rent Accounting team. Our latest review noted that only one recommendation remained outstanding. This related to social rents that are set using a government formula which calculates a 'formula rent' for each property. From the sample of ten properties we reviewed, two properties although uplifted correctly, differed from the social formula rent that could be charged for both properties.

With the Council having a housing stock of over 27,000 properties, it is important that a rolling programme of review takes place in order to establish how many other properties may not be being charged the correct rent so that they can be remedied.

#### *Boscobel TMO repairs/voids (reported to the Committee in March 2023)*

A Tenant Management Organisation (TMO) is a means by which council tenants and leaseholders can collectively take on responsibility for managing the homes they live in. TMO's are an independent legal body and usually elect a tenant led management committee to run the organisation. Boscobel TMO has 115 properties for which it is responsible.

A review was undertaken to assess the adequacy of the system for the control and inspection of work and the maintenance and flow of progress information. We identified a number of issues

where improvements could be made. We also noted that an issue raised in a previous report remained outstanding: Our observations included:

- GDPR requirements were not included within the contract (Management Agreement) and there was a risk of infringement of statutory regulations, not only for the TMO but also for the Council. A lack of detailed procedures, and issues in providing repair and void work to contractors outside of the Council, especially as there had been no updates to the management agreement since the TMO became fully operational in 2010. As such many of our recommendations were due to a lack of awareness of current procurement rules and legislation. With both officers and Board members at the TMO having a general lack of awareness with regards to contracts.
- Quotes were not being requested for work undertaken, although as highlighted above a contract would need to be put in place, or a business case provided to justify the approach to procuring repair/void services in the future, and within it provide evidence of how it will not contravene the appropriate Regulations.
- Work undertaken by the Council and/or external contractor was not being signed off when the work was completed.
- When the need for additional work was identified during the undertaking of a repair/void, prior approval to continue should be sought in the guise of completing and signing a variation form. We understand that authorisation would normally be given verbally, but no audit trail of such approval, or reason for the variation was being retained either on file or on the system.
- Following completion of a repair, a post inspection form should be completed and signed by the contractor and Boscobel TMO to evidence that both are satisfied with the work completed. There were no records of a post inspection form being completed.
- If the cost of void repair works is over £2,500, the TMO will invoice the Council for the difference. In the sample of five such repairs that we reviewed, three were above this threshold. By using a third-party contractor, Sandwell's void process is not followed and as such a visit by the Council's Surveyor/Voids Inspector is not triggered to visit the properties. It is therefore unclear whether the work undertaken offered value for money for either the TMO or Council.

The TMO had not undertaken any checks on the electrical contractor's credentials, or their ability to undertake electrical work.

### **The following audit reviews are being reported to the Audit and Risk Assurance Committee for the first time:**

#### *Disposal of Land - Follow up*

The objective of our review was to evaluate the adequacy of management action in implementing previous key audit recommendations made. We noted that the Disposal of Council Owned Land and Buildings Protocol had been updated and incorporated into the Council's Constitution, as an appendix to the updated Financial Regulations and Procedures. Also, that Anti-Money Laundering Forms were now being fully completed. However, we did note that further consideration still needed to be given as to how to deal with historic personal data held on file, in order to ensure compliance with GDPR requirements.

#### *Payroll*

Payroll are responsible for processing salaries, calculating deductions, processing overtime payments along with many other functions ensuring that the service complies with all relevant



statutory rules and regulations. Salaries form a significant part of the Council's expenditure and it is therefore important to have robust and effective controls in place. During our review we noted that there was scope for improving a uniform process across the Council for the claiming of overtime, leading to an inconsistent approach across service and directorate areas. Such inconsistencies had led to a small number of errors on a sample of the overtime claim forms we reviewed.

### *Procurement and Contract compliance*

Strong procurement processes are key to the Council as it contributes to the efficient use of resources to support operational needs and delivery of its objectives. Effective procurement, in line with following legislation and utilising the Council's policies and procedures is necessary to be able to demonstrate that funds are used and managed in a manner that is accountable and demonstrates both probity and value for money.

As part of this audit a sample of contracts that were entered into following our previous review were examined in order to provide a position update on how well recommendations were being implemented, as the agreed implementation dates approached. While we could see that procurement was incrementally improving. We noted a number of issues still arising where further improvements could still be made:

- While Exemption reports were being completed and signed at director level, they were not always being formally endorsed at Head of Procurement level in line with the Contract Procedure rules. While they were being signed by a Procurement Business Partner, and we understand there was an earlier arrangement for allowing Procurement Business Partners to approve reports below £100,000, this had not been clearly documented, or reflected in the procedure rules.
- Where Framework Agreements are sourced by external organisations/other Councils, consideration should be given to considering presenting an exemption report to the appropriate Chief Officer, as the Council's Procurement and Contract Procedure rules will not be used in the procurement process.
- Contract Procedure rules 15.6, states 'that a record of all exemptions approved by the Chief Financial Officer shall be provided to the Cabinet Member for Core Council Services on a quarterly basis', however this did not appear to be explicitly taking place.
- The Procurement Team rely up on service areas engaging with the team in the early stages of procurement exercises, to allow for effective forward planning, and to ensure compliance with Contract Procedure Rules. Unfortunately, service areas were not always keeping the Procurement Team fully informed of new contract activity.
- Before each procurement exercise commences, a 'Starting a Procurement' form should be completed and approved by both the relevant Budget Manager and the Procurement Business Partner. Although improvements had been made, we noted two instances where 'Starting a Procurement' forms had not been completed before the procurement exercise commenced.
- While a range of training had been made available and provided, there appeared to remain a general lack of awareness within the Council with regards to the complexities, regulations and legal requirements involved in procurement activity. As such it was recommended that the training programme should continue together with other steps put in place to drive the importance of strong procurement and compliance with its requirements forward.

### *School Audits*

Following the Covid-19 related lockdown we have now re-commenced our annual school audit programme, and seven 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 robust. All seven schools reviewed were assessed as either good or satisfactory.

## **Audit Services also play a role in the following areas**

### *Annual Governance Statement*

We assist in the preparation of the Annual Governance Statement which accompanies the council's Statement of Accounts and is produced to comply with the requirements of the Accounts and Audit Regulations.

### *CIPFA – Audit Committee Updates*

We continue to present the regular CIPFA Audit Committee Updates to the Audit and Risk Assurance Committee.

### *Internal Audit Charter*

We undertake and present to the Audit and Risk Assurance Committee an annual review of the Internal Audit Charter. The latest version was presented and approved at the November 2022 meeting of the Committee.

### *Audit and Risk Assurance Committee – Terms of Reference*

We complete a regular review of the Audit and Risk Assurance Committee Terms of Reference. The last version was presented and approved at the March 2023 meeting of the Committee and the latest version will be reviewed prior to the 2023/24 year-end.

### *Internal Audit Plan 2023/24*

We submitted the Internal Audit annual plan for 2023/24 to the Committee for approval at the March 2023 meeting.

### *Audit and Risk Assurance Committee Annual Report*

Assistance was provided in the preparation of the Annual Report of the Chair, on the work of the Committee.

### *West Midlands Audit Contract Group*

We attend a bi-annual group meeting with other West Midlands councils, with the purpose of discussing new issues within procurement and contract monitoring and the sharing of best practice.

### *Counter Fraud*

The council's Counter Fraud Unit sits within internal audit and is responsible for, amongst others, investigating assigned cases of potential fraud, running a series of raising fraud awareness activities and talking in part in all national anti-fraud initiatives and benchmarking activities. Full reports on the work of the Counter Fraud Unit and the relevant investigatory work undertaken by Internal Audit are presented separately to the Audit and Risk Assurance Committee.

### *Wider client base*

Through a shared service arrangement, the Head of Internal Audit and where appropriate members of the audit team have a role in the delivery of internal audit services to:

- Sandwell Leisure Trust
- Sandwell Children's Trust
- West Midlands Fire Service
- City of Wolverhampton Council
- West Midlands Pensions Fund
- West Midlands Combined Authority
- Wolverhampton Homes

Each of these have their own Audit Committee, or equivalent, to which our work is reported.