

Annual Internal Audit Report - 2020/21



1 *Introduction*

1.1 Our internal audit work for the period from 1 April 2020 to 31 March 2021 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

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 the 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 2021.
- 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 and Assurance Map is regularly presented to directors and 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, the implementation by management of the recommendations made and the assurance made available to the council by other providers as well as directly by Internal Audit, Internal Audit can provide **reasonable assurance** that the council has adequate and effective governance, risk management and internal control processes. However, please refer to the section below on "Issues that need addressing in 2021/22" for further details on a number of issues that the council faces and will need to respond to.

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

- We have had unfettered access to all records and employees during 2020/21.
- 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.

Issues that need addressing in 2021/22

Throughout the year we did note a number of key control issues, either through our work or the work of other assurance providers that require addressing, as listed below.

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:

- Day to Day Repairs
- Facilities Management and Roofing Contracts
- Boscobel TMO, Rents
- Council Rents
- Personal Budgets and Direct Payments

Delays in the Statement of Accounts

There were significant delays in the completion and signing off of the 2018/19 Statement of Accounts. At the time this report was produced, the finalisation of the 2019/20 Statement of Accounts had encountered similar delays. The background to these delays were detailed in the External Auditors Audit Findings Report for the year ended 31 March 2020, as presented to the Audit and Risk Assurance Committee on 18 March 2021. This included a number of high level recommendations for which an action plan has been developed and is being implemented, in respect of:

- Improving the council's asset register and property database
- Property valuations
- Bank reconciliation and control over journals
- Debtors and debt provisions

It is important that these issues are addressed as soon as possible, and we understand that regular reports on the progress made to fully implement the agreed actions will be presented to the Audit and Risk Assurance Committee during 2021/22.

These delays in the finalisation of the Statement of Accounts, has resulted in similar delays in the production of the council's Annual Governance Statement, which then forms part of the Statement of Accounts. At the time this report was produced, the 2019/20 Annual Governance Statement was still being finalised and in effect remains 'live' until the Statement of Accounts are approved. This has then impacted upon the council's ability to prepare its 2020/21 Annual Governance Statement, which in itself would usually help inform this annual report.

In their Audit Plan for the year ending 31 March 2021 and as reported to the Audit and Risk Assurance Committee on 24 June 2021, the External Auditors made reference to both a number of historic governance issues and governance over financial reporting resulting in these delays. Again, it is important that these issues are addressed as soon as practical.

Horizon scanning

In the coming year there are a number of key issues that we believe will need a particular focus placed on them in order to ensure that the control framework in which they operate remains strong. These include the forthcoming sale of Providence Place, the transition of the council's e-business suite to Oracle Fusion, implementing the agreed actions to demonstrate compliance with the FM Code and a need to update the Disposal of Council Owned Land and Buildings Protocol.

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.

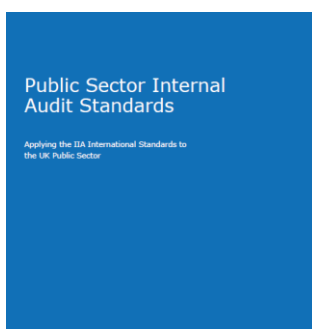
Key risks the council faces

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.

Covid-19

The impact of Covid-19 saw the Audit team working remotely throughout 2020/21 and thereby needing to adapt working practices where appropriate. The team also helped support a number of response activities, including assisting in the processing of business support grants, and providing an advisory role in any short term changes to the control environment.

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 will seek to be commissioned during 2021/22.

Audit plans

Indicator	Actual
Audit Plan produced in advance of the year to which it relates (i.e. prior to 1 April 2021)	Yes. Approved by Audit and Risk Assurance Committee at its meeting in March 2021.

Recommendations

Indicator	Actual
90% of 2020/21 recommendations accepted by council management (where a response has been received)	100%

Relationships

Indicator	Actual
Feedback obtained from report recipients (target 4 out of 5)	4.6 (see table below for a detailed breakdown)
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 2020/21

Staffing

Indicator	Actual
% of Audit Services' employees professionally qualified (target 34%)	40 %

Customer satisfaction questionnaires accompany each planned audit. From the responses returned, the average scores were as follows:

Question	Average Score 2019/20	Average Score 2020/21
Usefulness of audit	4.7	4.8
Value of recommendations	4.6	4.7
Usefulness of initial discussions	4.6	4.6
Fulfilment of scope & objectives	4.8	4.6
Clarity of report	4.6	4.6
Accuracy of findings	4.8	4.7
Presentation of Report	4.6	4.6
Time span of audit	4.5	4.6
Timeliness of audit report	4.6	4.6
Consultation on findings/recommendations	4.5	4.6
Helpfulness of auditors	4.7	4.6
Overall Satisfaction with Audit Services	4.6	4.6

Scores range between 1 = Poor and 5 = very good. We have a target of achieving on average a score of 4 = good

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 2020/21

The following tables below list all the reports issued by internal audit during 2020/21, 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	Satisfactory	Limited
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.

For school reviews, we use a different opinion statement to match the assurance categories awarded by Ofsted, which is based on the following:

Outstanding	Good	Satisfactory	Inadequate
Robust framework of key controls ensures objectives should be achieved and controls are applied continuously.	Effective framework of key controls ensures objectives are likely to be achieved and controls are applied but with some minor lapses.	Reasonable framework of key controls exists, but could be stronger to support achievement of objectives, with occasional breakdown in the application of controls.	Risk of objectives not being achieved due to the absence of key internal controls, with significant breakdown in the application of controls.

Summary of internal audit work completed for the year 2020/21

AAN	Assessment of assurance need rating
*	A response was not received prior to the school converting into an Academy. We later prepared a briefing note flagging a number of issues as part of a review of the conversion process.
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	
Reported at previous meetings of the Committee during the year:							
Discretionary Housing Payments	N/A	-	1	1	2	2	Satisfactory
Local Transport Revenue Block Funding (Blue Badge New Criteria Implementation)	N/A	-	-	-	-	-	N/A
Tusker Car Scheme and Mileage follow up	Medium	-	-	-	-	-	Substantial
Council Compliant Process	Medium	-	2	1	3	3	Satisfactory
Procurement Cards	Medium	-	4	-	4	4	Satisfactory
New Build Development Programme	Medium	-	2	1	3	3	Satisfactory
Housing Benefit Subsidy Claim Certification	N/A	-	-	-	-	-	N/A
Cotterills Farm TMO, Rents	Medium	-	-	2	2	4	Substantial
Accounts Payable	High	-	3	-	3	3	Satisfactory
Bank Account Changes follow-up	High	-	2	-	2	2	Satisfactory
Day to Day Repairs	Medium	1	3	-	4	4	Limited
Facilities Management and Roofing Contracts	N/A	2	4	-	6	6	Limited
Further Education Funding Grant	N/A	-	-	-	-	-	N/A
School's Financial Value Standard	N/A	-	-	-	-	-	N/A

Auditable area	AAN rating	Recommendations					Level of assurance
		Fundamental	Significant	Merits attention	Total	Number accepted	
Reported at this Committee meeting for the first time:							
Budgetary Control	High	-	-	2	2	2	Substantial
Accounts Receivable	High	-	3	-	3	3	Satisfactory
Main Accounting System	High	-	2	-	2	2	Satisfactory
Payroll	High	-	3	-	3	3	Satisfactory
National Non-Domestic Rates	High	-	-	-	-	-	Substantial
Council Tax	High	-	-	-	-	-	Substantial
Benefits	High	-	1	1	2	2	Substantial
Boscobel TMO, Rents	Medium	3	-	-	3	3	Limited
Rents, Council	High	1	6	2	9	*	Limited
Treasury Management	High	-	-	2	2	2	Substantial
Personal Budgets and Direct Payments	High	2	6	1	9	9	Limited
Riverside, Leaseholders	Medium	-	4	-	4	*	Satisfactory

5 *Key issues arising during the year*

In our mid-year progress report to the Committee in February 2021 we have already reported back on the following:

Council Complaints Process

As part of our review we looked at the processing of 20 complaints through the system in use. We noted that in three cases a record of the response had not been recorded on the system. However, by further investigation we were able to confirm that the complaints had been responded to, just not recorded as so on the system. We recommended that all completed cases should be recorded accordingly. Also, in a further two cases while these had been recorded as resolved through telephone conversations, it was our view that all such instances should also be confirmed in writing.

Discretionary Housing Payments

Discretionary Housing Payments (DHP) are an additional sum of money that can be paid if an applicant lives in Sandwell and receives Housing Benefit or Universal Credit (Housing Element) and requires additional help to meet their housing costs. DHP's can be paid regularly along with Housing Benefit based on a weekly basis or by lump sum. We noted that payment reports run from the system did not reconcile to the spreadsheet retained within the team highlighting the number of payments made. We understand that this was a timing issue, but noted that the transactional analysis report which substantiates these figures and would help reconcile these documents was not routinely retained. It was agreed that this report will now be retained, and these reconciliations are now regularly reviewed

Procurement Cards

We undertook a review of the use of Council Procurement Cards, paying particular attention to the period following the outbreak of Covid-19, where as part of the emergency response a number of procurement cards had their limits temporarily increased. We noted that the recording of information onto the bank's Smart Data Online (SDOL) system which is used to upload information by the card holder and the budget holder to authorise the payments, had not always been undertaken in a timely manner. We also found occasions when goods were being purchased from external suppliers when there were contracts already in place with other suppliers. However, this was during the early period of the pandemic and we acknowledge that in certain cases, ease and speed of delivery was of particular importance. We also noted that in one case an officer had access to two procurement cards, when procurement card holders should be assigned their own individual card. Also, while there were some delays in reducing the increased limits back down to pre-COVID 19 limits, this had now been undertaken.

New Build Development Programme

With proposals from Government to speed up the planning processes councils are exploring ways to increase house building within their areas. With over 6,000 people on the Council's Housing Register in Sandwell and 65% requiring properties with two or more bedrooms, additional affordable housing is needed across the borough. Our review noted that at the time there was no explicit overarching approach towards this programme. However, work was underway to produce this. We also noted that recommendations made in the projects financial appraisal report were not being pursued, and there had yet to be a detailed need and demand study in order to provide each area's demographic profile.

Accounts Payable

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 that there were still areas within individual recommendations from our previous review where actions could still be improved. These were:

- While a spreadsheet was now in place to evidence any 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.
- Three credit notes from 2016 remained on hold and had not been used to offset against other invoices.
- There was no process in place to log the number and reasons for returned remittances where payments had been made against incorrect addresses. While there had been issues with regards to the developing of a database for this purpose, this requirement is being included as a requirement as part of the development of the new system.

Bank Account Changes - Follow Up

Bank mandate fraud has been recognised nationally as a growing risk. We had previously undertaken a review into the processes in place within the Council when suppliers request a change in their bank account details. Our follow up review noted that two issues regarding the reconciliation of the number of changes made to the number of change forms received and the process for monitoring the access rights to ensure officers have the correct level of access to the system had yet to be fully addressed. We raised these with the relevant manager, and it was agreed that actions were being put in place to rectify this.

Day to Day Repairs

An audit of the Council's day to day repair and maintenance procedure was undertaken. Housing and Communities engage with a number of external contractors to undertake repairs and maintenance of the council's housing stock to supplement the in-house work force.

Our review identified that:

- Expenditure incurred with each individual contractor was not being monitored in order to ensure that spend was within the estimated annual tender figure and budget, and on a number of occasions this had been exceeded.
- No provision within the original tender documentation sent to each bidder indicating that expenditure may exceed the annual tender sums against which compliant bids may be evaluated against.
- Consideration should be given to revising the price/quality ratio from 60/40 to 80/20 to ensure value for money is achieved, as there are very specific requirements already included with the specifications.
- There was no formal monitoring to ensure that primary contractors were initially contacted for each piece of work, before secondary contractors and in some cases more use was being made of secondary contractors.

Facilities Management and Roofing Contracts

An audit was undertaken following issues regarding contractors undertaking emergency and reactive repairs through the Council's Framework Contract and processed through the Property Maintenance Account, in particular regarding roofing contracts.

We found a lack of adequate record keeping in order to evidence if emergency repairs were being undertaken within the priority timescales. As in our day to day repairs review, we also found the secondary contractors were being used on a more regular basis than primary contractors, without any clearly demonstrable evidence noting why.

School's Financial Value Standard (SFVS)

It is a statutory requirement for each maintained school to complete and submit a SFVS. The standard consists of a checklist and a dashboard. The checklist asks questions of governing bodies in six areas of resource management. It provides clarification for each question, examples of good practice, and details of further support available to assist schools in addressing specific issues. The dashboard shows how a school's data compares to thresholds on a range of statistics identified by the Department for Education (DfE) as indicators of good resource management and outcomes. It provides explanations of each of the indicators and helps schools to fill in their data and understand the results. The standard helps schools and local authorities meet basic standards for good financial health and resource management. A sample of submitted standards were reviewed to assess whether the information provided was adequate. No issues of significance were identified.

In OUR Annual Report we are now bringing the following matters to the attention of the Committee for the first time:

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. Budgetary Control is a key financial system. Substantial assurance was provided and although we noted that the Financial Regulations had not been subject to a full review for some time, this was now underway.

Accounts Receivable

The accounts receivable module is used to raise invoices. This includes residential care, trade waste, rents for market pitches, business properties and bereavement services etc. A review was undertaken to ensure that an effective system was in place for raising invoices and managing debtors. This included the integrity and reliability of charging information recorded in the accounts, the collection of payments and the process to monitor and report the debtor position. Our audit highlighted that recommendations made in the previous year had still to be fully implemented as the service area were having to prioritise workloads and support the payment of business grants. This included around 4,900 small business grants, 4,500 local restriction support grants, plus 11,000 Covid-19 and council tax hardship payments. The recommendations we made included:

- The council debt write-off procedure having been updated, still needed to be consolidated to include the housing rents write-off policy. This was on-hold awaiting the new legislation which came into force on 4 May 2021 'Breathing Space'. This is a debt respite scheme and will give those with debt problems the right to legal protections from their creditors.
- Full recovery action had yet to be taken on outstanding invoices relating to the Black Country Partnership NHS Foundation Trust which had since dissolved.
- Procedures need to be finalised on how the council deals with surplus funds accumulating from direct payments made to meet individual care needs. This was picked up in more detail within our Personal Budget and Direct Payment review.

Main Accounting System

The Main Accounting System (MAS) for the council resides on the General Ledger module of the Oracle Financial system. It records and consolidates all the financial transactions carried out. Our audit involved a review of the key controls over the MAS, including reconciliations and suspense accounts.

Our review provided satisfactory assurance over the key controls in place. However, we did note two control issues as the January's cash reconciliation not being completed until March 2021 and the Procurement Team's contract register had not been updated since October 2020. It is understood that both these were as a result of staff absence during the respective periods and that they were both now up to date.

Payroll

A review of the payroll process was undertaken to ensure that the council had appropriate controls in place to mitigate the risk of fraud and error in the calculation, recording and payment of the payroll. Our review noted the following:

- A uniform documented process for overtime claims was not in place. As a result, there were inconsistencies in the approach and the level of management needed to authorise and verify overtime payments. It was agreed that a consistent process needed to be established across all areas and would be put in place.
- A comprehensive set of payroll procedures had not been established, which has created inconsistencies in approach and authorisation stages by both staff and management. We understand that this was due in part to the impending introduction of a new system which will require a revision to current working practices.
- Salary reconciliations had outstanding balances relating to direct debits dating back to 2018. As such, supporting information to clear balances may not be held and will need both Payroll and Finance to work together to resolve.

Council Tax

A review of Council Tax was undertaken to ensure that records for council tax were being maintained and the billing and collection processes effectively applied, and no issues of significance were identified.

Benefits

The Benefits Team process housing revenue and rent allowance claims. Claim details are held on the Northgate IWorld system, which calculates the amount payable. As part of their monitoring checks, the Benefits Team examine the validity of claims that are over £1,500. On the dates requested, reports could not be provided or easily obtained due to reports becoming archived/deleted after two weeks when checks had been carried out. As a result, it is difficult to track back as to what checks were carried out, or any issues found and remedied.

Boscobel Tenant Management Organisation, Rents

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. While certain improvements had been made since our previous review, Covid-19 had delayed key recommendations being implemented including:

- The contract did not include any General Data Protection Regulations (GDPR) obligations within it and issues involving records management still needed resolving. As

a consequence, with the council being classified as the data controller any GDPR issues involving records management, could result in a liability for the council.

- All rent arrears work remained on the Boscobel system which should have been undertaken on the council's systems/software. As a result, at the time of audit confidential information could potentially be viewed by other tenants who were part of the TMO Board and as such in breach of GDPR regulations.

Rents, Council

Key issues raised in our previous review of this area had also yet to be fully addressed. In the first three quarters of 2020/21 there continued to be a lack of detailed audit trail along with a single person dependency/lack of separation of duties and a lack of supervision. It is acknowledged that since the recruitment of two new officers in the later months of 2020 this had started to improve with training being provided by Finance for both officers. Key issues identified included:

- Cabinet approved that all new build properties should be charged 80% of the market rent, in line with Government guidelines. However, the valuations provided in the sample chosen were not consistent and ranged from 78% to 82%. As a result, a difference between the SHAPE Housing system and Homes England Information Management System was evidenced, which may have implications for the council in way of either fines or clawback.
- The monthly reconciliation of the housing stock held in the Housing Management system (SHAPE) system, continued not to be undertaken on a regular basis. As a result, there continued to be a risk that the housing stock database was potentially inaccurate. In addition, this was further evidenced when three demolished properties had not been taken out of charge on the system and a rent debit continued to be raised. As such this created an increased void loss to be held on the system and therefore inaccurate accounting being reported.
- There were differences when posting rent journals to the General Ledger from SHAPE and balancing to the information coming from Northgate, the Benefits System against the General Ledger. In 2018/19 this amounted to £28,362 and in 2020/21 as at the end of February 2021 a further balance of £87,750 was evidenced between the two reconciliations. It was considered that the differences were generated from changes in temporary accommodation, but this still required further analysis in order for it to be substantiated.
- There was no documented procedure for the three main rent reconciliations and up until August 2020 all three were undertaken by one person. Since December 2020 separation of duties was in place following the recruitment of the two new officers and training provided by the Finance Team.

Treasury Management

A review of Treasury Management was undertaken to provide assurance that activities were carried out in accordance with council policy, maintaining an appropriate balance between liquidity, security and value for money. No issues of significance were identified.

Riverside, Leaseholders

An audit of the administration of Leaseholders managed by Riverside as part of the PFI contract was undertaken. Riverside undertake the management and maintenance of approximately 1.200 council owned properties on the Harvills Hawthorn and Millfields Estates. The contract is for a period of 25 years and commenced in 2006.

As part of the council's contract with Riverside, method statements for each area of work are agreed each year. Any deviation from the contract/method statement could mean financial penalties could be imposed for non-compliance.

The review identified issues where improvements could be made, arising from the following:

- In line with the contract, consultations should take place with Leaseholders where planned work may impact on their property to help provide them with the opportunity to be involved. This also includes any planned work where work is not required to the leaseholders property but will be undertaken on other properties in the block. This is considered to be best practice however; no evidence was seen on the property files to show this had taken place.
- As part of the contract, advise should be offered to leaseholders who are experiencing arrears on their account, however for two leaseholders this service did not appear to have been offered.
- The leaseholder is also responsible for a reasonable part of the costs incurred in respect of a service and maintenance charge for carrying out repairs to the property and to the building. Estimated costs for a replacement roof on one block was £14,203 with each leaseholder's proportion being £3,551. However, this level of charge was not always invoiced to the leaseholders.

Personal Budgets and Direct Payments

Personal budgets are part of a way of providing adult social care services and is the amount of social care money funded from the council to pay for a client's support, paid in the form of direct payments. A review was previously undertaken to provide assurance that personal budgets were being effectively administered. The original review identified issues which have been followed up as part of our latest review and which identified the following:

- The Resource Allocation System (RAS) is used to produce an indicative budget that the individual's care package should be based on. It was identified that in a number of cases reviewed, the indicative budget had to be significantly increased as the RAS was producing unreliable indicative budgets which did not always give a true reflection of the budget required and as such, is not considered to be fit for purpose.
- Financial reviews of an individual's account were not being completed at least annually, using a 'light touch' approach in accordance with CIPFA guidance, which had led to increased backlog. This issue was magnified due to the impact of Covid-19 as the undertaking of financial reviews was suspended. As a result, the backlog of reviews has increased.
- Information on the backlog of the financial reviews was not readily available. As such, management were not formally aware of the amount outstanding at any point and were therefore, not in a position to challenge it.
- There was no clear follow up/escalation process for cases referred to key workers/social workers following the conduct of a financial review that had identified potential financial mis-management by clients. Two cases that were examined during this review had been referred to a key worker/social worker with no adequate resolution on either occasion. And at the time of review the clients were still managing their own personal budgets.
- The extended periods between the completion of the financial reviews had contributed to any potential mis-management of accounts going unidentified. As such, there is a possibility of an increase in the financial impact, but more importantly, the issue that clients may not be receiving the necessary services or support identified in their support plan, which could impact upon their wellbeing.

- Formal feedback was not routinely provided to all clients at the end of the financial process. As such, they may not be formally aware of any recommendations for improvement over the operation of their direct payment account and the backlog of financial reviews could mean that large unidentified balances may be sitting in client's bank accounts.
- Support plans were not routinely signed by the client/representative or the council representative. Therefore, in such cases they are unable to demonstrate that they have in place a formal binding agreement, evidencing that both parties agree with their formal responsibilities as recorded in the relevant support plan.
- Documentary evidence was not retained as to why an individual is appointed to manage a direct payment on behalf of a client. As such, the council cannot demonstrate the process followed to evidence the appointment.

Audit Services also play a role in the following areas

Annual Governance Statement

We help 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. As part of this exercise, each director is required to complete and return a director's assurance statement to us and each Cabinet Member also completes an assurance statement.

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 February 2021 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 September 2020 meeting of the Committee and the latest version will be reviewed prior to the 2021/22 year-end.

Internal Audit Plan 2021/22

We submitted the Internal Audit annual plan for 2021/22 to the Committee for approval at the March 2021 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 Contract Group

We host a bi-annual group meeting attended by 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.