

Internal Audit Progress Report as at 31 January 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 2021/22 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 2021 and 31 January 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			
Reported previously							
Covid-19 Compliance and Enforcement Grant 2020/21	N/A	-	-	-	-	-	N/A
Schools Financial Value Standard	N/A	-	-	-	-	-	N/A
Housing Benefit Subsidy Final Claim certification	N/A	-	-	-	-	-	N/A
Housing Benefit Mid-Year Subsidy Claim Estimate 2021/22	N/A	-	-	-	-	-	N/A
Discretionary Housing Payments Final Claim Certification	N/A	-	-	-	-	-	N/A
Discretionary Housing Payments follow up	Medium	-	-	1	1	1	Substantial
Bank Changes follow up	High	-	1	-	1	1	Reasonable
Income Management (including write offs)	Medium	-	3	-	3	3	Reasonable
Riverside, Rents	High	-	4	1	5	5	Limited
Reported for the first time							
Day to Day Repairs, Follow up	Medium	-	-	1	1	1	N/A
Facilities Management, Follow up	Medium	-	1	1	2	*	N/A
Benefits	High	-	2	3	5	5	Reasonable

[ILO: UNCLASSIFIED]

Auditable Area	AAN rating	Recommendations			Total	Number accepted	Level of Assurance
		Fundamental	Significant	Merits attention			
Budgetary Control	High	-	2	2	4	4	Reasonable
Treasury Management	High	-	-	3	3	3	Substantial
Capital Accounting	High	-	-	-	-	-	No assurance
Main Accounting System	High	-	2	-	2	*	Reasonable
Accounts Receivable	High	-	2	-	2	*	Reasonable

[ILO: UNCLASSIFIED]

Audits underway as at 31 January 2022
• Data Protection and Security Toolkit Independent Review
• Procurement and Contract Compliance
• Disposal of Land
• Follow up of New Build Programme
• Refurbishment of Highrise Buildings
• Payroll
• Accounts Payable
• Council Tax
• Council Rents
• National Non-Domestic Rates
• Aquatic Centre

3 *Issues to bring to the committee's attention on work completed following its January 2022 meeting*

Benefits

The Benefits Team process housing revenue and rent allowance claims. In the last financial year, the Benefits team paid around 22,000 claims, this included claims for both council and private tenants that totalled around £84.5m.

As part of their monitoring checks, the Benefits Team examine the validity of claims that are over £1,500. From a sample of six claims examined no audit trail of the calculations had been retained, limiting evidence of what checks had been carried out and any issues that may have arisen. It was agreed that supporting documentation and sign off from a Lead Officer would be undertaken and retained.

The Council is also required to complete a subsidy claim to submit to the Department of Works and Pensions for housing benefit each year. As part of the subsidy claim some of the housing benefit payments must be moved manually. This includes adjustments due to partial weeks, where tenants have moved mid-week. The system however does not recognise this and puts them through as full week payments. An adjustment is therefore needed on the system. Again, it was requested that additional information should be held to provide further clarification of how the adjustments are calculated to be retained.

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 and Budgetary Control is a key financial system.

Due to the increased workload in previous years accounting issues there has been a substantial delay in the closedown timetable which has meant statutory deadlines for the publication and finalisation of the closedown of accounts was impacted. It was agreed when

these issues have been resolved accounts would be prepared in accordance with CIPFA deadlines. With regards to issues raised last year by the External Auditor on the volume of journal entries being significantly high, we noted that improvements in reducing these are still needed.

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, suspense accounts and the councils contract register.

Bank reconciliations highlight and evidence differences at a point in time between the bank balances shown on the general ledger, and the balances shown within the Councils' bank statements, as supplied by the bank. Due to the delay in the financial year 2020/21 accounts closedown and work pressures relating to this, there had been a delay in the cash income reconciliations completed. As at November 2021 they had only been completed up to July 2021.

The Council also has a central contract register, which is maintained and updated on a quarterly basis. On review of the contracts held on this register, we noted that some areas required updating as the register included contracts that were no longer in date. Therefore, highlighting that a more proactive approach to provide comprehensive data for the register would be beneficial to the management of the current register.

Capital Accounting

The Council holds assets in the form of property, vehicles, equipment etc. It is important that assets are safeguarded and used efficiently in service-delivery, and that there are arrangements for the security of these assets.

Asset registers are utilised to record the assets held by the Council, to ensure the assets are identified and their location recorded within these registers together with their estimated value.

Unfortunately, we were unable to provide assurance at this time, due to the delay in the finalisation and sign off of the 2020/21 accounts, and the Council not yet having received any of the valuations for 2021/22 with work being in progress regarding the revaluation of assets, in year disposals and capital spend.

We did however note that the Council is at present, looking to procure a new system that will improve the asset registers held on spreadsheets into a more integrated system, that will help to provide relevant information to both Finance and Strategic Asset Management.

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. 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. The recommendations we made include that the Corporate

Debt Recovery/Write Off Policy has not been consolidated to include the Former Tenant Arrears and Housing Rents write off policies and that full recovery action had yet to be taken on outstanding invoices relating to the Black Country Partnership NHS Foundation Trust which had since dissolved.

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 is to submitted to, and agreed by 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 that was presented at Council in October 2021.

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.