

Annual Internal Audit Report - 2021/22



1 Introduction

1.1 Our internal audit work for the period from 1 April 2021 to 31 March 2022 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 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 2022.
- 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 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 As a result of a number of key governance issues raised during the year, predominantly those detailed in the Grant Thornton Value for Money review with its accompanying statutory and key recommendations, and the action taken by the Government in appointing commissioners to the Council, Internal Audit are unable to provide reasonable assurance for 2021/22 that the Council had fully adequate and effective governance processes. However, from the work we have completed we are able to provide reasonable assurance that both risk management and internal control processes remain adequate.

During the year a number of activities and actions have been put in place as part of the Council's improvement journey, including an appointed Commissioner alongside a new Leadership Team, and a Single Improvement Plan pulling together the recommendations from a number of recent key independent and external reviews (including Grant Thornton's Value for Money Governance Review, CIPFA's Financial Management Review and the LGA's Corporate Peer Challenge) which should help ensure that in the year ahead, reasonable assurance regarding governance processes can be achieved.

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

- We have had unfettered access to all records and employees during 2021/22.
- 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' or 'No' 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:

- Procurement and Contract Compliance (Limited)
- Refurbishment of High and Low-rise buildings (Limited)
- Disposal of Land (Limited)
- Riverside Rents (Limited)
- Capital Accounting (No)

Delays in the 2020/21 and 2021/22 Statement of Accounts and Annual Governance Statement

There have been 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 subsequent 2021/22 Statement of Accounts had encountered similar delays. 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 forms part of the Statement of Accounts. At the time this report was produced, the 2020/21 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 2021/22 Annual Governance Statement, which in itself would usually help inform this annual report.

Improvement Plan

As referred to in our Annual Audit Opinion above, the 2021/22 year saw a number of external reviews including Grant Thornton's Value for Money Governance Review, CIPFA's Financial Management Review and the LGA's Corporate Peer Challenge. Within these reviews and subsequent reports, there were areas of interest to the Audit and Risk Assurance Committee.

In March 2022 the Secretary of State for Levelling Up, Housing and Communities announced an intervention package and a set of Directions to ensure the Council was able to comply with its best value duty under Part 1 of the Local Government Act 1999. These Directions were in-part influenced by the Grant Thornton report following their Value for Money Governance Review. The intervention package included the requirement for the development and implementation of an Improvement Plan within the first three months following the Directions notice and the appointment of two Commissioners.

In June 2022 the Council approved such an Improvement Plan that combined a series of actions to address the matters raised in the reviews referred to. The Improvement Plan was also presented to the June 2022 meeting of the Audit and Risk Assurance Committee in order to help inform the work of the Committee.

Send Passenger Transport Contract

At the start of the 2021/202 year and following concerns regarding the then SEND Passenger Transport Contract exercise, a fact-finding review was undertaken in order to make an initial assessment of the concerns raised. Following this a number of recommendations were made and the report was shared separately with the Audit and Risk Assurance Committee during the year. This issue also formed one of the Key Lines of Enquiry as part of the Grant Thornton

Value for Money Governance review. The recommendations from both reviews were accepted, have helped inform the latest procurement exercise and fed into the Council's Improvement Plan.

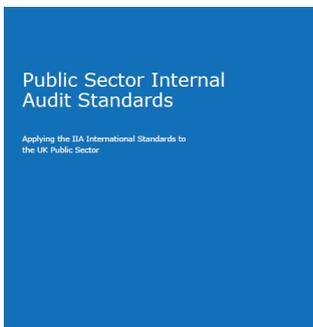
Internal audit's role in fraud investigations

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 will need to seek to be commissioned during the new year.

Audit plans

Indicator	Actual
Audit Plan produced in advance of the year to which it relates (i.e. prior to 1 April 2022)	Yes. Approved by Audit and Risk Assurance Committee at its meeting in March 2022.

Recommendations

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

Relationships

Indicator	Actual
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 2021/22

Staffing

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

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 2021/22

The following tables below list all the reports issued by internal audit during 2021/22, 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	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, 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 2021/22

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	
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	Satisfactory
Income Management (including write offs)	Medium	-	3	-	3	3	Satisfactory
Riverside, Rents	High	-	4	1	5	5	Limited
Day to Day Repairs, Follow up	Medium	-	-	1	1	1	N/A
Facilities Management, Follow up	Medium	-	1	1	2	2	N/A
Benefits	High	-	2	3	5	5	Satisfactory
Budgetary Control	High	-	2	2	4	4	Satisfactory
Treasury Management	High	-	-	3	3	3	Substantial
Capital Accounting	High	-	-	-	-	-	No assurance

Auditable area	AAN rating	Recommendations					Level of assurance
		Fundamental	Significant	Merits attention	Total	Number accepted	
Main Accounting System	High	-	2	-	2	2	Satisfactory
Accounts Receivable	High	-	3	-	3	3	Satisfactory
National Non Domestic Rates (NNDR)	High	-	-	1	1	1	Substantial
Council Tax	High	-	-	1	1	1	Substantial
Procurement and Contract Compliance	Medium	-	6	3	9	9	Limited
Housing Rents	High	-	2	1	3	3	Satisfactory
Sandwell Aquatic Centre	High	-	1	-	1	1	Substantial
New Build Programme, Follow up	Medium	-	2	1	3	3	N/A
Procurement Card, Follow up	Medium	-	3	-	3	3	N/A
Refurbishment of High and Low-rise buildings	Medium	2	-	2	4	4	Limited
Disposal of Land	Medium	-	3	1	4	4	Limited
Accounts Payable	High	-	2	-	2	*	Satisfactory
Payroll	High	-	2	1	3	*	Satisfactory

5 Key issues arising during the year

Procurement and Contract Compliance

Procurement is important 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.

We identified five areas where improvements could be made, arising from the following:

- Where a contract is to be extended the correct approvals should be in place before commencing the procurement exercise. For a sample of 12 contract extensions four did not receive the appropriate approvals.
- Where Framework Agreements are sourced by external organisations/other councils, it is considered that an exemption report should be presented to the appropriate Chief Officer as the Council's Procurement and Contract Procedure rules will not be used in the procurement process. This is not undertaken at present.
- Service Areas do not always keep the Procurement Team fully informed of new contract activity, which does not allow the team to forward plan their resources.
- Before each procurement exercise commences as part of the internal process a 'Starting a Procurement' form should be completed and approved by both the relevant Budget Holder and the Procurement Business Partner. However, in 50% of the procurement exercises we reviewed as part of our sample, there was no evidence of this being completed.
- A conflict of interest form must be completed and signed-off by all those taking part in the procurement exercise, before any procurement exercise commences. From the sample of 12 contracts reviewed eight held no copies.

There appeared to be a general lack of awareness across the Council with regards to the complexities, regulations and legal requirements involved in procurement activity. As such it is considered training is needed for key staff involved in procurement exercises.

A number of recent significant changes have been made to both the procurement team and in the tightening of controls around ensuring compliance with the Council's Procurement and Contract Procedure rules.

Refurbishment of High and Low-rise buildings

The audit reviewed two projects Alfred Gunn House, Oldbury and The Lakes, Lion Farm.

A number of issues with regards to past non-compliance with the Council's Procurement and Contract Procedure rules, similar to those identified in our wider Procurement review referred to above, were found including:

- The central Procurement Team did not undertake a tender exercise even though the estimated cost exceeded the threshold where they should be involved.
- There was no documentary evidence that the client department undertook consultations with the Council's Central Procurement Team and/or Legal Services on the most appropriate tendering process.
- A contract was not advertised via the Council's e-tendering portal.

- When the minimum number of bids was not received for one of the projects, approval should have been sought for the tender process to continue. The requirements in this instance would have been for Cabinet approval as the contract was above £250,000. However, there was no documentary evidence to indicate that this took place.

There was a wider review taking place of the Councils Procurement processes and procedures. Following this, training is to be provided to all staff that undertake a procurement function and this should help address the issues identified.

Disposal of Land and Property

The sale of Council owned land and buildings had in the past raised a number of issues for the Council. In view of this the Council developed a Disposal of Council-Owned Land & Buildings protocol that was approved by the Audit Committee on 18 August 2016 and by the Cabinet on 21 September 2016 (and which forms an Appendix to the Council's Financial Regulations and Procedures). The Protocol sets out the governance process regarding the disposal of land and property owned by the Council (but does not apply to the sale of residential properties as that is subject to a different legal framework).

The protocol applies to all Members and Officers and anyone acting on behalf of the Council. Any exemptions to the protocol must receive approval from Cabinet.

Our review noted the following:

- The Disposal of Council-Owned Land and Buildings protocol was out of date and had not been formally reviewed or updated since it was introduced in 2016, and subsequently no longer represented actual practice. However, this was still the last formally approved and adopted protocol appended to the Financial Regulations for this purpose.
- On the five files we reviewed there were no copies of reports presented to the Land and Asset Management Officer Group detailing the proposed disposals and appropriate information.
- There was scope for improving and retaining evidence of the Anti-Money Laundering checks being undertaken.
- Evidence was not always on file to demonstrate that where external consultants had been used (i.e. surveyors and auctioneers) that their services had been procured in accordance with the Council's Procurement and Contract Procedure Rules.

A new protocol for the Disposal of Council-Owned Land & Buildings has now been prepared and is going through the various approval routes.

Riverside, Rents

Riverside manage a proportion of the councils housing stock under a PFI agreement that has been in place since 2006. The housing rents section at Riverside is responsible for collecting rent, the recovery of rent arrears and former tenants' arrears. A full review was undertaken which included following up the previous year's recommendations to ensure they had been implemented. Four issues were found where improvements could be made, one of which remained outstanding from the previous year and included:

- The rent debit reconciliation which provides a reconciliation of all the changes raised/rent debit each month and allows the Contract Manager to determine whether the rent collection requirements included within the contract have been met was still not completed each month in a timely manner. At a meeting attended by the Contract Manager, Riverside stated this would be addressed.

- The property extract reconciliation (rent variation spreadsheet) which provides evidence of the housing stock had not been updated to omit six properties that were sold under the right to buy. Although this was picked up by the Council when undertaking the reconciliation, it did initially inflate the stock figures reported.
- Riverside arrears have continued to increase for a third year running and although the pandemic will account for some of this increase it is a trend that needs to be addressed.

Although forming part of the contract, evidence of relevant arrears letters sent out was not provided on the screen prints requested and sent by Riverside. With the Council having no access to Riverside systems at the time of our review, full assurance on the testing undertaken could not be given. It has since been agreed for audit to have 'view only access' to the Riverside system.

Covid-19 Compliance and Enforcement Grant 2020/21

We carried out appropriate tests and checks, and determined that in all significant respects, the conditions attached to the use of the grant had been complied with.

Mid-Year Subsidy Claim Estimate 2021/22

The Council is required to submit a mid-year subsidy claim estimate for housing benefit. We undertook a review to confirm that the information contained in the return was in accordance with the Acts specified in the guidance notes and the relevant regulations, determinations, directions, circulars, notes, instructions and other agreed arrangements. No issues were identified which prevented submission of the claim to the Department for Works and Pensions.

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.

Bank Changes Follow up

Back in 2017/18 the Council had been the victim of a bank mandate fraud resulting in the loss of £16,000. Following which an audit report was issued and the controls and processes around the changing of bank account details was significantly tightened. In our latest review we checked that these controls were now embedded, and the risk of future losses reduced.

We noted that one recommendation remained outstanding, whereby the number of changes made to supplier details was not being reconciled to the number of amendment forms received from suppliers as the system was unable to run a suitable report showing such changes. However, it was noted that management continue to explore this situation further and ultimately will be seeking to enable suppliers to take responsibility for updating their own records via the i-supplier portal in the new Oracle Fusion financial system, once implemented.

Income Management (including write offs)

The Income Management team is responsible for recovering rent arrears. Both current, former tenant arrears and a sample of write offs were included within this review. Our review noted that at the time the Corporate Debt Recovery/Write Off Policy had not been consolidated to include the Former Tenant Arrears and Housing Rents write off policies. However, this has since moved forward with the policy framework being presented to Cabinet for 2021/22. A comprehensive review of the policy will still need to take place to include the new legislation which impacts on all debt recovery known as 'breathing space'.

We also noted that following a review of the former tenant arrear accounts, 59 historic accounts which were at the write off stage had not been written off with a total value of £22,632 with one dating back to 2016. Since the review a new process has been implemented whereby cases recommended for write-off that do not get written off are returned to Income Management for review/action. The 59 historic write-off cases were subsequently actioned.

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 had been a substantial delay in the closedown timetable which had 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 were 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, at the time of our review there had been a delay in the cash income reconciliations completed.

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 certain 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 the time of our planned review, 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. This included the Corporate Debt Recovery/Write Off Policy was still to be 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.

National Non-Domestic Rates (NNDR)

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 (VOA). Some 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 Council's record of business in properties within the borough had improved and included the extensive work that took place associated with making the Covid-19 business support grants. We did not identify any fundamental or significant issues where improvements could be made, and substantial assurance was given.

Council Tax

Council tax is payable on all domestic properties with certain exemptions for classes of properties. Properties are allocated to one of eight bands according to their valuations at 1 April 1991. The band the property is in determines the amount which must be paid. Substantial assurance was given and during the review we identified the following examples of good practice:

- All qualifying properties are identified for the main billing run for council tax and this takes place annually. The property database on I-World is reconciled to the Valuation Office Agency (VOA) records to ensure the correct numbers/category of properties is correct.
- Periodic reconciliations of the number of properties on the council tax system to the valuation office listing is undertaken on a regular basis. The system is updated by the teams Inspector on a weekly basis.
- Regular monitoring of the receipts received for council tax payments are reconciled daily, this ensures the correct income has been transferred from I-World to the financial ledger in a timely manner.

Housing Rents, Council

Local authorities rely on their rental income to fund the management and maintenance of their housing stock and other housing services. Sandwell manages around 27,300 council properties, which generates rental income in excess of £2.8 million per annum. The Rent Accounting team uses Open Housing to manage and process housing rent information.

Large improvements had been made within the Rent Accounting team over the last 12 months with newly recruited staff resolving many historic issues. As part of this review we followed up our previous recommendations and noted that only one remained outstanding. However, it is acknowledged that action is in hand and analysis is ongoing to remedy the differences found. Alongside this, a further recommendation was made to strengthen the controls. Therefore, the two main issues flagged were:

- Social rents are set by using a government formula and this calculates a 'formula rent' for each property. From the sample of ten properties chosen, 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 just over 27,300 properties, a rolling programme of review should take place to establish how many other properties may not be being charged the correct rent so that on change of tenancies this can be remedied.
- Local authority rents are largely controlled by the Housing Benefit system where the Government has issued guidance to local authorities on the social rents they should charge. The reconciliations between the two systems with the general ledger should balance, however, some differences have occurred between these systems for a while. It is acknowledged this previously made recommendation is making progress.

Sandwell Aquatic Centre

Sandwell Aquatics Centre is the host venue for Birmingham 2022 Commonwealth Games for swimming and diving events. Following on from last year's governance review, this year the scope was to ensure adequate monitoring of payments was undertaken ensuring that variation orders and/or compensation events were in line with the terms and conditions of the contract.

Substantial assurance was once again provided with only one good practice recommendation made. This related to the contract documentation for the Aquatic Centre which is held in an electronic format on this system together with key documentation. This will include but will not

be limited to compensation events where additional payments have been made to a contractor where work is undertaken outside of the contract, all work programmes where project management and instructions are issued and responded to electronically etc. is held on this system.

The software Client had stated that when the contract is complete, all relevant information which has been uploaded to the 'Sypro project management system' will:

- set all the user's accounts to read-only and therefore any amendments that may still be needed will not be able to take place and/or
- provide the Council with a Project download. This will only provide collated PDF versions of the communications and attached documents to keep for our internal records.

It was therefore recommended that the Project Supervisor should request a full download of all the contract documents so that they can be stored on the Council's server. Alternatively, a subscription, if not material, should be considered so that continued access to the project management system is retained.

Procurement Card, Follow up

Procurement cards are still a relatively new tool that offers an alternative to more traditional procurement processes, such as the raising of purchase orders, and provide an efficient method of purchasing and paying for low value goods and services. In November 2020, we issued a report with four significant recommendations where improvements could be made, and this report was followed up to ensure the issues raised had been implemented.

Our testing did note that further improvements were still required with regards to the day to day use of the cards, as cardholders were not always attaching supporting receipts onto the system, and from the analysis undertaken in 2021/22, 1,865 unapproved transactions were still awaiting to be approved. In some cases, the approvers had since left their employment with the Council.

Whilst a comprehensive policy has been in place since the implementation of the cards, the policy and card holder terms have not yet been amended in line with changes that have evolved. Therefore, the approach and operational controls, as such, are slightly inconsistent with the controls operating in practice. It is therefore further recommended that the Procurement Card Policy should be reviewed to confirm that it clearly reflects expected practices and controls and is suitably and consistently enforced. It is acknowledged that the review of the policy is now in progress.

New Build Programme, Follow up

In December 2020, we issued a report regarding the New Build Programme, noting that recommendations made in the project/s financial appraisal report, within the sample chosen, were not followed-up, detailed need and demand studies were not undertaken, and a more formal mechanism was needed where requests from Housing Solutions for specific needs was requested. This would allow the requests and solutions to be considered as part of the planning application process.

It was noted that the work to implement the recommendations made in the 2020/21 New Build Programme audit report is currently ongoing. As such, we rolled-forward the recommendations in this report, to allow additional time for implementation. This included work to the written procedures regarding the New Build Programme.

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 which still needed to be fully actioned, and these included:

- 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.
- 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.

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 January 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 November 2021 meeting of the Committee and the latest version will be reviewed prior to the 2022/23 year-end.

Internal Audit Plan 2022/23

We submitted the Internal Audit annual plan for 2022/23 to the Committee for approval at the March 2022 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.