



**Sandwell**  
Metropolitan Borough Council

Internal Audit Progress Report  
@ 31 January 2024



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## 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 2023/24 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.

2 Summary of work completed between 1 April 2023 and 31 January 2024

AAN		Assessr
N/A		Not App

Auditable Area	AAN rating	Recommendations					Level of Assurance
		Fundamental	Significant	Merits attention	Total	Number accepted	
<b>Reported previously:</b>							
Climate Change	Medium	1	2	-	3	3	<b>Limited</b>
Use of Council Procurement Cards	Medium	2	5	-	7	7	<b>Limited</b>
Housing Benefits	High	-	1	1	2	2	Reasonable
Business Continuity	Medium	-	3	-	3	3	Reasonable
Temporary Accommodation	Medium	-	4	1	5	5	Reasonable
Mayors Charity	N/A	-	2	2	4	4	Reasonable
Waste Management	Medium	-	2	-	2	2	Reasonable
Accounts Receivable	High	-	-	-	-	-	Substantial
NNDR	High	-	-	1	1	1	Substantial
Riverside Leaseholders, follow-up	N/A	-	-	1	1	1	N/A
Riverside Method Statements	N/A	-	-	-	-	-	N/A
<b>Reported for the first time:</b>							
Direct Payments	High	-	1	1	2	2	Reasonable
Council Rents	High	-	1	1	2	2	Reasonable
Treasury Management	High	-	-	2	2	2	Substantial

Auditable Area	AAN rating	Recommendations					Level of Assurance
		Fundamental	Significant	Merits attention	Total	Number accepted	
Council Tax	High	-	-	-	-	-	Substantial
<b>School audits reported previously:</b>							
Meadows	N/A	-	2	3	5	5	Reasonable
Abbey Infant	N/A	-	1	-	1	1	Substantial
Abbey Junior	N/A	-	1	-	1	1	Substantial
Sandwell Community School Grant Certification	N/A	-	-	-	-	-	N/A

Audits underway as at 31 January 2024
• Cyber Security
• Budgetary Control
• Cash Handling, follow up
• Voluntary Sector Support
• Payroll
• Accounts Payable
• Riverside Rents, follow up
• Riverside, Environmental Challenge Fund
• Housing Revenue Account

### 3 *Issues to bring to the committee's attention for the period 1 April 2023 to 31 January 2024*

#### *Direct Payments*

The purpose of the review was to provide assurance that Direct Payments are being effectively administered, and to ensure the required outcomes are being achieved. The review focussed upon the roles and responsibilities relating to the finance element of the direct payment process within the council.

The committee may recall that in our previous review issues were raised about the backlog of a large number of reviews of client accounts, which help verify if the client is using the direct payment for its intended purpose.

We are pleased to report that since our last review the backlog of reviews had been cleared. The client's direct payment accounts are now on target to be examined after an initial six months of operation, where they will then be risk rated according to operating factors. All high and medium risk cases then receive more frequent reviews, with all accounts receiving at least an annual review.

In addition, a new Direct Payment policy had been approved and implemented.

However, we did note that on occasions incomplete or unclear documentation under which capacity appointments were being made was held. Appointments can be made under an authorised or nominated capacity to clients' accounts. Appointments made under an authorised capacity relate to clients with eligible care and support needs who lack mental capacity, whilst appointments made under a nominated capacity relate to an individual who receives care and has mental capacity but have chosen a specified individual to help manage their direct payment account. Adult Social Care is responsible for the completion of the relevant documentation with the client /representative as part of the set-up of the direct payment facility. The Direct Payments Team are then responsible for the processing of these documents. A recommendation was made and grade to help ensure that this is rectified.

#### *Council Rents*

The council manages approximately 27,300 council properties. The rental income from which is used to fund the management and maintenance of the council's housing stock and other housing services.

Our review included the reconciliation of the rent roll (which identifies the council's housing stock/property records), reconciliation of the rents system to the cash receipting system, changes to housing stock, the annual calculation of the rent debit and the receipt of rental income.

Social rents are set using a government formula which calculates a 'formula rent' for each property and we noted that on occasions properties can be found to have small rent charges that differed to the social formula rent calculated for similar properties. This has been flagged with the team and they continue to endeavour that the social formula rent is applied wherever possible, in particular when new tenancies are entered into.

### *Treasury Management*

Strong Treasury Management is important for the council in ensuring that sufficient funds are available to deliver the day to day operations, ensuring an acceptable balance is achieved between security, liquidity and return for any investments held.

The council has a Treasury Management Strategy which is approved each year. This strategy defines treasury management activities and is used to manage the daily cash flow through short-term borrowings and investments alongside a long-term strategy for the management of the Council's debt portfolio.

The CIPFA Treasury Management Code indicates that members with responsibility for treasury management receive adequate training in this area. We noted that while specific training on this had not yet been provided, it was planned that such training was to be introduced.

## *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 2023/24 was submitted to the Audit and Risk Assurance Committee for approval.

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

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

### *Internal Audit's role in investigating allegations of Fraud*

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

### *Annual Governance Statement*

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

### *Advice and Guidance*

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

### *Liaising with the External Auditors*

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

### *Wider Client base*

The council's internal auditors also provide the internal audit service to Sandwell Children's Trust, Sandwell Leisure Trust and the West Midlands Fire Service, and reports directly to these organisations audit committee, or equivalent, as appropriate.