

Internal Audit Progress Report @ 31 October 2024



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 2024/25 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 2024 and 31 October 2024

AAN	Assessment of Assurance Need Rating (High/Medium risk).
N/A	Not Applicable, review outside of normal risk-based auditing approach/customer request/grant claim.

Auditable Area	AAN rating	Recommendations					Level of Assurance
		Fundamental	Significant	Merits attention	Total	Number accepted	
Reports:							
Heritage Assets (including Civic Regalia)	Medium	3	8	-	11	11	Limited
HRA – Capital Budgets	High	2	7	-	9	9	Limited
Cotterills Farm, Rent Management System	NA	-	1	-	1	1	Reasonable
Riverside, Environmental Challenge Fund	Medium	-	3	1	4	4	Reasonable
Riverside, Gas Certificates	Medium	-	-	-	-	-	Substantial
Riverside, Rents follow up	Medium	-	1	-	-	1	N/A
Disabled Facilities Grant, Follow up	NA	-	-	3	3	3	N/A
Highways, Taylors Lane	Medium	-	3	1	4	4	Reasonable
Sacred Heart Primary School	NA	-	3	3	6	6	Reasonable
St Mary Magdelene Primary School	NA	-	3	4	7	Draft	Reasonable
Highways Traffic Signals Grant Claim	NA	-	-	-	-	-	N/A
Holiday Activities and Food Grant Claim	NA	-	-	-	-	-	N/A

Audits underway as
• Climate Change, Follow up
• Use of Council Procurement Cards, Follow up
• Council Tax
• NNDR
• Benefits
• Grounds Maintenance, Follow up
• Aids and Adaptations
• Rents

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

Heritage Assets (including Civic Regalia)

The Council is the custodian of many valuable and important heritage assets and items of civic regalia which are held at many sites located across the borough. As part of our review a number of locations across the borough were visited.

We noted that there was a lack of a clear strategy and cohesive approach to the management of the Council's heritage assets alongside poor collections systems in place. There was no clear, accurate and up to date heritage asset inventory lists with various differing methods, types and versions of such records and lists in use. There was also the lack of regular and/or scheduled stock checks and valuations on heritage asset items.

This lack of adequate record keeping impacts upon the valuations available and assigned for both accounting and insurance purposes.

It also appeared that a number of items held in storage may not have met basic standards in terms of the environment for the safe storage and security of such items.

The Council also has a number of high-value civic regalia items. We noted that, similar to the Council's heritage assets, there was no full and up to date asset inventory list documenting all of the civic regalia, and where it was held. There were also high value items that were not been included on such lists. This would again impact upon the values assigned for both accounting and insurance purposes. We also noted a number of issues with regards to where and how items were being held and transported.

HRA – Capital Budgets

Our review focussed upon the 2023/24 Capital Budget, we noted that there had been a significant amount of change at a senior management level within Housing, the Procurement Team and within areas of Finance. Many of the individuals who played key roles in developing the housing capital programme were no longer part of the Council.

There was also the absence of a centralised repository for key working documents relating to the capital programme, coupled with the lack of any detailed audit trail. This made the review

difficult as there was a lack of corporate history and poor audit trails to support the governance and decision making regarding the setting and agreement of capital budgets.

It appeared that the development of the capital programme as a corporate process had no real challenge over a significant period of time. This left the remaining staff in both Finance and Housing with the task of understanding the present status of each capital scheme, impacting upon their ability to make well-informed decisions regarding current financial positions.

Our review also found a pattern of live capital programmes expanding both beyond their initial specifications and thereby their allocated budgets. Again, at the time there was no real evidence of explicit challenge to this activity.

We are aware that since this time, there has been a significant amount of action taken in order to improve the budget control processes within Housing, alongside the wider Housing Transformation Programme.

Cotterill's Farm – Rent Management System

A TMO is a mechanism that allows Council tenants and leaseholders collectively to take on responsibility for managing the home they live in. This approach empowers residents to have a greater say and involvement in the maintenance and upkeep of their living environment. Cotterill's Farm TMO was established in 1997 and became operational in 1998. The TMO provides housing related services to approximately 250 properties and they are primarily funded through the management of fees paid by the Council under the agreement.

The purpose of our audit was to deliver a level of assurance that Cotterill's Farm maintains accurate rental charging, income and arrears information to account correctly housing rents. We noted that while there had been some delays in pursuing and monitoring rent arrears due to absences and staffing shortages, at the time of our review more timely action had again recommenced.

Riverside, Environmental Challenge Fund

The Environmental Challenge Fund sets specific criteria for funding eligibility, and it aims to support the regeneration of the two Harvills Hawthorn and Millfields estates areas within the borough. Projects seeking funding must align with the criteria of contributing to reducing crime and anti-social behaviour, improving the wider condition and appearance on the two estates.

Our review noted that projects were not always presented to the Neighbourhood Monitoring Panel and did not always explicitly demonstrate how certain projects demonstrated the benefits for the community on the two estates. Also, that on occasions verbal agreements were being used when processing invoices, prior to receiving written approval.

Highways Maintenance, Taylors Lane

Highways Maintenance encompasses a diverse range of tasks essential for ensuring road safety and infrastructure integrity. This work includes, but is not limited to, addressing missing, dislodged, or broken manhole covers, repairing damaged street furniture and pedestrian guard rails, maintaining non-illuminated signs and bollards, fixing potholes, eliminating footway trip hazards and managing brook courses. Such activities are crucial for

maintaining the functionality and safety of the highways, providing a reliable and secure environment for all road users.

Our review recommended that highways operatives should seek to move away from a paper-based system to a system similar to that used within the repairs team i.e. the use of PDA's (Personal Digital Assistant devices). We did note that this was currently being trialled. Also, that the paper-based system highlighted gaps in documentation in the defect reporting system, in some cases without the necessary paperwork, photographic evidence and supervisor sign offs. Finally, when operatives were working out of hours, standby payments and overtime claim forms were not always being signed-off by the relevant manager.

Schools

We continued to undertake our schools programme of reviews to assess whether schools had adequate governance, risk management and control processes in place to ensure their financial management arrangements are satisfactory and promote an effective and efficient use of available resources. We have recently completed two such reviews, with both schools being assessed as reasonable.

Grant Claims

We are required to provide assurance that funds have been used in accordance with the agreed grant conditions, thus ensuring funding will not have to be repaid. From the reviews completed, we have not found any issues of significance and therefore we have concluded that the grant funding appears to have been used appropriately.

Oracle Fusion

A significant part of the audit teams work, particularly in the last quarter has been used on the implementation and post go-live of Oracle Fusion, including the accompanying Risk Management Cloud module. Therefore, the remainder of the Audit Plan for 2024/25 is currently under review, and any potential amendments will be flagged with the Audit and Risk Assurance Committee at its next meeting.

Follow up of previous recommendations

With regards to ensuring the implementation of previous internal audit recommendations, we have recently completed the following follow-up reviews:

Review	Recs made	Actioned	Comments
Disabled Facilities Grant	9	6	Three still in progress
Riverside Rents	4	3	The outstanding recommendation is to be revisited at our next review

We also have follow-up reviews underway on Climate Change, Use of Council Procurement Cards and Grounds Maintenance. None of the outstanding actions give cause for any concern. We are also currently seeking to strengthen our recommendation tracking processes through the wider performance management framework. This will see the officers responsible for implementing recommendations pro-actively indicating if they have been implemented within agreed timescales. Internal audit will then independently check and provide assurance on this for key recommendations.

4 Other activities undertaken by Audit Services

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 2024/25 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 potential Fraud

Alongside the Counter Fraud Team, we continue to take part in any relevant investigations into allegations of potential fraud, and where appropriate these may be 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 liaise with and assist the Council's External Auditors.

Wider Client base

As the Council's internal auditors, we also provide the internal audit service to Sandwell Children's Trust, Sandwell Leisure Trust and the West Midlands Fire Service. We report directly to these organisations audit committees, or equivalent, as appropriate.