

# Internal Audit Progress Report @ January 2026



## 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 2025/26 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 April and January 2026

Auditable area	Assessment of Assurance Need	Recommendations				Level of assurance
		Fundamental	Significant	Merits attention	Total	
<b>Reported previously:</b>						
Right to Buy	Medium	-	2	3	5	Reasonable
Payroll	High	-	5	1	6	<b>Limited</b>
Riverside - Gas Safety Compliance	High	-	2	2	4	Reasonable
Housing Transformation - Electrical Safety Inspections	High	-	5	5	10	<b>Limited</b>
<b>Reported for the first time:</b>						
Procurement and Contract Compliance	High	-	8	5	13	<b>Limited</b>
Appointeeship Unit	Medium	-	2	3	5	Reasonable
Housing Transformation - Flat entrance doors in High Rise buildings	Medium	-	1	2	3	Reasonable
Housing Transformation - Stock Condition Data	Medium	-	2	4	6	Reasonable
SEND Placement Costs	High	6	2	2	10	<b>Limited</b>
Annual Review Process	Medium	-	-	9	9	Reasonable
Cotterills Farm TMO Repairs	Medium	-	1	6	7	Reasonable
Council Tax	High	-	1	1	2	Substantial
Levelling up Partnership and Towns Fund	Medium	-	-	-	-	Substantial
Members Allowances, follow up	N/A	-	-	-	-	N/A
Highways Maintenance, follow up	N/A	-	-	-	-	N/A

The Following audit reviews were also underway and will be reported back at a future meeting of the Audit and Risk Assurance Committee:

• Voluntary Community Sector Grants
• Riverside Rents
• Benefits
• NNDR
• Housing Rents
• Accounts Receivable
• Treasury Management
• Early Years Support
• Payroll
• Sandwell Community School - follow up
• Climate Change - follow up

### **3      *Issues to bring to the committee's attention for the period November 2025 to January 2026***

#### *Procurement and Contract Compliance*

Our review focussed upon ensuring that procurement activity across the Council was compliant with the Council's Contract Procedure Rules, and whether appropriate processes were in place to manage contracts effectively and in line with regulatory requirements. It also included a follow up of the agreed actions made at the time of our previous review. We noted that a number of those issues had yet to be fully resolved, alongside further recommendations now being made, including:

- The Council's procurement documentation had yet to be updated to reflect the requirements of the Procurement Act 2023 that came into effect in 2025, although it was noted that work had begun in this area.
- Ineffective audit trails resulting in the lack of the ability to always readily demonstrate full procurement management and compliance with the Contract Procurement Rules in a number of areas.
- Examples where quarterly records of exemptions approved by the Chief Financial Officer and contract awards over £1M had not been formally provided to the Cabinet Member/Cabinet.
- Inconsistencies in the completion and recording of declaration of interests by those involved in the procurement process.
- Signed copies of contracts were not always held by Procurement, and on occasions there was a lack of other key contract documentation.
- An incomplete contract register was held on the Council's website.

However, we did note that much work was now being undertaken to remedy these issues, and that a Procurement Board had been formed and was meeting regularly in order to ensure that the Council strengthens its procurement and contract monitoring processes.

### *SEND placement costs*

Special Educational Needs and Disabilities (SEND) services integrate education, health and social care to deliver statutory, personalised support that helps children and young people with additional needs to achieve positive outcomes and prepare them for adulthood.

We noted that a shift from formal panel meetings to online decision making via Microsoft Teams had reduced the robustness of the audit trail and limited the ability to be able to explicitly demonstrate full consideration of all relevant factors, including financial oversight and input from other areas such as social care, health and finance at placement meetings. These gaps contributed to issues such as reliance on Teams chat history rather than formal records, delayed purchase requests, Individual Placement Agreements that were not available at the time of our review, and incomplete budget and commitment recording.

However, the service area were able to demonstrate that improvements driven by the senior management team were now being made. This included implementing a system transformation approach, enhancing data and planning processes, and establishing strategic partnerships supported by a detailed 12-month Local Area Partnership Delivery Plan.

### *Appointeeship Unit*

As part of this review, we considered compliance with internal policies, procedures, and regulatory requirements for managing client funds. This included ensuring proper segregation, accurate transaction allocation, regular reconciliations, and supervisory oversight for individuals unable to manage their finances due to mental incapacity or other limitations. We also looked at the robustness of financial controls and oversight mechanisms in place for managing client accounts to verify that clear roles and responsibilities are defined for officers, alongside reviewing the authorisation process for account opening and closures, controls over financial transactions including direct debits, standing orders, cheques, and Allpay card transfers.

From our review of a sample of active client files we noted that key policies, including the 2019 Procedures and Draft Policy, were still in draft format, Allpay operational debit card accounts were only reviewed annually by the care homes and approvals for new bank accounts were handled through paper records and manual sign-off which can lead to delays and reduces an element of control.

### *Housing Transformation – Flat Entrance Doors in Highrise Buildings*

Our review focused upon how the Council was managing fire door safety in its Highrise Buildings, including internal controls, inspection frequency, contractor performance and how residents were kept informed. It was prompted by new legal duties introduced by the Fire Safety (England) Regulations 2022, which required annual checks of flat entrance doors in higher-risk buildings, which placed stronger emphasis on demonstrating robust fire safety arrangements.

We noted delays in completing remedial fire safety actions primarily stemming from differing assessments between the contractor's survey results and the Councils' verifications after inspections. These issues were now being addressed.

### *Housing Transformation – Stock Condition Data*

We reviewed the Council's responsibilities under the Safety and Quality Standard, which required it, as landlord, to identify all legal health and safety obligations for tenants and to ensure any related actions were completed within appropriate timescales. This included taking reasonable steps to reduce risks to tenants in their homes and communal areas. We noted that job orders to address housing hazards, were not always raised in a timely manner, and that the status of housing hazards was not consistently monitored for properties managed by Riverside.

Management have confirmed that new processes have since been put in place to ensure Category 1 hazards are raised immediately with repairs, treated as urgent and removed from Category 1 status once attended. It was also confirmed that they would carry out monthly reconciliations to avoid any omissions or duplication.

### *Annual Review Process*

The purpose of this review was to assess the effectiveness and compliance of the annual staff review across the Council. This included verifying that the process has been completed by the agreed deadline of 30 June 2025 in accordance with corporate expectations and the employee performance framework.

When the new Annual Review process replaced the previous Staff Appraisals process in 2024 there was a general view that its initial adoption had been sporadic across the Council and had not really been subject to monitoring and review. Therefore, early in 2025 it was re-launched with a much-publicised drive to embed it across the Council. A date of 30 June 2025 was set for all employees to receive an Annual Review. We noted that:

- There had been quite a successful rate of completion from this round of annual reviews. A large number of which had also been successfully uploaded onto Oracle Fusion. However, there did still remain some issues around the timeliness of fully completing and uploading the reviews.
- While a number of annual reviews, and their goals, did appear to link to the Council's values and behaviours, and the Council Plan, there remained scope for building these more explicitly into the process going forward.
- There was also a difference in quality between the completion of the reviews, with some more detailed and comprehensive than others. However, most did appear to embrace their purpose and reflected a two-way conversation.

### *Follow up of past internal audit recommendations*

If an auditable area is risk assessed as requiring an annual review, then previous year recommendations are automatically followed up at the time of the next review. Where an annual review is not required, then efforts are made to ensure that key recommendations are revisited within a 12-month period.

An analysis of past audit recommendations that have been followed up in the last 12 months is given in the table below. The recommendations relating to the key financial systems were

primarily related to issues that were arising following the go-live of Oracle Fusion and therefore, were still in the process of being able to be addressed. A number of recommendations made in our previous Use of Council Procurement Cards and Procurement and Contract Compliance audits also remained outstanding.

Audit	No. of recs	Actioned	Part actioned / ongoing	Superseded	Yet to be actioned (at time of review)
Use of Council Procurement Cards	7	1	2	-	4
Climate Change	3	1	2	-	-
Disabled Facility Grant	9	6	2	-	1
Riverside Rents	4	3	-	-	1
Accounts Payable	3	-	-	-	3
Main Accounting System	2	2	-	-	-
Payroll	2	-	-	-	2
Budgetary Control	2	-	-	-	2
Council Rents	2	1	-	1	-
Benefits	2	1	1	-	-
NNDR	1	-	-	-	1
Treasury Management	2	1	-	-	1
Members Allowances	4	2	2	-	-
Highways Maintenance	4	2	2	-	-
Procurement and Contract Compliance	10	1	2	-	7
<b>Total</b>	<b>57</b>	<b>21</b>	<b>13</b>	<b>1</b>	<b>22</b>

#### **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 2025/26 was submitted to the Audit and Risk Assurance Committee for approval in April 2025.

##### *Internal Audit Charter*

The Internal Audit Charter has been updated to reflect the introduction of the Global Internal Audit Standards in the UK Public Sector and was approved by the Audit and Risk Assurance Committee in November 2025.

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

Support 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.