

Internal Audit Progress Report as at November 2021



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 XXXXXXXX

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			
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	*	Limited

[ILO: UNCLASSIFIED]

Audits underway as at November 2021
• Data Protection and Security Toolkit Independent Review
• Procurement and Contract Compliance
• Disposal of Land
• Follow up of 'Day to Day' Repairs
• Budgetary Control
• Follow up of New Build Programme
• Refurbishment of Highrise Buildings
• Benefits
• Accounts Receivable

3 Issues to bring to the committee's attention for the period April to November 2021

Covid-19 Compliance and Enforcement Grant 2020/21

We have 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.

Schools Financial Value Standard 2020/21

The Schools Financial Value Standard (SFVS) is applicable to all maintained schools and is a mandatory self-assessment exercise that must be completed annually. The standard is a tool to help schools and local authorities meet basic standards for good financial health and resource management. We are responsible for administering the completion and submission of the self-assessments and for informing the Department for Education of the submission rate. For 2020/21, all maintained schools in Sandwell completed and submitted the self-assessment.

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.

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.

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 recent 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 present full assurance on the testing undertaken could not be given. Although not yet provided it has been agreed for audit to have 'view only access' to the Riverside system.

Key changes to the 2021/22 Audit Plan to bring to the attention of the Audit and Risk Assurance Committee

The following reviews were initially included in the 2021/22 Internal Audit Plan but have been subsequently deferred until the following years plan:

- **Working with the Voluntary and Community Sector** – with a focus on how the new grants process is operating. A separate report was presented to the Audit and Risk Assurance Committee in November 2021 highlighting that a new process for the administration and monitoring of these grants was being introduced, and that once embedded this would be subject to a review in the following year.
- **Oracle Fusion Programme** – a review of how the new business management system is being implemented. An update report on the current situation with regards to this implementation was reported to Cabinet in December 2021. It was also a Key Line of Enquiry in the External Auditors Value for Money Governance Review also presented to Cabinet in December 2021. In their report, the External Auditors made the following recommendations:

The Council must prioritise corporate effort to:

- *Ensure that temporary support is agreed with Oracle for EBS continuity.*
- *Have an honest and frank discussion with Inoapps and urgently agree a clear resolution on the way forward.*
- *Review governance arrangements so that good practice (such as Managing Successful Programmes) is in place and embedded, including clarity on the SRO role and approach to risk management.*
- *Review the resourcing and scope of the implementation to ensure that it is realistic, given current circumstances, focuses on outcomes as well as costs, and there is organisation wide engagement and ownership of the programme.*
- *Confirm a realistic and achievable go live date.*
- *Ensure for future major projects a full business case is developed and approved.*

An action plan is being prepared by the Council in order to ensure that these recommendations are being implemented. We plan to review progress against this in the new year. However, we remain available to provide any real-time assurance as and when required.

- A high-level review on how the Council continued to respond to the challenge of transforming itself as a result of the changes brought about by Covid-19 was initially planned. However, following the completion of the recent senior management restructure, alongside the recommendations made in the External Auditors Value for Money Governance review referred to above, these will now form the drivers behind the future transformation of the Council. Therefore, one of our key focuses in next year's audit plan will be on the success of this process.

4 Other activities undertaken by Audit Services

Send Passenger Transport Contract

Following a number of concerns raised through various routes regarding the latest SEND Passenger Transport Contract exercise, a fact-finding review was undertaken in order to make an initial assessment of the concerns raised and the report has been shared separately with the members of the Audit and Risk Assurance Committee.

Since the review, the Council's Children's Services and Education Scrutiny Board has had oversight of, and a report on the findings of a separate Scrutiny review into SEND transport which was considered by the Board in September 2021. Subsequently, recommendations were made to Cabinet on 20 October, covering the commissioning of SEND Transport for the end of the current extended contract period, matters relating to the longer-term delivery of SEND Transport and other, more general, recommendations on the topic.

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 2021/22 was 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.