

Internal Audit Progress Report
@ October 2023



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 and 31 October 2023

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	
Reported for the first time:							
Climate Change	Medium	1	2	-	3	3	Limited
Use of Council Procurement Cards	Medium	2	5	-	7	7	Limited
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	-	-	2	2	tbc	Substantial
Riverside Leaseholders, follow-up	N/A	-	-	2	2	2	N/A
Riverside Method Statements	N/A	-	-	-	-	-	N/A
School audits:							
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 October 2023
• Direct Payments
• Cyber Security
• Budgetary Control
• Treasury Management
• Cash Handling
• Voluntary Sector Support
• Council Rents
• Council Tax
• Payroll

3 Issues to bring to the committee's attention for the period 1 April to 31 October 2023

Climate Change

Climate Change has been recognised as a key risk on the council's Strategic Risk Register. With the following categorised as a red risk *“Failure to achieve the council's commitments in relation to Climate Change, including the pledge to make council activities, buildings, housing, fleet, schools and street lighting net-zero carbon by 2030 may result in reputational damage, financial impact, increased demand for council resources (in the event of extreme weather) and a loss in public confidence. In addition, managing the effects of climate change will also have significant financial impact which the council will need to address”*.

As part of the emerging climate crisis the council produced a Climate Change Strategy 2020-2041, setting out the actions that needed to be taken in order to meet the target of net zero carbon emissions for the council in 2030 and for the whole of the Borough in 2041 (in line with the West Midlands Combined Authority target). A Climate Change Action Plan accompanied the strategy, setting out a wide range of actions, responsible areas and the timeframe.

In March 2022, the Climate Change Action Plan was updated. This was approved by Cabinet on 23 March 2022 alongside proposed governance arrangements, and it was agreed that a cross-party Member Group on Climate Change be formally established to monitor the implementation of the Action Plan. Such a group was subsequently formed.

In the Cabinet report, and to ensure that climate change was integrated across the council's service areas, a new set of arrangements were also proposed to establish a director-led Partnership Board, and it was expected that this would report quarterly into the Member Group and annually to Cabinet. Such a board was subsequently established, and its first meeting was held in July 2022.

However, we noted that while the board did consider and discuss many of the climate change issues that formed part of the Climate Change Action Plan, it did not formally monitor the council's progress against the Action Plan itself. The Programme Board were then not in a position to report progress against the Climate Change Action Plan back to the Member Group. Without this, the group were also unable to monitor progress or use it to help inform

their focus and workplan. Similarly, the Programme Board was yet to report on an annual basis back to Cabinet.

When the Climate Change Action Plan was presented to Cabinet in March 2022, it was noted in the report that *“At this stage, the Action Plan is not a costed plan, however, it is already widely understood that to reach net zero by 2030 and for the borough to reach net zero by 2041 a significant investment is needed in the council’s and borough’s assets. The Programme Board will focus its initial attention on establishing several of the initial cost implications for the council and will report back into Cabinet with the relevant budget requests”*.

At its September 2022 meeting, the Programme Board highlighted a need to review the council’s 2030 targets across all areas of the Climate Change Strategy/Action Plan, with the aim of estimating all potential costs and policy impacts to the council. However, further action had yet to be taken with regards to this.

Finally, The Climate Change Action Plan breaks down various themed areas such as Air Quality, Energy and Off-setting into actions around ‘what we need to do’, ‘how we do this’, ‘who is responsible’ and ‘timescale’. However, the way in which these ‘targets’ were set out in the action plan did not reflect SMART principles, and quite broad-brush terms were often used with little specific detail or clear targets. Also, 2030 and 2041 were quite often used as the timescales. While we appreciate that 2030 and 2041 are the ultimate targets for many of the actions, it may be beneficial to further split/separate out some of the actions, so that there can also be an increased focus on short to medium term progress, towards the longer-term timescales.

The issues flagged are now being addressed by the Programme Board and a reporting matrix is being developed in order to better monitor and evaluate progress.

Use of Council Procurement Cards

Procurement cards are used mainly for smaller and wide-ranging one-off supplier type transactions. Generally, these have less corporate control than purchases that would go through the traditional corporate procurement route. Therefore, it is particularly important that the controls put in place to approve and manage payments, are complied with.

We undertook a review of procurement card expenditure in order to assess if their use was in accordance with the council’s Purchase Card Policy.

Our review noted a number of areas where compliance with the Council’s Policy on Procurement Cards needed to be improved. The improvements needed principally related to authorisation and the level of completion in the relevant processes in a number of cases, including receipts not being uploaded correctly and the fact that the Council had acquired a number of Amazon Memberships rather than passing business through a single account. Further compliance issues related to the recording of sub-optimal descriptions to support the purchase of some items.

The audit also noted weaknesses in that reminders were no longer being issued to cardholders or approvers where actions were outstanding.

Following receipt of our report a suite of corrective audit recommendations were put forward, have been agreed by management and are now in delivery. Further action includes the

suspension of some cards pending resolution of the issues identified, and a detailed review to establish the ongoing need for the system which will be undertaken during 2024.

Housing Benefits

We undertook a review to ensure that there were adequate controls in place regarding the payment of housing benefits. As part of this review, our previously agreed actions were followed up. We noted that one recommendation had yet to be implemented. As part of monitoring checks, the Benefits Team should examine the validity of claims that are over £1,500. However, it was noted that this check had yet to be introduced - management has agreed to now introduce this check.

Business Continuity

We undertook an audit review of the business continuity arrangement in order to provide assurance that suitable guidance was available, and training was provided to officers responsible for producing the business continuity plans. This included how the council monitors, assesses and reports on business continuity plans, compliance with legislation, internal requirements and good practice. We noted instances where there was no record of training provided for officers listed as a 'Plan Owner' or 'Lead Officer' and a review of the training log highlighted that a number of officers training, or participation in related exercises, had been over three years ago. Also, certain officers on the log had since left the council. We also found instances where plans had not been updated in the last 12 months and cases where plans had not been exercised/tested for some time.

Temporary Accommodation

Our review of temporary accommodation highlighted late consideration of the need for continuing service provision as the existing contract was ending. The subsequent exemption report for Temporary Accommodation for the Provision of Hotel and Bed and Breakfast accommodation had not been approved in line with the council's Procurement Rules, and a further extension was also later sought for the exemption. We also noted significant use of procurement cards on emergency accommodation, with officers not always following the council policy with regards to documenting such purchases. There was also a need for applicant casefiles held on the Housing Solutions system (Jigsaw) to be regularly reviewed for consistency to ensure sufficient information was recorded to evidence the decision-making process, along with a need to strengthen the monitoring arrangements on applicant case file accounts with regard to arrears management in order to help facilitate the recovery of costs where applicable.

Mayors Charity

We undertook a review of the arrangements for the Mayors Charity in order to ensure that it had a robust framework. The Charity had been fairly dormant throughout much of lockdown, but activities were likely to pick up again in the near future. We noted that there needed to be a more formal receipting process to be put in place regarding any donations received, an officer who had left the council needed to be removed as an authorised signatory list for the account, and the bank account used for the fund should be changed to one with the council's current bank.

Waste Management

The Waste Management Contract is for a period of 25 years, began in 2010 and expires in 2035. The contract was awarded to Serco to help the council modernise and make improvements to waste, recycling and street cleaning across the borough and to deliver the Council's Waste Improvement Plan.

The contract is performance based and measured against 34 Key Outcome Targets (KOTs) with Serco responsible for the design, monitoring and reporting on performance (cost, quantities and quality) in conjunction with the council. Waste Services also formed one of the key lines of enquiry from the 2021 Grant Thornton Value for Money Governance Review.

In recent times, steps have been taken by the council to be more pro-active in ensuring that the necessary information is submitted in accordance with the Terms and Conditions of Contract.

Our review noted that the monitoring actions put in place by the council were yet to be fully embedded, with slight delays in some of the earlier reporting, a need to strengthen the robustness of the process for sign-off by the council when new vehicles have been received, together with consideration of the implications for the council of any slippage in the vehicle delivery programme.

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.