



Internal Audit Annual Report
For the year ended 31 March 2021
June 2021

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Disclaimer

This report ("Report") was prepared by Mazars LLP at the request of Walsall Council and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit of Walsall Council and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk. Please refer to the Statement of Responsibility in Appendix A3 of this report for further information about responsibilities, limitations and confidentiality.

01 Introduction

Background

This Annual Report covers the work we have undertaken for the year ended 31 March 2021 and incorporates our audit opinion.

Scope and purpose of internal audit

The Accounts and Audit Regulations 2015 came into effect on 1 April 2015 and require councils to undertake an effective Internal Audit to evaluate the effectiveness of their risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards or guidance.

This opinion forms part of the framework of assurances that is received by the Council and should be used to help inform the Annual Governance Statement. Internal Audit also has an independent and objective consultancy role to help line managers improve risk management, governance and control.

Our work is conducted in accordance with UK Public Sector Internal Audit Standards (PSIAS) which incorporates all elements of the Institute of Internal Auditors' (IIA) International Professional Practice Framework (IPPF) – including the core principles for internal audit and the code of ethics for internal auditors.

Our professional responsibilities as internal auditors for the year ended 31 March 2021 are set out within the PSIAS produced by the Internal Audit Standards Advisory Board.

This report covers the internal audit activity for the 1st April 2020 to 31st March 2021 period and summarises matters which came to our attention during the year. Such matters have been included within our detailed reports to the Audit Committee during the course of the year.

Acknowledgements

We are grateful to the Executive Directors, Head of Finance, and other staff throughout the Council for the assistance provided to us during the year.

02 Internal Audit work undertaken in 2020/21

Our Internal Audit Plan for 2020/21 was considered and approved by the Audit Committee at its meeting on 27 July 2020. The Plan was for a total of 660 days including 25 days Follow Up, 70 days Management and planning and 70 days contingency.

During the course of the year a number of changes were made to the planned programme of work to reflect changes in circumstances within the Council, for example the One Source Self Serve audit was deferred to 2021/22 due to the revised timetable for implementing the Payroll function.

The audit findings in respect of each review, together with our recommendations for action and the management response were set out in our detailed reports. A summary of the reports we have issued is included at Appendix A1. The appendix also describes the levels of assurance we have used in assessing the control environment and effectiveness of controls and the classification of our recommendations.

03 Annual opinion

Scope of the Internal Audit Opinion

In giving our annual audit opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the Council is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes.

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

In arriving at our opinion, we have taken the following matters into account:

In arriving at our opinion, we have taken the following matters into account:

- The impact on the internal audit plan as a result of Covid-19;
- The results of all internal audits undertaken during the year ended 31 March 2021;
- The results of follow up action in respect of previous internal audits;
- Whether or not any Priority 1 or Priority 2 recommendations have not been accepted by management and the consequent risks;
- The effects of any material changes in the organisation's objectives or activities;
- Matters arising from previous reports to the Audit Committee;
- Whether or not any limitations have been placed on the scope of internal audit;
- Whether there have been any resource constraints imposed upon us which may have impinged on our ability to meet the full internal audit needs of the organisation; and
- What proportion of the organisation's internal audit needs have been covered to date.

Impact of Covid-19 on internal audit work during the year

During 2020/21, the Covid-19 pandemic impacted on the provision of internal audit services by increasing the time taken to gather information

required to complete audits, thereby increasing the amount of time taken to complete audits. Despite this, all audits carried out under the plan have been completed without impacting the assurance we have been able to provide.

During the year, we have consulted and informed the Audit Committee about changes to the audit plan to take account of the impact of Covid-19 on the organisation and the changing risk landscape.

Internal Audit opinion

On the basis of our audit work, our opinion on the framework of governance, risk management, and control is **Substantial** in its overall adequacy and effectiveness.

Certain weaknesses and exceptions were highlighted by our audit work, 9 of which were fundamental in nature.

These matters have been discussed with management, to whom we have made several recommendations. All of these have been, or are in the process of being addressed, as detailed in our individual reports.

In reaching this opinion, the following factors were taken into particular consideration:

Corporate Governance and Risk Management

Governance arrangements have been considered and reported within the reviews undertaken through the year and controls assurance work has been carried out to inform the Council's Annual Governance Statement. Work to further embed risk management in the Council has continued, with regular progress reports to both CMT and the Audit Committee. There has been a strong commitment at Member and officer level to ensure the risk management framework continues to evolve and strengthen. There is a risk champion in place for each directorate who is committed to supporting robust risk management activity. The Directors Group has recently taken on responsibility for reviewing both Directorate Risk Register and Strategic

Risk Register updates. The aim of this is to improve directorate engagement to support both the implementation of the Risk Management Strategy and provide greater assurance that mechanisms for management of risk are robust.

Internal control

Of the 44 audits undertaken in the year where we provided a formal assurance level, six were given a 'Good' level of assurance, 29 a 'Substantial' level of assurance and nine a 'Limited' level of assurance. No audits were given 'No' level of assurance.

During the year, we have made 9 'Priority 1' recommendations and these are summarised in *Appendix A2* of this report. 88 recommendations categorised as 'Priority 2' were also made.

In respect of follow up of recommendations, internal audit has an established process for tracking the implementation of recommendations raised and enabling Management to report on their status to each Audit Committee meeting. During the year, we reviewed the implementation of recommendations as they fell due and confirmed their implementation status.

All recommendations made during the year were accepted by Management.

Covid-19:

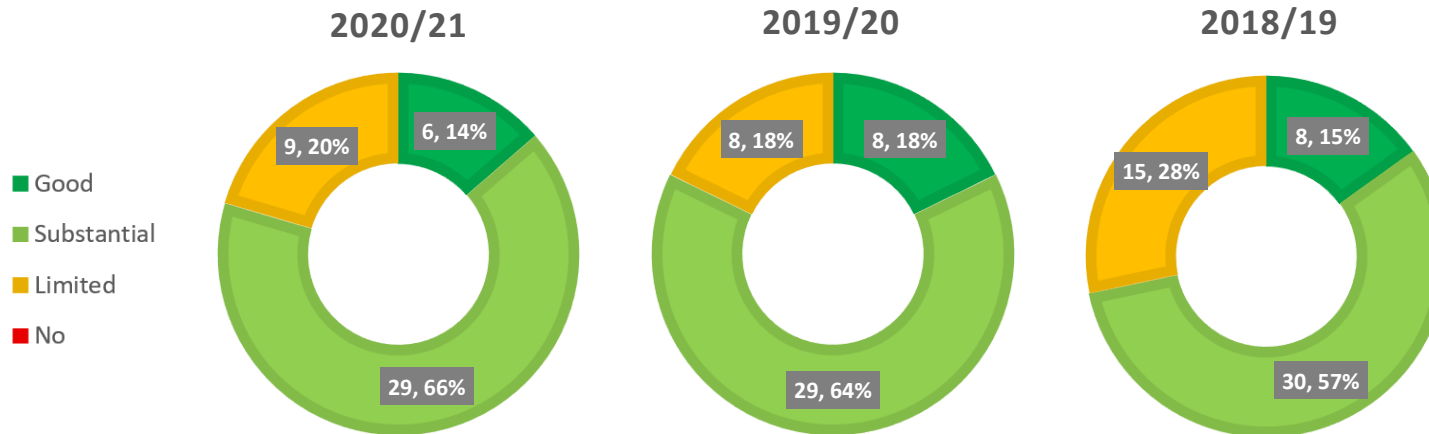
Our annual internal audit opinion reflects the revised audit plan agreed and is not limited in scope, to the extent that the assurance provided by internal audit can only ever be reasonable, not absolute.'

Two specific audits were carried out to provide assurance over controls that were put in place by the Council in response to the Covid-19 pandemic. These were Payments to Suppliers which received a "Good" audit assurance, and Review of Covid-19 Governance and Controls which received a "Substantial" audit assurance.

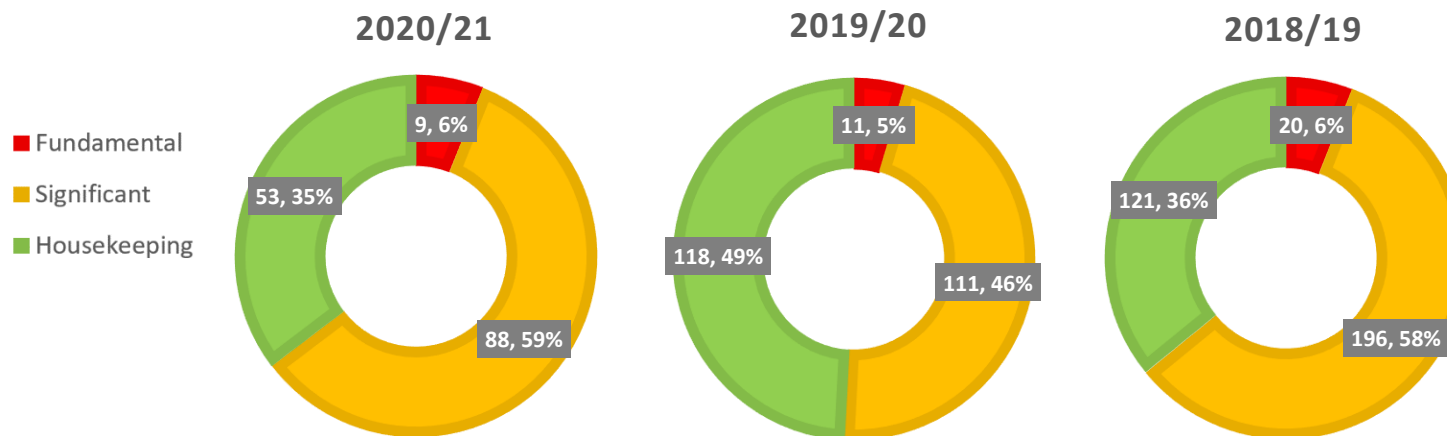
04 Benchmarking

This section compares the Assurance Levels (where given) and categorisation of recommendations made at the Council.

Comparison of Assurance Levels (where given)



Comparison of Recommendations by categorisation



05 Performance of Internal Audit

Internal Audit Quality Assurance

In order to ensure the quality of the work we perform, we have a programme of quality measures, which includes:

- Supervision of staff conducting audit work;
- Review of files of working papers and reports by managers and partners;
- The use of satisfaction surveys for each completed assignment;
- Annual appraisal of audit staff and the development of personal development and training plans;
- Sector specific training for staff involved in the sector;
- Regular meetings of our Sector Strategy Groups, which issues technical guidance to inform staff and provide instruction with regard to technical issues; and
- The maintenance of the firm's Internal Audit Manual.

Conflicts of Interest

There have been no instances during the year which have impacted on our independence and objectivity, and/or lead us to declare any interest.

Performance Measures

We have completed our audit work in accordance with the agreed Plan and each of our final reports has been reported to the Audit Committee.

Quarterly monitoring against KPIs set out in our contract is reported to the Head of Finance and the Executive Director – Resources and Transformation.

Satisfaction surveys have been issued to the Council for each audit together with the final report. 15 surveys have been returned to date, for which the Council provided 'very good' ratings in all cases.

Fortnightly meetings with the Deputy Head of Finance, and quarterly meetings with the Executive Director of Resources and Transformation have taken place in order to monitor progress against plan.

Compliance with professional standards

We employed a risk-based approach to determining the audit needs of the Council at the start of the year and use a risk-based methodology in planning and conducting our audit assignments. Our work has been performed in accordance with PSIAS and has regard to the Committee on Standards of Public Life's "Seven Principles of Public Life".

A1 Summary of Internal Audit work undertaken in 2020/21

The following reviews were undertaken during the 2020/21 audit year:

Auditable Area	Level of Assurance (evaluation / testing)	Days		Recommendations				
		Budget	Actual	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total	Total agreed by Management
Budgetary Control	Good / Good	10	10	-	-	1	1	1
Main Accounting	Good / Good	12	12	-	-	1	1	1
Accounts Payable	Good / Good	12	12	-	-	1	1	1
Medium Term Financial Strategy (MTFS)	Good / Good	10	10	-	-	-	-	-
Payments to Suppliers	Good / Good	5	5	-	-	-	-	-
Accounts Receivable	Good / Substantial	12	12	-	1	1	2	2
Capital Programme	Good / Substantial	10	10	-	1	-	1	1
Human Resources Recruitment Vetting	Substantial / Good	4	4	-	1	-	1	1
Payroll & Pensions Administration DRAFT	Substantial / Substantial	12	12	-	4	2	6	
Housing Benefit & Local Council Tax Support	Substantial / Substantial	10	10	-	1	2	3	3
HR – Grievance Process	Substantial / Substantial	10	10	-	1	-	1	1

Auditable Area	Level of Assurance (evaluation / testing)	Days		Recommendations				
		Budget	Actual	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total	Total agreed by Management
Safer Walsall Partnership Plan Follow up DRAFT	Substantial / Substantial	5	5	-	1	1	2	
Home to School Transport	Substantial / Substantial	10	10	-	1	-	1	1
Troubled Families Grant	Substantial / Substantial	12	12	-	1	2	3	3
Community Services provided by Maintained Schools	Substantial / Substantial	10	10	-	1	-	1	1
Partnership Relationships	Substantial / Substantial	10	10		4	-	4	4
Review of Covid-19 Governance & Controls	Substantial / Substantial	7	7	-	1	-	1	1
Commercialism - DRAFT	Substantial / Substantial	10	10	-	2	1	3	
IT Impacts of Covid-19 - DRAFT	Substantial / Substantial	15	15	-	1	2	3	
Council Tax and NNDR	Substantial / Limited	16	16	1	6	1	8	8
Resilient Communities Implementation - DRAFT	Substantial / Limited	10	10	-	3	-	3	
Procurement – DRAFT	Substantial / Limited	15	15	2	1	1	4	
Walsall Proud Programme – Governance	Substantial/ Limited	15	15	-	4	-	4	4
Confidential Reporting (Whistleblowing)	Limited/ Limited	4	4	-	3	1	4	4

Auditable Area	Level of Assurance (evaluation / testing)	Days		Recommendations				
		Budget	Actual	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total	Total agreed by Management
Growth Deal	N/A	7	7	-	-	-	-	-
Totals		253	253	3	38	17	58	37
%				5%	66%	29%	100%	

The following school reviews were undertaken during the 2020/21 audit year:

Auditable Area	Level of Assurance (evaluation / testing)	Days		Recommendations				
		Budget	Actual	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total	Total agreed by Management
Delves Infant and Nursery School	Good/ Good	5	5	-	-	1	1	1
Brownhills West Primary	Good / Substantial	5	5	-	2	1	3	3
Rowley View Nursery	Substantial / Substantial	4	4	-	1	3	4	4
Blue Coat Federation	Substantial / Substantial	10	10	-	3	2	5	5
Elmwood School	Substantial / Substantial	4	4	-	2	2	4	4
Whetstone Filed Primary School	Substantial / Substantial	5	5	-	4	2	6	6
County Bridge Primary	Substantial / Substantial	5	5	-	3	1	4	4
St Francis of Assisi Catholic College	Substantial / Substantial	4	4	-	2	1	3	3
Pool Hayes Primary	Substantial / Substantial	4	4	-	2	2	4	4
Salisbury Primary	Substantial / Substantial	5	5	-	2	-	2	2
Short Heath Federation	Substantial / Substantial	10	10	-	5	3	8	8
St Anne's Catholic Primary School	Substantial / Substantial	5	5	-	1	4	5	5

Auditable Area	Level of Assurance (evaluation / testing)	Days		Recommendations				
		Budget	Actual	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total	Total agreed by Management
St Bernadette's Catholic Primary School	Substantial / Substantial	5	5	-	2	2	4	4
St Joseph's Catholic Primary School	Substantial / Substantial	5	5	-	3	-	3	3
St Mary's of the Angels Catholic Primary School	Substantial / Substantial	5	5	-	2	3	5	5
St Peter's Catholic Primary School	Substantial / Substantial	5	5	-	3	1	4	4
St Francis Catholic Primary School	Substantial / Limited	4	4	1	6	2	9	9
Whitehall Nursery & Infant School	Substantial / Limited	5	5	2	2	1	5	5
Castlefort Primary	Substantial/ Limited	5	5	2	3	2	7	7
Abbey Primary	Limited/ Substantial	5	5	1	2	3	6	6
Totals		105	105	6	50	36	92	92
%				7%	54%	39%		

A2 Assurance rating, recommendation level, and annual opinion definitions

We use the following levels of assurance and recommendation classifications within our audit reports except for Learner Numbers where we provide an assessment of compliance:

Assurance Level	Adequacy of system design	Effectiveness of operating controls
Good Assurance	There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied, or any weaknesses identified do not affect key controls and are unlikely to impair the achievement of the objectives of the system.
Substantial Assurance	Whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk.	While controls are generally operating effectively, there are weaknesses which put some of the system objectives at risk.
Limited Assurance	Weaknesses in the system of internal control design are such as to put the system objectives at risk.	The level of non-compliance puts the system objectives at risk.
No Assurance	Control is generally weak leaving the system open to significant error or abuse.	Significant non-compliance with basic controls leaves the system open to error or abuse.

Recommendation Grading	Definition
Priority 1 (Fundamental)	Recommendations which are fundamental to the system and upon which the organisation should take immediate action. Major issues for the attention of senior management and the Audit Committee
Priority 2 (Significant)	Recommendations which, although not fundamental to the system, provide scope for improvements to be made. Recommendations for local management action in their areas of responsibility.
Priority 3 (Housekeeping)	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed. Detailed problems of a minor nature resolved on site through discussions with local management.

A3 Statement of Responsibility

We take responsibility to Walsall Council for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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