

Walsall Council

Internal Audit Progress Report 2021/22

Audit Committee – 22nd November 2021

Prepared by: Mazars LLP

Date: November 2021



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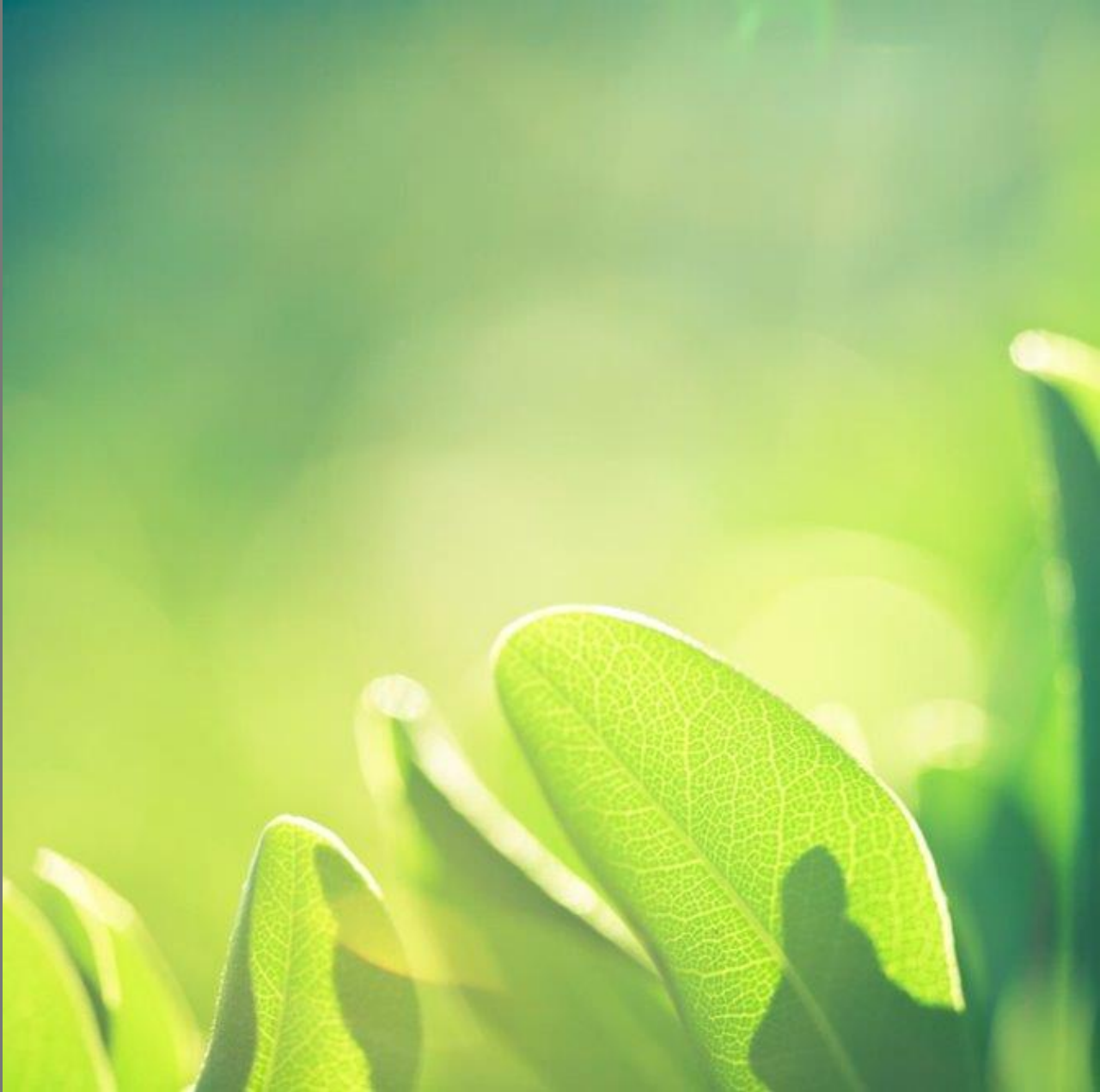
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Status of our Reports

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 on the final page of this report for further information about responsibilities, limitations and confidentiality.



01

Section 01: **Introduction**



Introduction

This progress report to the Audit Committee covers the work carried out since the last audit committee by Mazars LLP.

The 2021/22 audit plan was agreed at Audit Committee in March 2021 and both the Strategic Risk Register and the Covid-19 Strategic Risk Register informed the audits included in the plan. Due to the Council's blended way of working, we will adapt our approach to ensure that front line services are not impaired by our work, but we must continue to assure members and management that risks are being managed effectively.

The Internal Audit Standards Advisory Board has developed guidance to support both heads of internal audit and individual auditors working in the UK public sector and we will be complying with this guidance in all of our work.

The vast majority of audits completed continue to be carried out remotely and the audit scopes are designed with that in mind. For schools audits, there are a couple of scope areas that have been omitted to accommodate remote working. Where there are known risks within the omitted scope areas, we have agreed with the schools that we will carry out specific testing in these areas later in the year.

One High priority recommendation was raised during the period.

Background

The purpose of the internal audit plan is to identify the work required to achieve a reasonable level of assurance to be provided by Mazars LLP in compliance with the Code of Practice for Internal Audit.

The fundamental role of Internal Audit is to provide senior management and Members with independent assurance on the adequacy, effectiveness and efficiency of the system of internal control, and to report major weaknesses together with recommendations for improvement. This role is fulfilled by carrying out appropriate audit work, normally in accordance with a strategic plan and an annual operational plan, as approved by the Chief Finance Officer and the Audit Committee.

As internal audit is a major source of assurance that the Council is effectively managing the principal risks to the achievement of its corporate objectives, a key rationale for the development of the internal audit plan was the Council's own Strategic, Covid-19 and Directorate Risk Registers and how the internal audit plan can provide this assurance.



02

Section 02:

Progress to Date

Progress to Date

Progress against the 2021/22 Internal Audit Plan is shown in Appendix 1

We have issued the following 2021/22 Final Reports since the last meeting of the Audit Committee:

- Hillary Primary School (Evaluation / Testing Assurance: **Moderate / Limited**)
- Sandbank Nursery (Evaluation / Testing Assurance: **Moderate / Moderate**)
- St James Primary School (Evaluation / Testing Assurance: **Moderate / Moderate**)
- Oakwood School (Evaluation / Testing Assurance: **Substantial / Substantial**)
- Housing Benefit & Council Tax Reduction (Evaluation / Testing Assurance: **Moderate / Substantial**)
- Barcroft Primary School (Evaluation / Testing Assurance: **Limited / Limited**)
- New Invention Junior School (Evaluation / Testing Assurance: **Limited / Moderate**)
- Leighswood Primary School (Evaluation / Testing Assurance: **Moderate / Moderate**)

We have issued the following 2021/22 Draft Reports since the last meeting of the Audit Committee:

- Secondments & Acting Up Arrangements
- Old Hall School
- Mary Elliot School
- Valley Nursery



Follow-up of Recommendations

2018/19, 2019/20, 2020/21, 2021/22

The table below highlights the number of recommendations raised in the final audit reports for 2018/19, 2019/20 and 2020/21. It should be noted that progress in implementing recommendations raised is due for follow up as part of the 2021/22 audit plan, and summary of findings to date is shown in the table below:

Year	Total Recommendations	Implemented and/or no longer relevant	%	Implemented, no longer relevant and/or partly implemented	%
2018/19	333	324	97%	332	99%
2019/20	226	213	94%	221	98%
2020/21	137	122	89%	129	94%
2021/22	48	36	75%	36	75%

The table below highlights outstanding high priority actions:

Year	Partly implemented	Not implemented	Not yet due	Superseded
2018/19	1			
2019/20	2	1		
2020/21	1		2	
2021/22				

Definition of Assurance & Priorities

Audit Assessment

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used.

Definitions of Assurance Levels		
Assurance Level	Adequacy of system design	Effectiveness of operating controls
Substantial Assurance:	The framework of governance, risk management and control is adequate.	The control processes tested are being consistently applied.
Moderate Assurance:	Some improvements are required to enhance the adequacy of the framework of governance, risk management and control.	There is evidence that the level of non-compliance with some of the control processes may put some of the Organisation's objectives at risk.
Limited Assurance:	There are significant weaknesses in the framework of governance, risk management and control such that it could become inadequate.	The level of non-compliance puts the Organisation's objectives at risk.
Unsatisfactory Assurance:	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate or is likely to fail.	Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.

Grading of recommendations

In order to assist management in using our reports, we categorise our recommendations according to their level of priority as follows:

Definitions of Recommendations	
Priority	Description
High	Significant weaknesses in governance, risk management and control that if unresolved exposes the Council to an unacceptable level of residual risk. Remedial action must be taken urgently and within an agreed timescale.
Medium	Weakness in governance, risk management and control that if unresolved exposes the organisation to a high level of residual risk. Remedial action should be prioritised and undertaken within an agreed timescale.
Low	Scope for improvement in governance, risk management and control. Remedial action should be taken at the earliest opportunity and within an agreed timescale.

Section 04:

Appendix:

1. Status of Audit Work 2021/22
2. Follow-up of Recommendations 2018/19, 2019/20
2020/21 & 2021/22

Appendix 1 – Status of Audit Work 2021/22

The table below lists the 2021/22 Internal Audit Plan progress and a status summary for all of the reviews to date.

Assurance Requirement	Audit	Scope	Days	Status	Assurance Level	Total	H	M	L
Core Financial Systems	Main Accounting	Covering continuous auditing of the adequacy and effectiveness of controls including access control, journals, virements, etc	10	Q3					
	Accounts Payable	Covering continuous auditing of the adequacy and effectiveness of controls over the payment of creditor invoices.	10	Q3					
	Accounts Receivable	Covering continuous auditing of the adequacy and effectiveness of controls over the Accounts Receivable system.	10	Q3					
	Treasury Management	Covering of the adequacy and effectiveness of controls over investments, loans, management information, etc.	8	Q3					
	Budgetary Control	To cover the strategic approach to co-ordinating budgetary control, monitoring and reporting, and also testing a sample of departments.	8	Q4					
	Council Tax	Covering the adequacy and effectiveness of controls including liabilities, billing, cash collection, recovery and accounting.	8	Q4					
	NNDR	Covering the adequacy and effectiveness of controls including Business Rate Retention Scheme, liabilities, billing, cash collection, recovery and accounting.	8	Q4					
	Housing Benefit & Local Council Tax Support	<ul style="list-style-type: none"> Administration & Assessment of New Claims Local Housing Allowance Reviews Backdated Benefits / Discretionary Payments Cancellations, Overpayments & Recovery Action Fraud Management 	10	Final Report (Oct 2021)	Moderate / Substantial	2	-	1	1

Appendix 1 – Status of Audit Work 2021/22

The table below lists the 2021/22 Internal Audit Plan progress and a status summary for all of the reviews to date.

Assurance Requirement	Audit	Scope	Days	Status	Assurance Level	Total	H	M	L
Core Financial Systems	Payroll and Pensions Administration	Covering the adequacy and effectiveness of controls over starters, leavers, amendments, etc.	12	Q4					
Operational Risks	One Source: Hierarchy Controls	Management of the Integrated System	12	Q4					
	Asset Management	Corporate Landlord: Asset Management Strategy, Asset Management System, Asset Register	12	Q4					
	Workforce Planning	To cover controls over the revised Corporate Workforce Strategy, including the succession planning, recruitment and retention and links to the WPP.	10	Q3					
	Regulation of Investigatory Powers Act 2000 (RIPA)	<ul style="list-style-type: none"> Covert Surveillance of Social Networking Sites Applications and Approval of Surveillance Maximising the use of RIPA Powers Monitoring and Reporting 	8	Fieldwork completed – in review					
	Growth Deal	Annual Audit	8	Fieldwork started w/c 1 November					
	Mental Health and Learning Disabilities	Covering control over the service provided to vulnerable clients.	10	Q4					
	Governance Arrangements for Monitoring Public Health Outcomes	Review the arrangements in place for the governance, monitoring and reporting of Public Health outcomes	10	Q3					

Appendix 1 – Status of Audit Work 2021/22

The table below lists the 2021/22 Internal Audit Plan progress and a status summary for all of the reviews to date

Assurance Requirement	Audit	Scope	Days	Status	Assurance Level	Total	H	M	L
Operational Risks	Children's' Services / IFM Capital	Capital planning, procurement, project management and delivery etc for schools expansions and builds	12	Fieldwork – started w/c 30 th Sept					
	Youth Justice	Covering control over the service provided to vulnerable clients.	8	Q4					
Strategic Risks	Troubled Families	Covering adequacy and effectiveness of controls in place over eligibility, payments and achievement of progress measures.	10	Q4					
	Walsall Proud Programme	Covering adequacy and effectiveness of controls in place over transformation projects.	30	Q3-4					
	Information Governance	<ul style="list-style-type: none"> • Training & Awareness of Policies & Procedures • Obtaining & Handling Data (including Consent) • Storing & Sharing Data • Data Breach Incident Reporting • External Reviews & Compliance Checks • Management Reporting 	16	Fieldwork completed – in review					
	Contract Management	Covering adequacy and effectiveness of the Council's corporate approach to contract management.	15	Q3					
	Commissioning Strategy	Relationships with the Community and Voluntary Sector	15	Q4					
	Covid-19 Controls	To be used as necessary during and following Covid-19 pandemic.	10	Q3-4					
	Business Continuity	Covering adequacy and effectiveness of the Council's arrangements for Business Continuity	15	Fieldwork – started w/c 25 th Oct					

Appendix 1 – Status of Audit Work 2021/22

The table below lists the 2021/22 Internal Audit Plan progress and a status summary for all of the reviews to date

Other Considerations		Days	Comments		
Schools	To provide the Chief Finance Officer with adequate assurance over standards of financial management and the regularity and probity of spend	110	See individual School Audit update		
ICT	The specific audits and scopes will be agreed with management – to include Cyber Security.	30			
Governance and Risk Management	The use of CRSA to provide assurance that managers understand their requirements and take ownership of their responsibilities. Risk Management Workshops for staff and Members. Review of individual risks registers as agreed with management.	40	Working with Directors Group, Risk Management presentation to SMG in September		
Counter Fraud	Internal Audit will work with the Council in the development of fraud risk, attendance at Midlands Fraud Group meetings and carry out the role of key contact for the NFI and data match reviews	15	Attendance at Midlands Fraud Group Meetings, co-ordination of NFI data match reviews.		
Management and Reporting Activities					
Follow Up	Follow-up of all priority 1 and 2 recommendations made in final reports issued.	20	Ongoing follow up as recommendations fall due		
Management, Advice and Planning	Including attendance at Audit Committee	70			
Additional Requests	Secondments and Acting Up Arrangements	10	Fieldwork – started 8th September		
	Compliance and Enforcement Surge Funding Grant	3	Grant completed and signed off		
	HIV-Prep Sexual Health Grant	3	Grant completed and signed off		
	Assessed and Supported Year in Employment (Adults & Children)	6	Grant completed and signed off for Adults. Children ongoing		
Contingency	Contingency allocation to be utilised upon agreement of the Chief Finance Officer.	33			
Total		625			

Appendix 1 – Status of Audit Work 2021/22 (Schools)

The table below lists the 2021/22 Internal Audit Plan progress and a status summary for all of the school reviews to date.

Audit	Days	Audit Scope	Status	Assurance Level	Total	H	M	L
Pinfold Street Primary School	5	To provide the Chief Finance Officer with adequate assurance over standards of financial management and the regularity and probity of spend	Final Report Issued (Sept 2021)	Substantial / Moderate	4	-	1	3
Chuckery Primary School	5	To provide the Chief Finance Officer with adequate assurance over standards of financial management and the regularity and probity of spend	Final Report issued (July 2021)	Moderate / Moderate	4	-	3	1
Old Church C of E Primary School	5	To provide the Chief Finance Officer with adequate assurance over standards of financial management and the regularity and probity of spend	Final Report issued (July 2021)	Substantial / Substantial	2	-	-	2
Lindens Primary School	5	To provide the Chief Finance Officer with adequate assurance over standards of financial management and the regularity and probity of spend	Final Report issued (July 2021)	Moderate / Substantial	4	-	1	3
Beacon Primary School	5	To provide the Chief Finance Officer with adequate assurance over standards of financial management and the regularity and probity of spend	Final Report Issued (Sept 2021)	Moderate / Moderate	3	-	3	-
St Michael's CE Primary School	5	To provide the Chief Finance Officer with adequate assurance over standards of financial management and the regularity and probity of spend	Final Report issued (Sep 2021)	Moderate / Moderate	9	-	5	4

Appendix 1 – Status of Audit Work 2021/22 (Schools)

The table below lists the 2021/22 Internal Audit Plan progress and a status summary for all of the schools reviews to date.

Audit	Days	Audit Scope	Status	Assurance Level	Total	H	M	L
Sandbank Nursery	5	To provide the Chief Finance Officer with adequate assurance over standards of financial management and the regularity and probity of spend	Final Report issued (Oct 2021)	Moderate / Moderate	7	-	6	1
Hillary Primary School	5	To provide the Chief Finance Officer with adequate assurance over standards of financial management and the regularity and probity of spend	Final Report issued (Sept 2021)	Moderate / Limited	9	-	7	2
St James Primary School	5	To provide the Chief Finance Officer with adequate assurance over standards of financial management and the regularity and probity of spend	Final Report issued (Oct 2021)	Moderate / Moderate	4	-	4	-
Oakwood School	5	To provide the Chief Finance Officer with adequate assurance over standards of financial management and the regularity and probity of spend	Final Report Issued (Oct 2021)	Substantial / Substantial	1	-	-	1
Barcroft Primary School	5	To provide the Chief Finance Officer with adequate assurance over standards of financial management and the regularity and probity of spend	Final Report Issued (Nov 2021)	Limited / Limited	16	-	10	6
Leighswood School	5	To provide the Chief Finance Officer with adequate assurance over standards of financial management and the regularity and probity of spend	Final Report issued (Nov 2021)	Moderate / Moderate	4	-	2	2
Fullbrook Nursery	5	To provide the Chief Finance Officer with adequate assurance over standards of financial management and the regularity and probity of spend	Draft Report Issued (Nov 2021)					

Appendix 1 – Status of Audit Work 2021/22 (Schools)

The table below lists the 2021/22 Internal Audit Plan progress and a status summary for all of the schools reviews to date.

Audit	Days	Audit Scope	Status	Assurance Level	Total	H	M	L
New Invention Junior	5	To provide the Chief Finance Officer with adequate assurance over standards of financial management and the regularity and probity of spend	Final Report issued (Nov 2021)	Limited / Moderate	11	1	7	3
Old Hall School	5	To provide the Chief Finance Officer with adequate assurance over standards of financial management and the regularity and probity of spend	Draft Report issued (Nov 2021)					
Mary Elliot School	5	To provide the Chief Finance Officer with adequate assurance over standards of financial management and the regularity and probity of spend	Draft Report issued (Nov 2021)					
Valley Nursery	5	To provide the Chief Finance Officer with adequate assurance over standards of financial management and the regularity and probity of spend	Draft Report issued (Nov 2021)					
St Thomas More	5	To provide the Chief Finance Officer with adequate assurance over standards of financial management and the regularity and probity of spend	w/c 8 th Nov					
Alumwell Nursery	5	To provide the Chief Finance Officer with adequate assurance over standards of financial management and the regularity and probity of spend	w/c 8 th Nov					
Ogley Hay Nursery	5	To provide the Chief Finance Officer with adequate assurance over standards of financial management and the regularity and probity of spend	w/c 15 th Nov					

Appendix 1 – Status of Audit Work 2021/22 (Schools)

The table below lists the 2021/22 Internal Audit Plan progress and a status summary for all of the schools reviews to date.

Audit	Days	Audit Scope	Status	Assurance Level	Total	H	M	L
Millfields Nursery	5	To provide the Chief Finance Officer with adequate assurance over standards of financial management and the regularity and probity of spend	w/c 8 th March					

Appendix 2 - Follow-up of Recommendations 2018/19, 2019/20, 2020/21 & 2021/22

Follow-up audits have been undertaken in accordance with the 2021/22 audit plan. The objective was to confirm the extent to which the recommendations made in 2018/19, 2019/20 and 2020/21 internal audit final reports have been implemented.

Summary of Recommendations Raised and Follow Up Status - 2018/19

Audit	Assurance Level	Status														
		Total Number of Audit Actions			Implemented			Partly Implemented			Outstanding Past Due Date			Due Date Not Reached		
		H	M	L	H	M	L	H	M	L	H	M	L	H	M	L
Licensing (November 2018)	Limited / Limited	2	5	4	2	3	4	-	2	-	-	-	-	-	-	-
Communication & Staff Engagement (June 2019)	Substantial / Substantial	-	2	1	-	1	1	-	-	-	-	1	-	-	-	-
ICT Business Continuity (June 2019)	Limited / Limited	1	2	1	-	-	1	1	1	-	-	-	-	-	1	-
Commissioning of Placements (June 2019)	Limited / Substantial	-	8	1	-	7	1	-	1	-	-	-	-	-	-	-
		3	17	7	2	11	7	1	4	-	-	1	-	-	1	-
		27			20			5			1			1		

Summary of Recommendations Raised and Follow Up Status - 2019/20

Audit	Assurance Level	Status														
		Total Number of Audit Actions			Implemented			Partly Implemented			Outstanding Past Due Date			Due Date Not Reached		
		H	M	L	H	M	L	H	M	L	H	M	L	H	M	L
New Art Gallery (September 2019)	Limited / Substantial	2	3	1	1	2	1	1	1	-	-	-	-	-	-	-
Apprenticeships (December 2019)	Substantial / Substantial	-	3	1	-	1	1	-	-	-	-	2	-	-	-	-
Saddlers Centre Management (March 2020)	Substantial / Limited	2	3	-	1	1	-	-	-	-	1	2	-	-	-	-
Social Media (February 2020)	Limited / Limited	2	4	-	1	-	-	1	4	-	-	-	-	-	-	-
Cyber Security (April 2020)	Limited / Limited	-	2	2	-	1	2	-	1	-	-	-	-	-	-	-
		6	15	4	3	5	4	2	6	-	1	4	-	-	-	-
		25			12			8			5			-		

Summary of Recommendations Raised and Follow Up Status - 2020/21

Audit	Assurance Level	Status														
		Total Number of Audit Actions			Implemented			Partly Implemented			Outstanding Past Due Date			Due Date Not Reached		
		H	M	L	H	M	L	H	M	L	H	M	L	H	M	L
HR Recruitment Vetting (November 2020)	Substantial / Good	-	1	-	-	-	-	-	-	-	-	1	-	-	-	-
HR Grievances (March 2021)	Substantial / Substantial															
Short Heath Federation (January 2021)	Substantial / Substantial	-	5	3	-	4	3	-	-	-	-	-	-	-	1	-
Confidential Reporting - Whistleblowing (March 2021)	Limited / Limited	-	3	1	-	1	1	-	1	-	-	1	-	-	-	-
Accounts Receivable (April 2021)	Good / Substantial	-	1	1	-	-	1	-	1	-	-	-	-	-	1	-
Council Tax & NNDR (April 2021)	Substantial / Limited	1	6	1		5	1	1	1	-	-	-	-	-	-	-
Economy, Environment & Communities Capital Programme (June 2021)	Good / Substantial	-	1	-	-	-	-	-	1	-	-	-	-	-	-	-
Walsall Proud Programme – Governance (June 2021)	Substantial / Limited	-	4	-	-	2	-	-	2	-	-	-	-	-	-	-
Partnership Relationships (July 2021)	Substantial / Substantial	-	2	3	-	-	3	-	-	-	-	-	-	-	2	-
Commercialism (July 2021)	Substantial / Substantial	-	2	1	-	-	1	-	-	-	-	-	-	-	2	-
Troubled Families (March 2021)	Substantial / Substantial	-	1	2	-	-	2	-	-	-	-	-	-	-	1	-
		1	26	12	-	12	12	1	6	-	-	2	-	-	7	-
			40			24			7			2			7	

Summary of Recommendations Raised and Follow Up Status - 2021/22

Audit	Assurance Level	Status														
		Total Number of Audit Actions			Implemented			Partly Implemented			Outstanding Past Due Date			Due Date Not Reached		
		H	M	L	H	M	L	H	M	L	H	M	L	H	M	L
Chuckery Primary (July 2021)	Moderate / Moderate	-	2	1	-	-	1	-	-	-	-	-	-	-	2	-
Lindens Primary (July 2021)	Substantial / Moderate	-	1	3	-	-	3	-	-	-	-	-	-	-	1	-
St Michaels CE Primary School (Sept 2021)	Moderate / Moderate	-	5	4	-	2	4	-	-	-	-	-	-	-	3	-
Sandbank Nursery (Oct 2021)	Moderate / Moderate	-	6	1	-	4	1	-	-	-	-	-	-	-	2	-
Housing Benefit & CTR (Oct 2021)	Moderate / Substantial	-	1	1	-	-	1	-	-	-	-	-	-	-	1	-
		-	15	10	-	6	10	-	-	-	-	-	-	-	9	-
			25			16			-			-			9	

Section 05 - 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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