



WALSALL COUNCIL

INTERNAL AUDIT PROGRESS REPORT

Audit Committee – 12th April 2021

Status of our reports

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 5 of this report for further information about responsibilities, limitations and confidentiality.

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Introduction

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

Audit planning discussions with key members of management had been completed prior to the Covid-19 pandemic, and their suggestions included in the plan. However, while these suggestions may remain important, some aspects of service delivery and ways of working will have to be transformed and systems of internal control need to change along with these. The Covid-19 Strategic Risk Register has informed some of the audits included in the proposed plan, and the Corporate Management Team has approved these suggestions. 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 schools audits we have completed since April have all been carried out remotely and we have amended the usual scope accordingly. 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.

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.

Progress to Date

Progress against the 2020/21 Internal Audit Plan is shown in Appendix 1.

We have issued the following 2020/21 Final reports since the last meeting of the Audit Committee:

- Confidential Reporting (Whistleblowing) (Evaluation assurance: **Limited**. Testing assurance **Limited**)
- Home to School Transport (Evaluation assurance: **Substantial**. Testing assurance **Substantial**)

- Pool Hayes Primary School (Evaluation assurance: **Substantial**. Testing assurance **Substantial**)
- St Bernadette's Catholic Primary School (Evaluation assurance: **Substantial**. Testing assurance **Substantial**)
- HR Grievance Processes (Evaluation assurance: **Substantial**. Testing assurance **Substantial**)
- Troubled Families Grant (Evaluation assurance: **Substantial**. Testing assurance **Substantial**)

We have issued the following 2020/21 Draft reports since the last meeting of the Audit Committee:

- Council Tax / NNDR
- Accounts Payable
- Accounts Receivable
- Main Accounting
- Budgetary Control

Progress to Date Follow-up of Recommendations

2017/18, 2018/19, 2019/20, 2020/21

The table below highlights the number of recommendations raised in the final audit reports for 2017/18, 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 2020/21 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	%
2017/18	375	371	99%	372	99%
2018/19	333	315	95%	329	99%
2019/20	226	205	91%	213	94%
2020/21	98	87	89%	90	92%

The table below highlights the number of outstanding high priority actions:

Year	Partly Implemented	Not Implemented	Not Yet Due	Superceded
2018/19	3			
2019/20	3	3		
2020/21				

Definition of Assurance & Priorities

Proposed changes to the classification system for internal audit reporting

From April 2021, we are proposing to align our definitions for audit assurance and recommendations with that of the Government Internal Audit Agency, which will enable us to effectively benchmark across the public sector.

Proposed Audit assessment

Opinion

Substantial

The framework of governance, risk management and control is adequate and effective.

Moderate

Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.

Limited





There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.

Unsatisfactory

There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

Current 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:

Level	Symbol	Adequacy of system design	Effectiveness of operating controls
Good		There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
Substantial		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.	There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited		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.
Nil		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.

The assessment gradings provided here are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board and as such the grading of 'Good' does not imply that there are no risks to the stated control objectives.

Proposed Grading of recommendations

Priority	Definition	Action required
High	Significant weakness in governance, risk management and control that if unresolved exposes the organisation 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.

Current Grading of recommendations

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

Level	Definition
Priority 1	Recommendations which are fundamental to the system and upon which the organisation should take immediate action.
Priority 2	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
Priority 3	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.

Priority 1 Recommendations

No Priority 1 recommendations have been raised in the final reports issued since the last Audit Committee meeting.

Appendix 1 – Status of Audit Work 2020/21

	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
							Evaluation	Testing	1	2	3	
Core Financial Systems	Housing Benefit & Local Council Tax Support	<ul style="list-style-type: none"> • Policies, Procedures & Legislation • Administration & Assessment of New Claims • Local Housing Allowance • Reviews • Backdated Benefits / Discretionary Payments • Payments & Reconciliations • Cancellations, Overpayments & Recovery Action • Covid-19 Hardship Fund 2020-21 • Fraud Management • Impact Planning for Universal Credits 	12	12	Q2	Final Report Issued (Dec 20)	Substantial	Substantial	-	1	2	
	Accounts Payable	<ul style="list-style-type: none"> • Policies, Procedures & Legislation • Creditor Transactions & Records • Standing Data Amendments • Purchase Order Processing • Goods Receipting • Invoice Processing • Payments Processing • Procurement Cards • Management Reporting 	12	11	Q3	Draft Report Issued (Mar 21)						
	Accounts Receivable	<ul style="list-style-type: none"> • Policies, Procedures & Legislation • Debtor Transactions & Records • Standing Data Amendments • Raising Invoices / Bills • Collection • Refunds • Debt Recovery & Enforcement • Management Reporting 	12	11	Q3	Draft Report Issued (Mar 21)						
	Council Tax & NNDR	<ul style="list-style-type: none"> • Policies, Procedures & Legislation • Reconciliations • Transactions & Records • Discounts, Exemptions, Allowances & Premiums • Billing • Collection & Refunds • Recovery & Enforcement • Suspense Account 	16	15	Q4	Draft Report Issued (Mar 21)						

	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
							Evaluation	Testing	1	2	3	
		<ul style="list-style-type: none"> • Write Off • Management of Collection Rates • Covid-19 Business Rate Relief • Business Rates Retention Pilot Scheme 										
	Payroll & Pensions Administration	<ul style="list-style-type: none"> • Regulatory, Organisational & Management Requirements • Payroll & Pensions Transactions and Records • Starters • Leavers • Variations & Adjustments to Pay • Deductions • Payments • Reconciliations 	12	9	Q4	Work Ongoing						
	Budgetary Control	<ul style="list-style-type: none"> • Regulatory, Organisational & Management Requirements • Budget Setting • Budget Upload • Budget Monitoring • Alterations & Virements • Budget Savings, Savings Delivery Monitoring & Financial Risk 	10	9	Q4	Draft Report Issued (Mar 21)						
	Main Accounting	<ul style="list-style-type: none"> • Regulatory, Organisational & Management Requirements • Accounting Records including Access Control • Accounting Transactions & Manual Adjustments • Financial & Performance Management Reporting • Reconciliations • Systems Security 	12	11	Q3	Draft Report Issued (Mar 21)						
Core Financial Systems Total			86	78								
Resources & Transformation												
Operational Risks	Confidential Reporting (Whistleblowing)	<ul style="list-style-type: none"> • Policies, Procedures & Legislation • Confidential Reporting (Whistleblowing) Procedure • Take Up of Whistleblowing Allegations • Monitoring & Reporting 	4	4	Q2	Final Report Issued (Mar 21)	Limited	Limited	-	3	1	

	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
							Evaluation	Testing	1	2	3	
	Human Resources Recruitment Vetting	<ul style="list-style-type: none"> • Policies, Procedures & Legislation • Recruitment Vetting 	4	4	Q2	Final Report Issued (Nov 20)	Substantial	Good	-	1	-	
	MTFS	<ul style="list-style-type: none"> • Regulatory, Organisational & Management • Establishing Priorities & Alignment to Council's Strategy • Embedding the Plan • Monitoring & Reporting 	10	2	Q4	Work Ongoing						
	HR - Grievance Process	<ul style="list-style-type: none"> • Policies, Procedures & Legislation • Grievances Raised • Monitoring & Reporting 	10	10	Q2	Final Report Issued (Mar 21)	Substantial	Substantial	-	1	-	
	Growth Deal	Annual audit	7	7	Q3	n/a						
Economy & Environment												
	Resilient Communities Implementation	<ul style="list-style-type: none"> • Resilient Communities Model • Consultation • Governance • Implementation Plan 	10	5	Q4	Work Ongoing						
	Capital Programme	<ul style="list-style-type: none"> • Directorate Asset Management Plan • Governance Arrangements • Project Initiation • Monitoring • End of Project Evaluation • Expenditure • Budget Monitoring 	10	8	Q4	Work Ongoing						
	Safer Walsall Partnership Plan Follow up	<ul style="list-style-type: none"> • Safer Walsall Partnership Plan 	5	3	Q4	Work Ongoing						
Children's Services												
	Home to School Transport	<ul style="list-style-type: none"> • Policies, Procedures & Legislation • Recording of Service Users Details • Payment to Providers • COVID-19 	10	10	Q2	Final Report Issued (Mar 21)	Substantial	Substantial	-	1	-	

	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
							Evaluation	Testing	1	2	3	
	Troubled Families Grant	Covering adequacy and effectiveness of controls in place over eligibility, payments and achievement of progress measures.	12	12	Q4	Final Report Issued (Mar 21)	Substantial	Substantial	-	1	2	
	Community Services provided by Maintained Schools	<ul style="list-style-type: none"> • Policies, Procedures & Legislation • Approval to Set Up and Run Community Facilities • Supply of Financial Information • Treatment of Income & Surpluses • Taxation • Complaints 	10	5	Q2	Work Ongoing						
Adult Social Care												
	Partnership Relationships	Covering adequacy and effectiveness of controls in place covering market management and relationships with partners	10	2	Q4	ToR Issued						
Operational Risks Total			102	70								
Strategic Risks	Review of Covid-19 Governance & Controls	<ul style="list-style-type: none"> • Policies, Procedures & Legislation • Decision Making Procedure • Procurement of Goods and Services • Financial Spend Control 	7	7	Q2	Final Report Issued (Mar 21)	Substantial	Substantial	-	1	-	
	Payments to Suppliers	<ul style="list-style-type: none"> • Payment to Maintain Business Continuity • Other Contractual Relief • Accelerating Payment of Invoices 	5	5	Q2	Final Report Issued (Jan 21)	Good	Good	-	-	-	
	Procurement	<ul style="list-style-type: none"> • Policies, Procedures & Legislation • Governance Framework Compliance • Value for Money • Procurement Planning 	15	8	Q4	Work Ongoing						
	Walsall Proud Programme	<ul style="list-style-type: none"> • Programme Management Governance • Risk Management • Savings • Targets / Performance Measures 	10	2	Q4	Work Ongoing						

	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
							Evaluation	Testing	1	2	3	
	Commercialism	<ul style="list-style-type: none"> Income & Commercial Policy Income Generation & Cost Recovery Commercial Property Investments Management Information 	10	6	Q4	Work Ongoing						
Strategic Risks Total			47	28								
Governance, Fraud & other Assurance Methods	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	20	10	Q1-Q4							
	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	17	Q1-Q4							
	Assurance Mapping	Mapping assurances against risks across the Council and identifying assurance gaps.	20		Q1-Q4							
Governance, Fraud & other Assurance Methods			80	27								
Other	Follow-up of Recommendations	Follow-up of all priority 1 and 2 recommendations made in final reports issued.	25	20	Q1-Q4							
	Management, Advice and Planning	Including attendance at Audit Committee	70	50	Q1-Q4							
Other total			95	70								
ICT	IT Operating Model		12	6	Q4	Work Ongoing						
	IT Strategy		10	2								
	IT Covid Impact		8	6								
ICT total			30									
Schools	To provide the Chief Finance Officer with adequate assurance over standards of financial management and the regularity and probity of spend		120	112	Q1-Q3							

Schools Total		120	112	
Plan Total		560	401	
Ad Hoc Contingency	Contingency allocation to be utilised upon agreement of the Chief Finance Officer.			
Total		560	401	

School Audits

	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
							Evaluation	Testing	1	2	3	
Schools	Abbey Primary		5	5	Q1	Final Report Issued (Jul 2020)	Limited	Substantial	1	2	3	
	Blue Coat Federation		10	10	Q1	Final Report Issued (Jun 2020)	Substantial	Substantial	-	3	2	
	Brownhills West Primary		5	5	Q1	Final Report Draft (Jul 2020)	Good	Substantial	-	2	1	
	Castlefort Primary		5	5	Q1	Final Report Issued (Jun 2020)	Substantial	Limited	2	3	2	
	County Bridge Primary		5	5	Q1	Final Report Issued (Jun 2020)	Substantial	Substantial	-	3	1	
	Delves Infants & Nursery School		5	5	Q1	Final Report Issued (Jun 2020)	Good	Good	-	-	1	
	Pool Hayes Primary		4	4	Q3	Final Report Issued (Feb 2021)	Substantial	Substantial	-	2	2	
	Salisbury Primary		5	5	Q1	Final Report Issued (Jul 2020)	Substantial	Substantial	-	2	-	
	Short Heath Federation		10	10	Q1	Final Report Issued (Jan 2021)	Substantial	Substantial	-	5	3	
	St Anne's Catholic Primary School		5	5	Q1	Final Report Issued (Jun 2020)	Substantial	Substantial	-	1	4	
	St Bernadette's Catholic Primary School		5	5	Q2	Work Ongoing	Substantial	Substantial	-	2	2	
	St Francis Catholic Primary School		4	4	Q1	Final Report Issued (Jul 2020)	Substantial	Limited	1	6	2	
	St Joseph's Catholic Primary School		5	5	Q2	Final Report Issued (Jan 2020)	Substantial	Substantial	-	3	-	
	St Mary's of the Angels Catholic Primary School		5	5	Q2	Final Report Issued (Sep 2020)	Substantial	Substantial	-	2	3	
St Peter's Catholic Primary School		5	5	Q2	Final Report Issued (Jun 2020)	Substantial	Substantial	-	3	1		

	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
							Evaluation	Testing	1	2	3	
	Whetstone Field Primary School		5	5	Q3	Final Report Issued (Jan 2021)	Substantial	Substantial	-	4	2	
	Whitehall Infants & Nursery School		5	5	Q3	Final Report Issued (Oct 2020)	Substantial	Limited	2	2	1	
	Rowley View Nursery		4	3	Q3	Work Ongoing						
	Elmwood School		4	4	Q3	Final Report Issued (Oct 2020)	Substantial	Substantial	-	2	2	
	St Francis of Assisi Catholic College		4	4	Q3	Draft Report Issued (Oct 2020)	Substantial	Substantial	-	2	1	
	Admin Time inc SFVS		15	8								
Schools total			120	112								

Appendix 2 – Summary of Final Reports

Audit	Opinion		Main Findings
	Evaluation	Testing	
Confidential Reporting (Whistleblowing)	Limited	Limited	<ul style="list-style-type: none"> There is no established process for appointing an external investigator. There is a reliance on the recipient of concerns raised to inform the Monitoring Officer and ensuring it is progressed through the proper channels Records of actions agreed by CMT to address concerns raised is not maintained.
Home to School Transport	Substantial	Substantial	<ul style="list-style-type: none"> Service user details had not always been accurately recorded in Mosaic.
Review of Covid-19 Governance & Controls	Substantial	Substantial	<ul style="list-style-type: none"> Advice from procurement during the process for providing financial support to Adult Social Care providers has not always been sought in a timely manner. Approval was requested retrospectively for payments to domiciliary care providers outside of usual contract arrangements from 29 June 2020 until 31 March 2021.
Pool Hayes Primary School	Substantial	Substantial	<ul style="list-style-type: none"> Segregation of duties was not always evidenced for purchases and school fund expenditure.
St Bernadette's Catholic Primary School	Substantial	Substantial	<ul style="list-style-type: none"> Orders and invoices are authorised by the same officer, and invoices are not marked as paid. Reconciliations of the school fund account for the past three months had not been undertaken. Original copies of cheques are not held for the school fund. A safe log has is not maintained.

Appendix 3 – Summary of Unplanned/Irregularity Reports

No unplanned or irregularity reports have been issued since the last meeting of the Audit Committee.

Appendix 4 - Follow-up of Recommendations 2017/18, 2018/19, 2019/20 and 2020/21

Follow-up audits have been undertaken in accordance with the 2020/21 audit plan. The objective was to confirm the extent to which the recommendations made in 2017/18, 2018/19, 2019/20 and 2020/21 internal audit final reports have been implemented.

Summary of Recommendations Raised and Follow Up Status - 2017/18

Audit/Report Date	Assurance Level	Raised	Implemented	Partly Implemented			Outstanding			No longer relevant	Original Due Date	Revised Due Date	Not yet due
				1	2	3	1	2	3				
Streamlining of Services (Re-design of Library Service)	Substantial / Substantial	4			1			3			Oct 2019	-	
March 2018		4			1			3					

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

Audit/Report Date	Assurance Level	Raised	Implemented	Partly Implemented			Outstanding			No longer relevant	Original Due Date	Revised Due Date	Not yet due
				1	2	3	1	2	3				
Licensing November 2018	Limited / Limited	11	7	1	3						Mar 2020	Dec 2020	
Millfield Primary School October 2018	Limited / Limited	17	16		1						Nov 2018	Jun 2021	
Communication & Staff Engagement June 2019	Substantial / Substantial	3	2					1			Dec 2019	-	
Procurement June 2019	Substantial / Limited	11	5	1	3			2			Apr 2021	-	
Workforce Plans June 2019	Substantial / Substantial	4	2		2						Dec 2019	Jun 2021	
ICT Business Continuity June 2019	Limited / Limited	4	1	1	1			1			Sep 2020	Mar 2021	
Commissioning of Placements (LAC and SEND)	Limited / Substantial	9	8		1						Oct 2019	Mar 2021	
		59	41	3	11			4					

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

Audit/Report Date	Assurance Level	Raised	Implemented	Partly Implemented			Outstanding			No longer relevant	Original Due Date	Revised Due Date	Not yet due
				1	2	3	1	2	3				
New Art Gallery September 2019	Limited / Substantial	6	4	1	1					Mar 2020	Jun 2021		
Apprenticeships December 2019	Substantial / Substantial	4	2					2		Jul 2020	Mar 2021		
New Invention Infant School December 2019	Limited / Substantial	14	12		1			1		Mar 2020	Jul 2020		
Saddlers Centre Management March 2020	Substantial / Limited	5	1	1			1	2		Sep 2020	Mar 2021		
School Capital Programme February 2020	Substantial / Substantial	1			1					Mar 2020	Dec 2021		
Social Media February 2020	Limited / Limited	6					2	3		Apr 2021		1	
Payroll & Pensions Administration June 2020	Limited / Limited	6	4	1				1		Mar 2021			

Audit/Report Date	Assurance Level	Raised	Implemented	Partly Implemented			Outstanding			No longer relevant	Original Due Date	Revised Due Date	Not yet due
				1	2	3	1	2	3				
Cyber Security April 2020	Substantial / Substantial	4	2		2						Mar 2021		
		46	25	3	5		3	9					1

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

Audit/Report Date	Assurance Level	Raised	Implemented	Partly Implemented			Outstanding			No longer relevant	Original Due Date	Revised Due Date	Not yet due
				1	2	3	1	2	3				
St Francis Catholic Primary School July 2020	Substantial / Limited	8	7				1				Sep 2020	Mar 2021	
HR Recruitment Vetting November 2020	Substantial / Good	1									Mar 2021		1
Housing Benefit & Council Tax Support November 2020	Substantial / Substantial	3	2								Mar 2021		1
St Joseph's Catholic Primary School January 2021	Substantial / Substantial	3			3						Jan 2021	Mar 2021	
Short Heath Federation January 2021	Substantial / Substantial	8	7								Jul 2021		1
Whetstone Field Primary School January 2021	Substantial / Substantial	6	5								Mar 2021		1

Audit/Report Date	Assurance Level	Raised	Implemented	Partly Implemented			Outstanding			No longer relevant	Original Due Date	Revised Due Date	Not yet due
				1	2	3	1	2	3				
Confidential Reporting (Whistleblowing)	Limited / Limited	4	1								Apr 2021		3
March 2021		33	22		3			1					7

Appendix 5 – 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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