

Walsall Council

## Internal Audit Annual Report 2021/22

Prepared by: Mazars LLP

Date: June 2022

# Contents

01

Introduction

02

Audit Opinion

03

Internal Audit Work Undertaken in 2021/22

04

Benchmarking

05

Performance of Internal Audit

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

## Appendices

A1

Implementation of Recommendations

A2

Definitions of Assurance

# 01 Introduction

This Annual Report incorporating our Internal Audit Opinion covers the work we have undertaken in respect of the Internal Audit Plan (Plan) for 2021/22.

## 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 2022 are set out within the PSIAS produced by the Internal Audit Standards Advisory Board.

This report covers the internal audit activity for the 1<sup>st</sup> April 2021 to 31<sup>st</sup> March 2022 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.

## Performance against the Internal Audit Plan

Our Internal Audit Plan for 2021/22 was considered and approved by the Audit Committee at its meeting on 23 March 2021. The Plan was for a total of 625 days including 20 days Follow Up, 70 days Management and planning and 55 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 Customer Access Management audit was deferred to 2022/23 due to the revised timetable for implementation.



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 Section 03. Appendix A2 describes the levels of assurance we have used in assessing the control environment and effectiveness of controls and the classification of our recommendations.

## Acknowledgements

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

# 02 Audit Opinion

## Remote Working

Audits were completed remotely, with walkthroughs and client interviews held virtually and all evidence being requested and provided digitally. The annual internal audit opinion provided below reflects the 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.

## Our opinion

On the basis of our audit work, our opinion on the framework of governance, risk management, and control is **Moderate** in its overall adequacy and effectiveness. Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.

Whilst weaknesses and exceptions were highlighted by our audit work, none of our reviews concluded with Unsatisfactory assurance. Of the 40 reviews for which an assurance opinion was provided, seven provided substantial assurance, 24 moderate assurance and 10 limited assurance). We have raised 7 high priority recommendations, 127 medium priority recommendations and 80 low priority recommendations during the period. 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.

Our Follow up work confirmed that good progress has been made on implementing outstanding high priority recommendations, although some medium priority recommendations raised from prior years are yet to be fully implemented. This indicates risks identified in previous years are still potentially valid and could impact Walsall's overall control environment.

## Scope of Opinion

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

- 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 2022;
- The results of follow up action in respect of previous internal audits;
- Whether or not any High or Medium Priority recommendations have 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

Further detail on the definitions of our opinions raised in our reports can be found in Appendix A2.

# 02 Audit Opinion

## Reliance Placed on Third Parties

Internal audit has not placed any reliance on third parties in order to assess the controls operated by Walsall Council. Our opinion solely relies on the work we have performed and the results of the controls testing we have undertaken.

## Follow Up

We follow up on all IA recommendations to ensure Management have addressed and implemented appropriate actions to address those recommendations. Further detail on the number of open and closed actions can be found in Appendix A1.

## 03 Internal Audit Work Undertaken in 2021/22

The audit findings in respect of each review, together with our recommendations for action and the management responses are set out in our detailed reports.

We undertook 40 audit reviews in which an assurance rating was provided, covering a number of important control systems, processes, and risks and a follow-up review of implementation of recommendations from prior years. The results of this work are summarised below:

Audit area-	Assurance level	Recommendations				Total Agreed by Management
		Priority 1	Priority 2	Priority 3	Total	
Regulation of Investigatory Powers Act	Substantial / Substantial	-	-	-	-	-
Treasury Management	Substantial / Substantial	-	-	1	1	1
Accounts Payable	Substantial / Substantial	-	-	2	2	2
Budgetary Control	Substantial / Substantial	-	-	2	2	2
Accounts Receivable	Substantial / Moderate	-	1	1	2	2
Housing Benefit & Local Council Tax Support	Moderate / Substantial	-	1	1	2	2
Main Accounting	Substantial / Moderate	-	1	3	4	4
Secondments and Acting Up Arrangements	Moderate / Moderate	-	2	1	3	3
Children's Services / IFM Capital	Moderate / Moderate	-	3	1	4	4
Cyber Security	Moderate / Moderate	-	3	8	11	11
Mental Health & Learning Disabilities (draft)	Moderate / Moderate	-	4	-	4	
Asset Management (draft)	Moderate / Moderate	-	4	3	7	
Council Tax / NNDR	Moderate / Moderate	-	5	1	6	6

## 03 Internal Audit Work Undertaken in 2021/22

Audit area	Assurance level	Recommendations				Total Agreed by Management
		Priority 1	Priority 2	Priority 3	Total	
Information Governance	Moderate / Moderate	-	5	1	6	6
Payroll and Pensions Administration	Moderate / Moderate	-	5	2	7	
Business Continuity	Moderate / Limited	-	5	2	7	7
Walsall Proud Programme – HUB (draft)	Moderate / Limited	-	6	-	6	
Contract Management	Moderate / Limited	1	1	-	2	2
Governance Arrangements for Monitoring Public Health Outcomes	Limited / Moderate	1	2	-	3	3
Commissioning Strategy	Moderate / Limited	1	4	-	5	5
Section 106 Planning Obligations	Limited / Limited	3	2	1	6	6
Troubled Families	N/A	-	-	5	5	5
Growth Deal	N/A	-	-	-	-	-
Fullbrook Nursery	Substantial / Substantial	-	-	1	1	1
Oakwood School	Substantial / Substantial	-	-	1	1	1
Old Church Primary School	Substantial / Substantial	-	-	2	2	2
Lindens Primary School	Substantial / Moderate	-	1	3	4	4

## 03 Internal Audit Work Undertaken in 2021/22

Audit area	Assurance level	Recommendations				Total Agreed by Management
		Priority 1	Priority 2	Priority 3	Total	
Pinfold Street Primary School	Substantial / Moderate	-	1	3	4	4
Leighswood Primary School	Moderate / Moderate	-	2	2	4	4
Beacon Primary School	Moderate / Moderate	-	3	-	3	3
St Thomas More Catholic School	Moderate / Substantial	-	3	-	3	3
Chuckery Primary School	Moderate / Moderate	-	3	1	4	4
Ogley Hay Nursery	Moderate / Moderate	-	3	1	4	4
Millfields Nursery	Moderate / Moderate	-	3	4	7	7
Valley Nursery	Moderate / Moderate	-	3	6	9	9
St James Primary School	Moderate / Moderate	-	4	0	4	4
Alumwell Nursery	Moderate / Moderate	-	4	2	6	6
St Michaels CofE Primary School	Moderate / Moderate	-	5	4	9	9
Sandbank Nursery	Moderate / Moderate	-	6	1	7	7
Hillary Primary School	Moderate / Limited	-	7	2	9	9



# 03 Internal Audit Work Undertaken in 2021/22

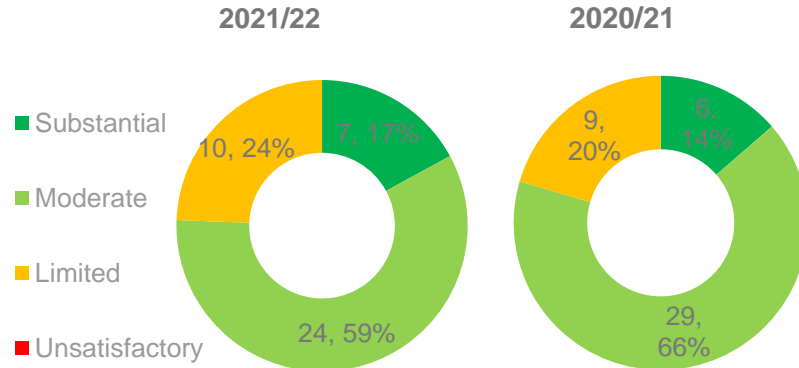
Audit area	Assurance level	Recommendations				Total Agreed by Management
		Priority 1	Priority 2	Priority 3	Total	
Mary Elliot / Old Hall Federation	Moderate / Limited	-	8	3	11	11
New Invention Junior	Limited / Moderate	1	7	3	11	11
Barcroft Primary School	Limited / Limited	-	10	6	16	16
		<b>7</b>	<b>127</b>	<b>80</b>	<b>214</b>	

\* Further detail on the implementation of recommendations is provided at **Appendix A1**.

# 04 Benchmarking

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

## Comparison of Assurance Levels

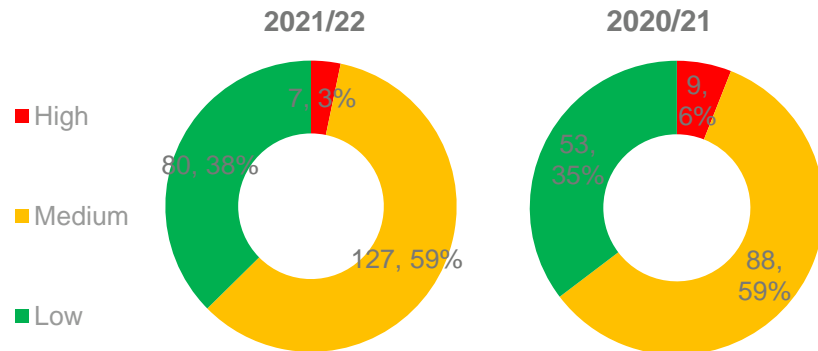


For 2021/22, new assurance level definitions were agreed with the Audit Committee in order to align them with that of the Government Internal Audit Agency. This allows for more effective benchmarking across the public sector.

Of the 40 audits conducted in 2021/22, there were seven reviews where Substantial assurance was provided and 24 with Moderate assurance.

Comparatively, in 2020/2021, there were 44 audits completed. Six received the equivalent of Substantial assurance and 29 concluded with Moderate assurance.

## Comparison of Recommendation Gradings



The total number of recommendations made in 2021/22 was 214. This is an increase from 150 in 2020/21 however seven recommendations raised were considered to be fundamental (High Priority) in nature compared with nine in the previous year.

The proportion of Medium Priority remained constant from 2020/21 to 2021/22.

# 05 Performance of Internal Audit

We have provided some details below outlining our scorecard approach to our internal performance measures, which supports our overall annual opinion.

## Compliance with Professional Standards

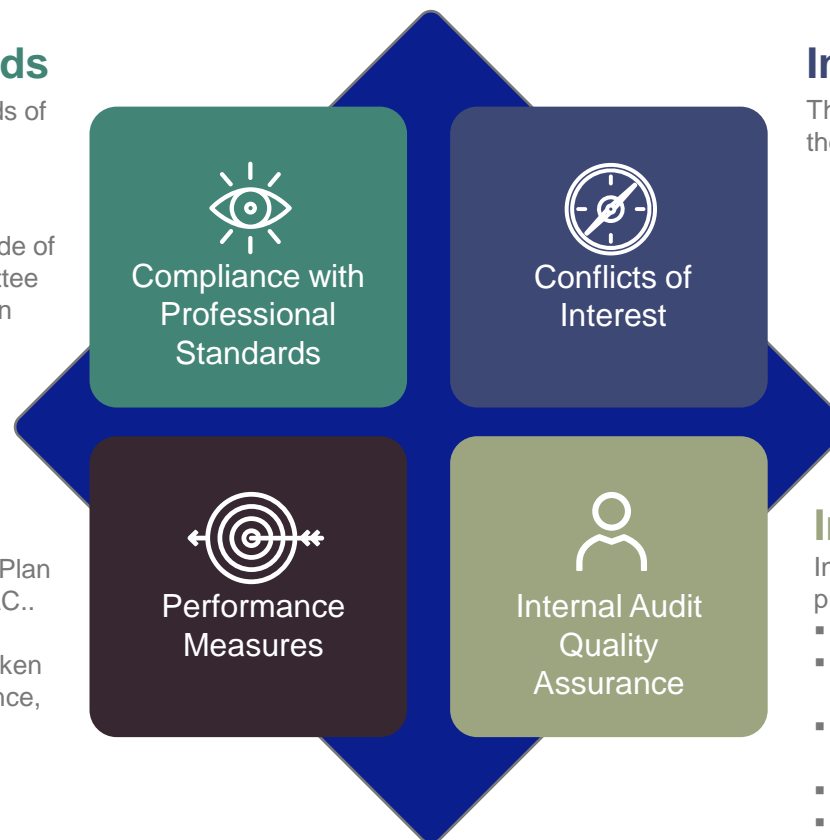
We employed a risk-based approach to determining the audit needs of Walsall Council at the start of the year and use a risk-based methodology in planning and conducting our audit assignments.

Our work performed conforms to PSIAS, which includes the Core Principles for the Professional Practice of Internal Auditing and Code of Ethics. In conducting our work, we also have regard to the Committee on Standards of Public Life's Seven Principles of Public Life ('Nolan principles')

## Performance Measures

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

Regular planned discussions on progress against the Plan have taken place with key stakeholders at Walsall, including the Head of Finance, The Director of Finance, Corporate Landlord and Assurance, the Executive Director, Resources and Transformation and the Audit Committee.



## Independence and Objectivity

There have been no impairments to independence and objectivity during the year covered by this Annual Report.

## 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;
- Annual appraisal of audit staff and the development of personal development and training plans;
- Sector specific training for staff involved in the sector;
- Issuance of technical guidance to inform staff and provide instruction regarding technical issues; and
- The maintenance of the firm's Internal Audit Manual.

# Appendices

A1 Implementation of Recommendations  
A2 Definitions of Assurance



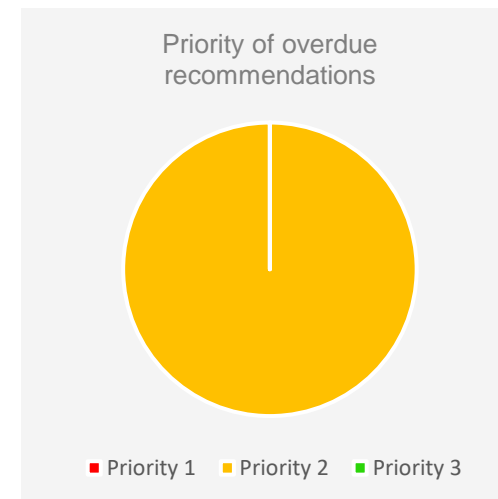
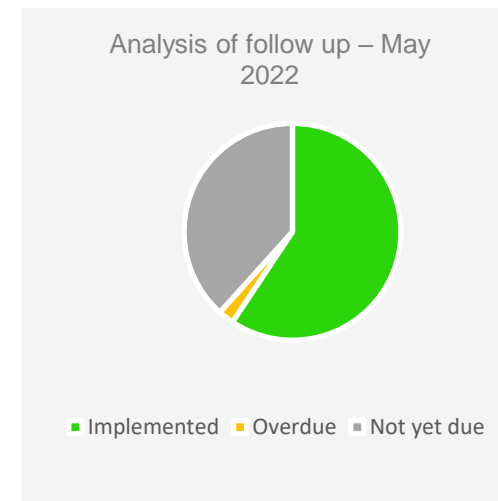
# A1 Implementation of Recommendations

The following table provides a status of agreed audit actions from the 2021/22 Internal Audit Reports.

	Raised	Implemented	Not Implemented (overdue)	Not yet due
	May 2022			
High Priority	7	1	-	6
Medium Priority	127	64	5	58
Low Priority	80	62	-	18
Total	214	127	5	82
Implementation Rate (of those due)	96%			

Walsall's implementation rate for recommendations has improved compared with previous years, with particular focus on implementation of outstanding High Priority recommendations.

When comparing the rate of implementation in our follow up, in 2021/22, we considered 127 out of 132 recommendations due, to be implemented (96%); in 2020/21, it was 89%.



# A2 Definitions of Assurance

## Assurance Gradings

We use categories to classify our assurance over the processes we examine, and these are defined as follows:

Assurance Level	Adequacy of system design	Effectiveness of operating controls
<b>Substantial Assurance:</b>	The framework of governance, risk management and control is adequate.	The control processes tested are being consistently applied.
<b>Moderate Assurance:</b>	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.
<b>Limited Assurance:</b>	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.
<b>Unsatisfactory Assurance:</b>	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.

## Recommendation Gradings

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

Definitions of Recommendations	
Priority	Description
<b>High</b>	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.
<b>Medium</b>	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.
<b>Low</b>	Scope for improvement in governance, risk management and control. Remedial action should be taken at the earliest opportunity and within an agreed timescale.

# A2 Definitions of Assurance

## Annual Opinion

For annual opinions we use the following classifications within our audit reports:

Opinion	Definition
Substantial	The framework of governance, risk management and control are 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.



# Contacts

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We take responsibility to Walsall Council or 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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