



Audit and Risk Committee

18 September 2017

Report title	Internal Audit Update – Quarter One	
Accountable director	Claire Nye, Finance	
Accountable employee(s)	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
Report to be/has been considered by	Not applicable	

Recommendation for noting:

The Committee is asked to note:

1. The contents of the latest internal audit update as at the end of quarter one.

1.0 Purpose

- 1.1 The purpose of this report is to update the Committee on the progress made against the 2017 - 2018 internal audit plan and to provide information on recent work that has been completed.

2.0 Background

- 2.1 The internal audit update report as at 30 June 2017 (quarter one) contains details of the matters arising from audit work undertaken so far this year. The information included in the report will feed into, and inform the overall opinion in our annual internal audit report issued at the year end. It also updates the Committee on various other activities associated with the internal audit service.

3.0 Progress, options, discussion, etc.

- 3.1 Quarterly internal audit update reports will continue to be presented to the Committee throughout the year.

4.0 Financial implications

- 4.1 There are no financial implications arising from the recommendations in this report. (GE/05092017/W)

5.0 Legal implications

- 5.1 There are no legal implications arising from the recommendations in this report. (TS/05092017/W)

6.0 Equalities implications

- 6.1 There are no equalities implications arising from the recommendations in this report.

7.0 Environmental implications

- 7.1 There are no environmental implications arising from the recommendations in this report.

8.0 Human resources implications

- 8.1 There are no human resources implications arising from the recommendations in this report.

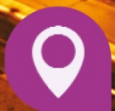
9.0 Corporate landlord implications

- 9.1 There are no corporate landlord implications arising from the recommendations in this report.

10.0 Schedule of background papers - None



Internal Audit Update Quarter 1 (2017 - 2018)



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1 Introduction

The purpose of this report is to bring the Audit and Risk Committee up to date with the progress made against the delivery of the 2017 - 2018 internal audit plan.

The Audit and Risk Committee has a responsibility to review the effectiveness of the system of internal controls and also to monitor arrangements in place relating to corporate governance and risk management arrangements. Internal audit is an assurance function which provides an independent and objective opinion to the organisation on the control environment, comprising risk management, control and governance. This work update provides the committee with information on recent audit work that has been carried out to assist them in discharging their responsibility by giving the necessary assurances on the system of internal control.

The information included in this progress report will feed into, and inform our overall opinion in our internal audit annual report issued at the year end. Where appropriate each report we issue during the year is given an overall opinion based on the following criteria:

Limited	Satisfactory	Substantial
There is a risk of objectives not being met due to serious control failings.	A framework of controls is in place, but controls need to be strengthened further.	There is a robust framework of controls which are applied continuously.

Year on year comparison

12 pieces of audit work have been completed so far in the current year, where an audit opinion has been provided. A summary of the audit opinions given, with a comparison over previous years, is set out below:

Opinion	2017/18 (@ Q1)	2016/17	2015/16
Substantial	3	19	13
Satisfactory	5	10	35
Limited	4	8	14

2 Summary of audit reviews completed

The following audit reviews were completed by the end of the first quarter of the current year.

Auditable area	AAN Rating	Recommendations					Level of assurance
		Red	Amber	Green	Total	Number accepted	
Reported this quarter for the first time:							
Senior Officers Remuneration	High	-	-	-	-	-	N/A
WV Active Income Banking and E-returns	Medium	2	3	2	7	7	Limited
Management IR35 and Interims	Medium	-	4	4	8	8	Satisfactory
Use of Pharmaoutcomes	Medium	-	2	2	4	4	Limited
Bushbury Nursery	Medium	-	1	4	5	5	Substantial
Uplands Junior School	Medium	-	2	8	10	10	Satisfactory
Spring Vale Primary School	Medium	-	1	10	11	11	Substantial
Bushbury Hill Primary School	Medium	-	2	7	9	9	Satisfactory
Stow Heath Primary School (enhanced Service)	Medium	-	8	4	12	12	Satisfactory
Goldthorne Primary School	Medium	-	2	-	2	2	Satisfactory
St Patricks Primary School	Medium	7	24	2	33	33	Limited
Whitgreave Infants School	Medium	-	2	-	2	2	Substantial
Contract Management Arrangements - Transport Capital Programme	Medium	1	2	-	3	3	Limited

Key:
AAN Assessment of assurance need.
* One-off piece of work undertaken by request or certification/non-risk based reviews etc. – therefore an audit opinion may not always be provided/required.

3 *On-going assurance where reports are not issued*

We provide on-going assurance throughout the year in the following areas:

Equal Pay

A member of the audit team is embedded in the project to provide advice on project governance and management of risks associated with the management of equal pay claims. Audit assurance is also provided around the calculation of settlement offers and the payment of claims.

Information Governance

We have a member of the team who sits on the Council's Information Governance Board.

Digital Transformation Programme (DTP)

We also have a member of the team involved in this programme which covers the Customer Engagement Platform, Master Data Management, and Business Intelligence projects. During the lifecycle of the programme we provide on-going advice on the governance of the programme and management of associated risks. We have also provided on-going support in respect of user acceptance testing in respect of each of the programme's projects.

Pay Strategy

Finally, we have representation on the Council's Pay Strategy Board. The purpose of the board is to ensure that all requests in respect pay and grading is approved in accordance with the Council's Collective Agreement for NJC employees.

Counter Fraud Activities

We continue to investigate all allegations of suspected fraudulent activity, during the year. Details of these have will be presented to the Audit and Risk Committee in a separate report, along with details of initiatives put in place in order to both raise awareness of, and tackle fraud across the Council.

4 *Audit reviews underway*

There were a number of other reviews underway as at 30 June 2017 and these will be reported upon in later update reports.

5 *Any key issues arising from our work completed in Quarter 1*

There were a number of limited reports issued during quarter one details of which are provided below:

WV Active Income Banking and E-returns

E-returns relate to the process of coding income banked to the Council's bank account to the respective income budget codes for each WV active site. This audit was requested following the implementation of the new Gladstone till system. The audit identified that the various WV Active sites were not promptly coding income to their respective budgets resulting in a shortfall of income. The audit also identified that despite having a new system outdated/inefficient practices were being followed. Following the findings of this review Audit Services are supporting the service in re-engineering processes.

Use of Pharmoutcomes

A review of the online system within Public Health to process the payment to pharmacies electronically for enhanced services was completed. This includes services for needle exchange, nicotine replacement therapy, supervised consumption of prescribed opiate substitution therapy and stop smoking services. We found that the approval of claims was not subject to an adequate verification process. Further, there was insufficient evidence for the calculation, monitoring and reporting of key performance indicators in accordance with the agreed contract. Management accepted the audit recommendations and agreed an action plan.

Contract Management Arrangements - Transport Capital Programme

The purpose of this review was to ensure that the procurement and contract management arrangements for Transport Capital projects utilising the Midland Highways Alliance Framework Agreement 2014 - 2018 were undertaken in accordance with Public Procurement Regulations and the Council's Contract Procedures Rules and contract management good practice. We found instances of non-compliance with Contract Procedure Rules regarding the review and signing of contracts, and retention of supporting documentation for procurement exercises undertaken.

However, it is recognised that Strategic Transportation have recently had greater involvement with Corporate Procurement regarding use of the Framework which should provide more assurance going forward. In addition, Procurement are working with the Alliance regarding establishment of the next Framework arrangements.

St Patricks Primary

An enhanced review of the key financial controls at St Patricks Primary School was undertaken, following a request from the School Improvement Team. This covered governance, protection of people, assets, data, expenditure and income. There had been recent management arrangement changes at the school with the appointment of a new Headteacher in March 2017 and a new Office Manager in December 2016.

However, the former Business Manager (who left the school's employment in December 2016) continued to access the school and carry out transactions within the school management information systems. The Business Manager was also a school governor. A limited audit assurance rating was given due to the significant number of weaknesses identified in all of the areas reviewed. The key issues were that governance arrangements within the school did not meet the standards required, potential conflicts of interest were identified which had not formally declared, Financial Rules and Contract Rules were not being adhered to, Data Protection requirements were not being met and school fund and trip accounts for 2015-2016 and 2016-2017 had not been independently audited or approved by the Governing Body.

The Governing Body and the Head Teacher accepted the audit recommendations and action plans have been agreed.

Follow up of previous recommendations

We continue to monitor the implementation of previous key recommendations, and any major issues of concern relating to their non-implementation, will be reported back to the Audit and Risk Committee. During this quarter we have followed up recommendations in respect of the following reports:

- Payment arrangements for Court Costs
- Volunteer Drivers
- St. Paul's Primary School

Our follow up on the payment of Court Costs identified one of our red recommendations in respect of reconciliations had yet to be fully implemented. The issue was therefore escalated to the Director of Governance who took action to ensure that additional training and support was provided to the employee in question.

6 *Changes to the Audit Plan*

Audit Area	Audits on the Original Plan	Audits added or removed up to Quarter 1	Revised number of audits
Corporate	14	(1)	13
Key Financial Systems	12	0	12
People	9	0	9
Education	18	2	20
Place	9	2	11
Housing	2	0	2
Total	64	3	67

The audit plan is re-profiled throughout the year as and when the risk profile of the Council changes, and in order to react to emerging issues and specific management requests. The following changes have taken place in the current year:

Valuation of the Council's Highway Assets	This audit was removed as CIPFA no longer require Councils to value their highway assets.
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In addition to the changes above the following audit areas were added to the plan during quarter 1:

Vulnerable Pupils	This audit was deferred from the previous financial year.
Whitgreave Infants School	This audit was requested by the Council's School Improvement Team.
Accountable Body Role	This audit was deferred from the previous financial year.
Contract Management Arrangements - Transport Capital Programme	This audit was deferred from the previous financial year.