

Wolverhampton City Council

**OPEN DECISION ITEM**

Audit Committee

Date **11 March 2013**

Originating Service Group(s)

**DELIVERY**

Contact Officer(s)/

**P FARROW R MORGAN**

Telephone Number(s)

**4460 5612**

Title/Subject Matter

**STRATEGY FOR INTERNAL AUDIT 2013/14 – 2015/16**

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**RECOMMENDATION**

That the Strategy for Internal Audit for 2013/14 – 2015/16, be reviewed and approved.

## **1. PURPOSE AND BACKGROUND**

The purpose of internal audit is to provide the Council with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving the Council's agreed objectives. In order to provide this opinion, Internal Audit are required to review annually the risk management and governance processes within the Council. They also need to review on a cyclical basis, the operation of the internal control systems. It should be pointed out that internal audit is not a substitute for effective internal control. The proper role of internal audit is to contribute to internal control by examining, evaluating and reporting to management on its adequacy and effectiveness.

The purpose of this document is to provide the Council with a Strategy for Internal Audit, based upon an assessment of its assurance needs. The assessment of assurance needs exercise is undertaken to identify the systems of control and determine the frequency of audit coverage. The assessment will be used to direct internal audit resources to those aspects of the Council which are assessed as generating the greatest risk to the achievement of its objectives.

### **DETAILS**

- 2.1 The report details the proposed Strategy for Internal Audit covering the period 2013/14 to 2015/16, and the Periodic Audit Plan for 2013/14.

## **3. FINANCIAL IMPLICATIONS**

- 3.1 The plans detailed will be implemented using current budgeted internal audit resources. Any recommendations with financial implications that emanate from internal audit work undertaken will be the subject of future reports to members. [GE/26022013/H]

## **4. LEGAL IMPLICATIONS**

- 4.1 There are no direct legal implications arising from this report. [MW/27022013/V]

## **5. EQUAL OPPORTUNITIES IMPLICATIONS**

- 5.1 There are no direct equal opportunities implications arising from this report.

## **6. ENVIRONMENTAL IMPLICATIONS**

- 6.1 There are no direct environmental implications arising from this report.

## **7. SCHEDULE OF BACKGROUND PAPERS**

Strategy for Internal Audit 2013/14 – 2015/16

# Wolverhampton City Council Strategy for Internal Audit

2013/14 to 2015/16

Including the Periodic Audit Plan for 2013/14



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## A Quick guide to the Audit and Assurance Planning process

### Step 1- Audit Universe/Auditable Areas

Identify the Audit Universe (i.e. a list of areas that may require assurance) using a variety of methods:

- Areas of potential risk identified through a variety of sources, as having the potential to impact upon the Council's ability to deliver its objectives. Then, identify if we can gain assurance that any of these risks are being managed adequately from other sources of assurance.
- Mandatory areas, such as the Managed Audit work we do on behalf of the external auditors, grant claim certification etc.
- Areas where we use auditor's knowledge, management requests and past experience etc.



### Step 2 – Ranking

Score each auditable area as high, medium or low risk using the CIPFA scoring methodology: Materiality/Business Impact/Audit Experience/Risk/ Potential for Fraud



### Step 3 – Three Year Strategy

List the medium and high risk auditable areas in the three year Strategy for Internal Audit. High risk areas will be reviewed annually, medium risks once in a three year cycle, while a watching brief will remain on the low risks.



### Step 4 - Next Years Plan

List the areas that will be subject to a review in 2013/14 in the Periodic Audit Plan.

## A Glossary of Terms

### **Governance**

The arrangements in place to ensure that the Authority fulfils its overall purpose, achieves its intended outcomes for citizens and service users and operates in an economical, effective, efficient and ethical manner.

### **Control environment**

Comprises the systems of governance, risk management and internal control. The key elements include:

- establishing and monitoring the achievement of the Authority's objectives
- the facilitation of policy and decision-making ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded
- ensuring the economical, effective and efficient use of resources and for securing continuous improvement
- the financial management of the Authority and the reporting of financial management
- the performance management of the Authority and the reporting of performance management.

### **System of internal control**

The totality of the way an organisation designs, implements, tests and modifies controls in specific systems, to provide assurance at the corporate level that the organisation is operating efficiently and effectively.

### **Risk management**

A logical and systematic method of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating the risks associated with any activity, function or process in a way that will enable the organisation to minimise losses and maximise opportunities.

### **Risk based audit and assurance reviews**

A review that:

- identifies and records the objectives, risks and controls
- establishes the extent to which the objectives of the system are consistent with higher-level corporate objectives
- evaluates the controls in principle to decide whether or not they are appropriate and can be reasonably relied upon to achieve their purpose, addressing the organisation's risks identifies any instances of over and under control and provides management with a clear articulation of residual risks where existing controls are inadequate
- determines an appropriate strategy to test the effectiveness of controls i.e. through compliance and/or substantive testing
- arrives at conclusions and produces a report, leading to management actions as necessary and providing an opinion on the effectiveness of the control environment.

## **Audit Committee**

The governance group charged with independent assurance of the adequacy of the internal control environment and the integrity of financial reporting.

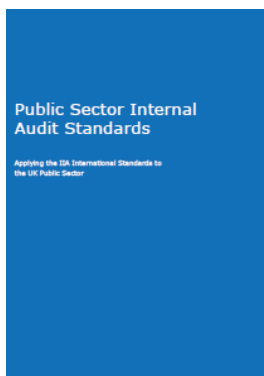
## **Internal audit**

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

## **Assurance**

A confident assertion, based on sufficient, relevant and reliable evidence, that something is satisfactory, with the aim of giving comfort to the recipient. The basis of the assurance will be set out and it may be qualified if full comfort cannot be given. The Head of Audit may be unable to give an assurance if arrangements are unsatisfactory. Assurance can come from a variety of sources and internal audit can be seen as the 'third line of defence' with the first line being the Authority's policies, processes and controls and the second being managers' own checks of this first line.

## **Internal Audit standards**



The Internal Audit team will comply with the standards as laid out in the new Public Sector Internal Audit Standards that come into effect on 1 April 2013.

## 1 Introduction

- 1.1 The purpose of internal audit is to provide the Chief Executive and Section 151 Officer with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving the Council's agreed objectives. In order to provide this opinion, we are required to review annually the risk management and governance processes within the Council. We also need to review on a cyclical basis, the operation of the internal control systems. It should be pointed out that internal audit is not a substitute for effective internal control. The proper role of internal audit is to contribute to internal control by examining, evaluating and reporting to management on its adequacy and effectiveness.
- 1.2 The purpose of this document is to provide the Council with a Strategy for Internal Audit, based upon an assessment of its assurance needs. The Assessment of Assurance Needs exercise is undertaken to identify the systems of control and determine the frequency of audit coverage. The assessment will be used to direct internal audit resources to those aspects of the Council which are assessed as generating the greatest risk to the achievement of its objectives.

## 2 Assessing the effectiveness of Risk Management and Governance

- 2.1 The effectiveness of risk management and governance will be reviewed annually, to gather evidence to support our opinion to the Chief Executive, Section 151 Officer and the Audit Committee. This opinion is reflected in the general level of assurance given in our Annual Report and within separate reports covering risk management and governance. This review will cover the elements of the risk analysis which we regard as essential for annual review in order to provide a positive, reasonable level of assurance.

## 3 Assessing the effectiveness of the system of control

- 3.1 In order to be adequate and effective, management should:

- Establish and monitor the achievement of the Council's objectives and facilitate policy and decision making.
- Identify, assess and manage the risks to achieving the Council's objectives.
- Ensure the economical, effective and efficient use of resources.
- Ensure compliance with established policies, procedures, laws and regulations.
- Safeguard the Council's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption.
- Ensure the integrity and reliability of information, accounts and data.

These objectives are achieved by the implementation of effective management processes and through the operation of a sound system of internal control. The annual reviews of risk management and governance will cover the control environment and risk assessment elements, at a high level. The programme of work developed as the



outcome of the Assessment of Assurance Need exercise will cover the system level control activities.

- 3.2 The Assurance Plan contained within this report is our assessment of the audit work required in order to measure, evaluate and report on the effectiveness of risk management, governance and internal control.

### **The Framework of Assurance**

- 3.3 The framework of assurance available to satisfy a local authority that the risks to its objectives, and the risks inherent in undertaking its work, have been properly identified and are being managed by controls that are adequately designed and effective in operation, will comprise a variety of sources and not only the work of Audit Services.

However, Audit Services holds a unique role within the Authority as the only independent source of assurance on all internal controls. The work of Audit Services is therefore central to this framework of assurance. Therefore, Audit Services attempt to acquire an understanding not only of the Authority's risks and its overall whole control environment but also, wherever possible, all sources of assurance.

In this way, Audit Services will be able to indicate whether key controls are adequately designed and effectively operated, regardless of the sources of that assurance. This role includes responsibility both for attempting to assess the assurance available to the Authority from other sources, whether internal or external, and for implementing a plan of internal audit work to obtain the required assurance.

Audit Services report to the Audit Committee, which is responsible for assessing the quality of the assurance available to the Authority and concerns itself with the adequacy and effectiveness of the Authority's internal control environment as assessed.

This document is, in the large part, risk-based and reflects the requirement for assurance (as well as current audit knowledge and the requirement to follow up earlier work). This Plan includes work undertaken directly by Audit Services, but will also recognise assurance work undertaken by other parts of the Authority or by external organisations, the adequacy of which will be assessed on an ongoing risk basis.

The Annual Internal Audit Report to the Authority will include an opinion on the overall adequacy and effectiveness of the Authority's control environment, and will, where appropriate, include reference to the assurance made available to the Authority by other providers as well as Audit Services.

## **4 Assessment of Assurance Needs methodology**

- 4.1 Internal audit should encompass the whole internal control system and not be limited only to financial control systems. The scope of internal audit work should reflect the core objectives of the Council and the key risks that it faces. As such, each audit cycle starts with a comprehensive analysis of the whole system of internal control that ensures the achievements of the Council's objectives.

- 4.2 Activities that contribute significantly to the Council's internal control system, and also to the risks it faces, may not have an intrinsic financial value necessarily. Therefore, our approach seeks to assign a relative risk value. The purpose of this approach is to enable the delivery of assurance to the Council over the reliability of its system of control in an effective and efficient manner.
- 4.3 We have undertaken our assessment using the following process:
- We identified the core objectives of the Council and, where available, the specific key risks associated with the achievement of those objectives.
  - We then identified the auditable areas that impact significantly on the achievement of the control objectives.
  - We assigned risk values to the auditable areas, based on the evidence we obtained.
- 4.4 The Assurance Plan is drawn out of the assessment of assurance need. The proposed plan covering the period 2013/14 to 2015/16 is detailed at the end of this document.

## 5 The Assessment of Assurance Needs

### Identifying the core Council objectives and the associated risks

- 5.1 The following aims have been set out in the Council's 2012-15 Corporate Plan:

- Encouraging Enterprise and Business
- Empowering People and Communities
- Re-Invigorating the City

Supported by:

- A Confident, Capable Council

The corporate risks the Council was facing at the time this strategy was prepared, were based around the following:

- Safeguarding
- Life chances for young people
- Increase in unemployment
- Demographic pressures
- Perception of crime
- Regeneration
- Business relationships and economic delivery
- Welfare reform
- Asset management and planning
- Emergency preparedness/major incident response
- Corporate responsibilities

- Equal pay and single status
- Information governance
- Organisational change
- Shared service transformation programme
- Revenue and capital budget
- Payroll
- Fit for purpose organisation

### Identifying the “audit universe”

- 5.2 In order to undertake the assessment of assurance need, it is first necessary to define the audit universe for the Council. The audit universe describes all the systems, functions, operations and activities undertaken by the Council. Given that the key risk to the Council is that it fails to achieve its objectives, we have identified the audit universe by determining which systems and operations impact upon the achievement of the core objectives of the Council, as identified in 5.1 above, and the management objectives in 3.1 above. These auditable areas include the control processes put in place to address the key risks.

The auditable areas identified within the audit universe are set out towards the end of this document. In addition to the above, there are also common systems and functions which are generic to all areas, along with a number of mandatory reviews. Where deemed appropriate they may also be included in the audit universe set out in detail at the end of this document.

### Assessing the risk of auditable areas within the assurance framework

- 5.3 Risk is defined as “The threat that an event or action will adversely affect an organisation's ability to achieve its business objectives and execute its strategies.”

Source: Economist Intelligence Unit - Executive Briefing.

- 5.4 There are a number of key factors for assessing the degree of risk within the auditable area. These have been used in our calculation for each auditable area and are based on the following factors:

- Materiality
- Business Impact
- Audit Experience
- Risk
- Potential for Fraud

### Deriving the level of risk from the risk values

- 5.5 In this model, the assignment of the relative values are translated into an assessment of risk. The risk ratings used are high, medium or low to establish the frequency of coverage of internal audit.

## **Full Coverage Intensity Approach (Key Financial Systems)**

- 5.6 The Key Financial System reviews are undertaken at the request of, and on behalf of the External Auditors (currently PwC) in order to enable them to place reliance upon the work of Audit Services and thereby reduce their workload accordingly. These reviews are undertaken using a full coverage intensity approach whereby each Key Financial System is audited each year at different levels of intensity as agreed in advance with the External Auditors.

## **6 Developing a Strategy for Internal Audit**

- 6.1 The Strategy for Internal Audit is based, wherever possible, on management's risk priorities, as set out in the Council's own risk analysis/assessment. The Strategy has been designed so as to, wherever possible, cover the key risks identified by such risk analysis.
- 6.2 In establishing a Strategy for Internal Audit, the relationship between risk and frequency of audit remains absolute. The level of risk will always determine the frequency by which auditable areas will be subject to audit. This ensures that key risk areas are looked at on a frequent basis. The aim of this approach is to ensure the maximum level of assurance can be provided with the minimum level of audit coverage.

In the course of the period covered by this strategy, the priority and frequency of audit work will be subject to amendment in order to recognise changes in the risk profile of the Council.

Auditor's judgement has been applied in assessing the number of days required for each audit identified in the strategic cycle.

- 6.3 The assessment of assurance need's purpose is to:
- determine priorities and establish the most cost-effective means of achieving audit objectives;
  - assist in the direction and control of all audit work
- 6.4 This builds on and supersedes previous Internal Audit plans.
- 6.5 Included within the Plan, in addition to audit days for field assignments are:
- a contingency allocation, which will be utilised when the need arises, for example, special projects, investigations, advice and assistance, unplanned and ad-hoc work as and when requested.
  - a follow-up allocation, which will be utilised to assess the degree of implementation achieved in relation to key recommendations agreed by management during the prior year.
  - an audit management allocation, which is used for management, quality control, client and External Audit liaison and for preparation for, and attendance at various member meetings and Audit Committee etc.

## **7 Considerations required of the Chief Executive, Section 151 Officer Audit Committee and Council management**

- Are the objectives and key risks identified consistent with those recognised by the Council?
- Does the audit universe identified include all those systems which would be expected to be subject to internal audit?
- Are the risk scores applied to the audit universe reasonable and reflect the Council?
- Does the Strategy for Internal Audit cover the key risks as they are recognised?
- Is the allocation of audit resource accepted, and agreed as appropriate, given the level of risk identified?

## **8 Information to support the Strategy for Internal Audit**

### **Resources required**

It is estimated that approximately 3,300 internal audit days (including all fraud, assurance and contingency work) will be required to deliver the Periodic Audit Plan for 2013/14 as detailed at the end of this document.

### **Communication of results**

The outcome of internal audit reviews is communicated by way of a written report on each assignment undertaken. However, should a serious matter come to light, this will be reported to the appropriate level of management without delay.

### **Staffing**

Staff are recruited, trained and provided with opportunities for continuing professional development. Staff are also sponsored to undertake relevant professional qualifications. All staff are subject to the Employee Performance Review Scheme, which leads to an identification of training needs. In this way, we ensure that staff are suitably skilled to deliver the internal audit service. This includes the delivery of specialist skills which are provided by staff within the service with the relevant knowledge, skills and experience.

### **Quality assurance**

All audit work undertaken is subject to robust quality assurance procedures as required by relevant (i.e. CIPFA, CIIA) professional standards. These arrangements are set out in the division's standards manual and require that all working papers and reports are subject to thorough review by professionally qualified accountancy (CCAB) staff.



## Combined assurance

We work in conjunction with the Council's External Auditors (PwC) in order to ensure that the assurance both internal and external audit can provide, is focussed in the most efficient manner and that any duplication is eliminated. This Strategy also attempts to identify where our External Auditors will be undertaking work, and will be updated and amended as and when both plans are finalised and as the year progresses. However, it should be noted that the actual scope and time periods covered by internal and external audit, can on occasions differ. This will be taken into account when scoping out work in potential overlapping areas. The initial areas of focus indicated by our external auditors in their fee letter are as follows:

<b>Audit Area</b>
Financial statements, Whole of Government Accounts and Local value for money conclusion
Additional agreed risk based audit work *
Pension fund audit

<b>* Additional agreed risk based audit work:</b>
Property, Plant and Equipment Valuations
Equal Pay Provision
Single Status implementation review
Closedown Plan support
Savings Plans and the MTFS
Procurement – improvement plan overview and IA follow up
Risk Management - arrangements overview and Annual Governance Statement recommendations
Trading Surpluses and internal charging follow up
Redundancy Payments – legality and VfM
IT Mainframe – Audit review and take stock
Treasury Management Accounting Policy update
Debt collection/management review
Axon
Investment in Birmingham Airport Holdings Ltd
Changes to Accounting for Heritage Assets


**The following reviews and associated services will be delivered corporately across the Authority by Audit Services:**

Auditable Area	Purpose
Governance	A review of an aspect of the governance framework as detailed in CIPFA/Solace's "Corporate Governance in Local Government".
Risk Management	A review of progress in the embedding of corporate risk management procedures. This will include assessing the Council's risk 'maturity' (i.e. the extent to which a robust enterprise wide risk management approach is adopted and applied across the Council).
Assurance Framework	A high level review of the assurance framework, including the use of Control Assurance Statements, risk management and other sources in the compilation of the Annual Governance Statement.
Assurance Mapping	An ongoing mapping exercise between the controls identified as mitigating risk from the strategic risk register, to the sources of assurance that these controls are operating. This will play a key part in informing the Annual Governance Statement.
National Fraud Initiative	In accordance with Audit Commission requirements we will lead on the Council's NFI data matching exercise, including working with the successor body to the Audit Commission.
Fraud Investigations	The carrying out of investigations into areas of suspected or reported fraudulent activity across the Council.
Counter Fraud Activities	A series of council wide pro-active fraud activities, including the targeted testing of areas open to the potential of fraudulent activity including maintenance of the Council's fraud risk register, hosting raising fraud awareness seminars and fraud surgeries and the production of a regular anti-fraud and corruption newsletter.
Value for Money Reviews	During the year discussions will be held with senior management regarding the identification of potential value for money areas, where Audit Services could be of assistance in performing value for money reviews.
Expenditure Transparency	A detailed review of a series of individual payments selected by the Audit Committee. This may link into any requests received by the Council from 'Armchair Auditors' as a result of the Local Data Spending Requirement to publish all payments over £500 (from 1 April 2013 the Council will be publishing all spend data). Also, an ongoing review of the Council's compliance with the government's data transparency publishing requirements will be undertaken.
Recommendation Follow Up	The follow up of key internal audit recommendations made across the Council in 2012/13.

Auditable Area	Purpose
Development & Advice	Reviewing system developments on key controls and providing advice relating to systems which are not necessarily covered by audits originally scheduled for 2013/14.
Contingency	Special projects, advice and assistance, unplanned and ad-hoc work as and when requested.
Management	Day to day management of the internal audit service, quality control, client and External Audit liaison and preparation for, and attendance at various meetings.
Audit Committee	Preparation and presentation of papers for the Audit Committee and Sub-Committees. Providing training to committee members as and when required, and leading on the committee's annual self assessment exercise and skills audit.



**Strategy for Internal Audit: Community**  
For the period 1 April 2013 to 31 March 2016

<b>Auditable Areas:</b>	<b>Risk</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	
<b>Children, Young People, &amp; Families</b>					
Budgetary Control	High	✓	✓	✓	
Children's Centres	Medium		✓	✓	
External Placements	Medium	✓			
Transitions Team (Care Leavers)	Medium	✓			
Play Services	Medium	✓			
<b>Older People &amp; Personalisation</b>					
Personalisation	High	✓	✓	✓	
Commissioning Strategy/Framework	High	✓	✓	✓	
Direct Payments	High	✓	✓	✓	
Electronic Social Care Records System (Adults & Children's)	Medium	✓			
Very Sheltered Housing Contract Arrangements	Medium	✓			
Merryhill House	Medium	✓			
Home Assisted Reabled Programme (HARP)	Medium	✓			
Ekta Day Centre	Medium	✓			
<b>Health, Wellbeing, &amp; Disability</b>					
Budgetary Control	High	✓	✓	✓	
Health & Wellbeing Board Governance Arrangements	High	✓	✓	✓	
Employment Opportunities (Albert Road/Old Tree Nursery)	Medium	✓			
Ernest Bold Resource Centre - Short Breaks	Medium	✓			
Duke Street (Residential Bungalows)	Medium	✓			
Church Street & Lorien Close (Outreach Services)	Medium	✓			
Transition - Children/Adult (Social Care)	Medium	✓			
Disability Team Safeguarding Procedures	Medium	✓			
Families in Focus	Medium	✓			
<b>Safeguarding, Business Support, &amp; Communities</b>					
Adult Safeguarding	High	✓	✓	✓	
Children's Safeguarding	High	✓	✓	✓	
Contract Management Arrangements	High	✓	✓	✓	
Bert Williams Leisure Centre	Medium	✓			
Fit Card Scheme	Medium	✓			
Complaints Process	Medium	✓			
<b>Public Health</b>					
Public Health	High	✓	✓	✓	


## Community: Periodic Audit Plan for the period 1 April 2013 to 31 March 2014

Auditable Area	Purpose	Risk Category
<b>Children, Young People, &amp; Families</b>		
Budgetary Control	A high level review of the budgetary control framework in operation within Children, Young People & Families to ensure effective procedures are in place, budgetary support is suitably provided and utilised and compliance with Financial Procedure Rules.	High
External Placements	A review of the procedures in operation for the administration of External Placements for Looked After Children with regard to compliance with Financial Procedure Rules, Contract Procedure Rules and value for money.	Medium
Transitions Team (Care Leavers)	A review of the adequacy of key procedures and compliance with WCC Constitutional Financial and Contract Procedure Rules e.g. budgetary control, procurement, payroll, income and security.	Medium
Play Services	A review of the procedures and process in operation within the Play Service with regard to value for money and effective monitoring of delivery of outcomes.	Medium
<b>Older People &amp; Personalisation</b>		
Personalisation	A follow-up of the review undertaken in 2012/13 regarding self-directed support. Any specific in-year work will be determined as part of the overall Personalisation Programme.	High
Commissioning Strategy/Framework	A review of the Commissioning Strategy and supporting framework of policy/procedures with reference to Financial Procedure Rules, Contract Procedure Rules, best practice and specifically Society of Local Authority Chief Executives and Senior Managers (SOLACE) guidance.	High
Direct Payments	A review of the key controls and procedures within the Direct Payments scheme.	High
Electronic Social Care Records System (Adults & Children's)	A review of compliance with procedures introduced post implementation of ESCR including follow up of the pre-implementation review undertaken in 2012/13.	Medium

Auditable Area	Purpose	Risk Category
Very Sheltered Housing Contract Arrangements	A review of the contract arrangements (including commissioning, monitoring and operational arrangements) for the Very Sheltered Housing Contract.	Medium
Merryhill House	A review of the adequacy of key procedures, internal controls and compliance with WCC Constitutional Financial and Contract Procedure Rules e.g. budgetary control, procurement, payroll, income, service users' finances and security.	Medium
Home Assisted Reabled Programme (HARP)		Medium
Ekta Day Centre		Medium
<b>Health, Wellbeing, &amp; Disability</b>		
Budgetary Control	A high level review of the budgetary control framework in operation within Health, Wellbeing & Disability to ensure effective procedures are in place, budgetary support is suitably provided and utilised, and compliance with Financial Procedure Rules.	High
Health & Wellbeing Board Governance Arrangements	We understand that an external review will be undertaken of the Health & Wellbeing Board in readiness for 1 April 2013. We will review the outcomes with a view to develop any specific in-year work required in liaison with the Assistant Director.	High
Employment Opportunities (Albert Road/Old Tree Nursery)	A review of the adequacy of key operational procedures and internal controls that support achievement of service objectives, and compliance with WCC Constitutional Financial and Contract Procedure Rules e.g. budgetary control, procurement, payroll, income and security.	Medium
Ernest Bold Resource Centre - Short Breaks		Medium
Duke Street (Residential Bungalows)		Medium
Church Street & Lorien Close (Outreach Services)		Medium
Transition - Children/Adult (Social Care)	A systems review of the strategic approach and operational procedures in place for the effective transition of all children with disabilities to adult services.	Medium

Auditable Area	Purpose	Risk Category
Disability Team Safeguarding Procedures	A systems review of the operational procedures within the Disability Team for dealing with safeguarding issues in accordance with Safeguarding policy/procedure.	Medium
Families in Focus	A review of the systems and internal controls in operation for the Families in Focus Programme and compliance with the DCLG Troubled Families Financial Framework regards maximisation of outcomes and payment by results.	Medium
<b>Safeguarding, Business Support, &amp; Communities</b>		
Adult Safeguarding	A review of safeguarding arrangements will be undertaken with reference to risks identified within the Corporate Risk Register (e.g. governance arrangements and setting of policy/procedure), the outcome of the proposed peer review and follow up of the audit review undertaken in 2012/13.	High
Children's Safeguarding	A review of safeguarding arrangements will be undertaken with reference to risks identified within the Corporate Risk Register (e.g. governance arrangements and setting of policy/procedure), the outcome of the proposed peer review and any other inspection received.	High
Contract Management Arrangements	A review of contract management/monitoring arrangements for Community addressing quality assurance, financial monitoring and contract compliance.	High
Bert Williams Leisure Centre	A review of the adequacy of key procedures, internal controls and compliance with WCC Constitutional Financial and Contract Procedure Rules relating to income management arrangements for all sources of income, procurement, stock control, budgetary control, payroll and security.	Medium
Fit Card Scheme	A review of compliance with key operational and financial procedures established for the Fit Card scheme. This will be a thematic review across all three Leisure Centres.	Medium
Complaints Process	A review of the procedures in place for the Adults and Children's Complaints Process.	Medium
<b>Public Health</b>		
Public Health	Specific in-year work will be identified in liaison with the Director for Public Health with regard to key controls and procedures developed as part of the transition to and establishment of Public Health within the Local Authority.	High

**Strategy for Internal Audit: Education & Enterprise**  
For the period 1 April 2013 to 31 March 2016

<b>Auditable Areas:</b>	<b>Risk</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	
<b>Partnerships, Economy and Culture</b>					
ERDF Funding – Black Country Gold	Medium	✓			
Civic Halls – Box Office	Medium	✓			
<b>Regeneration</b>					
i54	High	✓	✓	✓	
Decent Homes Programme	High	✓	✓	✓	
Wolverhampton Homes Management Agreement	Medium	✓			
Decent Homes VfM arrangements	Medium		✓		
Vine Island – Contract Monitoring / Payment Arrangements	Medium	✓			
Public Realm Works – City Centre	Medium	✓			
<b>Schools, Skills and Learning</b>					
Academy Conversion	High	✓	✓	✓	
BSF – PFI	High	✓			
Schools Audits (covering each of the Authority's schools over a 3 year cycle)	Medium	✓	✓	✓	
Monitoring of Schools' Surplus / Deficit Balances	Medium	✓	✓	✓	
Schools' Capital Programme	Medium	✓			
Information Governance (Schools)	Medium	✓	✓	✓	
Pupil Premium	Medium	✓			

## Education & Enterprise: Periodic Audit Plan for the period 1 April 2013 to 31 March 2014

Auditable Area	Purpose	Risk Category
<b>Partnerships, Economy and Culture</b>		
ERDF Funding – Black Country Gold	A review of the management arrangements in relation to the ERDF - Black Country Gold Project.	Medium
Civic Halls – Box Office	A review of income collection and banking arrangements following the transfer of the Box Office function from Midlands Box Office (MBO) to in-house provision.	Medium
<b>Regeneration</b>		
i54	On-going advice and support in respect of the Jaguar Land Rover (JLR) project. Audit coverage will be provided in conjunction with the Internal Audit team at Staffordshire County Council, in order to wherever possible, combine the assurance that can be provided.	High
Decent Homes Programme	A review of the procurement arrangements for the next Decent Homes Programme.	High
Wolverhampton Homes Management Agreement	Advice on the implementation of the new WH Management Agreement. Followed by a review of performance monitoring arrangements (2014/15).	Medium
Vine Island – Contract Monitoring / Payment Arrangements	A review of the project's contract monitoring and payment arrangements.	Medium
Public Realm Works – City Centre	A review of tendering procedures in relation to Public Realm Works - City Centre	Medium
<b>Schools, Skills and Learning</b>		
Academy Conversion	On-going advice and support in relation to the Local Authority's processes for progressing academy conversions.	High
BSF – PFI	A review of the Private Finance Initiative (PFI) arrangements for the Sample Schools Scheme of Highfields / Penn Fields Schools on the Highfields site. The review will cover contract management and monitoring, performance management and payment mechanism, governance arrangements, appointment of external advisors and	High

Auditable Area	Purpose	Risk Category
	payment of, TUPE and the risk management arrangements.	
Schools Audits (covering each of the Authority's schools over a 3 year cycle)	A review of the governance and financial procedures in place at a sample of Primary, Secondary and Special Schools, and Pupil Referral Units (PRU) will be undertaken in accordance with a three year cycle designed to ensure coverage of all Local Authority maintained schools within Wolverhampton.	Medium
Monitoring of Schools' Surplus / Deficit Balances	A review of the procedures for the reporting and monitoring of schools' surplus / deficit balances in line with guidance issued by the DfE in respect of improving the assurance system for financial management in Local Authority maintained schools.	Medium
Schools' Capital Programme	A review of the arrangements around the delivery of the schools' capital programme.	Medium
Information Governance (Schools)	A review of the arrangements operated at a sample of schools across all sectors in relation to data protection governance, records management, security of data and requests for data.	Medium
Pupil Premium	A review of the arrangements operated by schools to assess the achievement of deprived pupils covered by the Pupil Premium and compliance with publishing requirements under The School Information (England) (Amendment) Regulations 2012.	Medium

**Strategy for Internal Audit: Delivery**  
For the period: 1 April 2013 to 31 March 2016

Auditable Areas:	Risk	2013/14	2014/15	2015/16	
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For the following key financial systems reviews, the control matrices (nature and type of tests, sample sizes etc.) used in our review include the requirements of the External Auditors - PwC, in order that they can place reliance on our work and thereby reduce their own year-end testing accordingly:

General Ledger	High	✓	✓	✓	✓
Budgetary Control	High	✓	✓	✓	
Payroll	High	✓	✓	✓	
Sundry Debtors (including Domiciliary Care)	High	✓	✓	✓	
Creditors	High	✓	✓	✓	
Creditors – eshop	High	✓	✓	✓	
Local Taxes (Council Tax & NNDR)	High	✓	✓	✓	
Treasury Management	High	✓	✓	✓	
Housing Benefits	High	✓	✓	✓	
Capital Expenditure	High	✓	✓	✓	
Housing Rents	High	✓	✓	✓	

The following grant certifications etc. will be undertaken, including where appropriate the use of established performance indicators and compliance with the grant conditions. *As this is standard grant certification work no risk assessment is required.*

TR17 Teachers Pensions Return Certification	N/A	✓	✓	✓	
Payroll Contribution Statements for WMPF	N/A	✓	✓	✓	
Senior Officers Salaries over £50k check	N/A	✓	✓	✓	
Senior Officer Emoluments	N/A	✓	✓	✓	
Carbon Reduction Credits (CRC) Assurance Statement	N/A	✓	✓	✓	

Single Status & Equal Pay					
Single Status - Post Implementation Review	Medium	✓			✓
Single Status - Payroll Implementation	High	✓			
Single Status - Transition Arrangements	High	✓			
Equal Pay Claims	High	✓	✓	✓	

Shared Service Transformation Programme (SSTP)					
SSTP Project Management Arrangements (specific audit reviews will be defined in conjunction with PwC as part of the on-going assurance framework)	High	✓		Future years coverage to be determined, dependent upon the various stages of implementation	✓
Data Migration Arrangements	High	✓			
Human Resources - To be Process Work Stream	High	✓			
Payroll Services - To be Process Work Stream	High	✓			
Strategic Finance - To be Process Work Stream	High	✓			
Operational Finance - To be Process Work Stream	High	✓			
Procurement - To be Process Work Stream	High	✓			

Procurement					
Corporate Contracts Register	High	✓			✓
Procure to Pay (P2P) System - (E-shop)	High	✓			
Implementation of Procurement Code & Board	Medium	✓			
Implementation of the Birmingham CC Agency Staff Framework agreement	Medium	✓			



<b>Human Resources</b>					
Absence Management - Reporting & Monitoring	Medium		✓		
HR Protocols & Procedures	Medium	✓			

<b>Financial Services</b>					
Grant Accounting Arrangements	Medium	✓			
Debt Management Processes	Medium	✓			✓
Welfare Reform Impact on Housing Benefits	Medium	✓			
Proposed Changes to Council Tax	Medium	✓			
Real Time Information (RTI) Project	Medium	✓			

<b>Central Services</b>					
Accelerated Asset Review – Office	Medium	✓			
ICTS - Desktop Asset Management Review	Medium		✓		
ICTS - Service Desk Arrangements	Medium	✓			
ICTS - Disaster Recovery Arrangements	Medium		✓		
Carbon Reduction Credits (CRC) - Annual Assurance Review	High	✓	✓	✓	
2 x Property Services Contract Reviews	Medium	✓			
Customer Services Strategy	Medium	✓			
Resilience Management (Emergency Planning & Business Continuity)	High	✓	✓	✓	

<b>Environment</b>					
Street Lighting - Capital Programme	Medium	✓			
Street Lighting - Repairs & Maintenance	Medium	✓			
Highways Reactive Maintenance	Medium	✓			
Waste Management Contract - Financial Monitoring	Medium	✓			

**Delivery: Periodic Audit Plan for the period 1 April 2013 to 31 March 2014**

Auditable Area	Purpose	Risk
<p>For the following key financial systems reviews, the control matrices (nature and type of tests, sample sizes etc.) used in our review include the requirements of the External Auditors, in order that they can place reliance on our work and thereby reduce their own year-end testing accordingly.</p>		
<p>General Ledger Budgetary Control Payroll Sundry Debtors (including Domiciliary Care) Creditors Creditors – eshop Local Taxes (Council Tax &amp; NNDR) Treasury Management Housing Benefits Capital Expenditure Housing Rents</p>	<p>An annual review of the high-level system controls.  ** these areas include a detailed review of further key processes under a full coverage intensity approach (with all such processes being reviewed over a cyclical period) as agreed with the External Auditors.</p>	<p>High</p>
<p>Grant Certification Process:</p> <ul style="list-style-type: none"> <li>• TR17 Teachers Pensions Return Certification</li> <li>• Payroll Contribution Statements for WMPF</li> <li>• Senior Officers Salaries over £50k check</li> <li>• Senior Officer Emoluments</li> <li>• Carbon Reduction Credits (CRC) Assurance Statement</li> </ul>	<p>A review of compliance with the various grant and/or legislative requirements regarding these returns.</p>	<p>N/A</p>
<p><b>Single Status &amp; Equal Pay</b></p>		
<p>Single Status - Post Implementation Review</p>	<p>A review of the Single Status Programme to ensure that lessons learnt and good practice can be used for future programmes. The audit will also aim to provide assurance around the implementation of previous audit recommendations.</p>	<p>Medium</p>

Auditable Area	Purpose	Risk
Single Status - Payroll Implementation	A review of the arrangements for implementing the new Single Status pay and grading structure on the Council's payroll system. Deep dive testing will be performed to ensure the migration between the old and new structure has been successful.	High
Single Status - Transition Arrangements	To review of the robustness of systems and processes for managing the payroll system following the implementation of Single Status. This is to manage the risk of future pay inequalities arising.	High
Equal Pay Claims	To provide on-going consultancy in respect of the ever emerging risks of equal pay claims against the Council. Audit work provides on-going assurance to the Project Executive/Council's Section 151 Officer.	High
<b>Shared Service Transformation Programme (SSTP)</b>		
SSTP Project Management Arrangements	To provide on-going assurance to the Project Executive and Board around the implementation of the new shared service system. An assurance framework continues to be developed in conjunction with the Council's External Auditors in order to identify specific audit reviews.	High
Data Migration	A review of the arrangements and testing strategies for migrating all data from the legacy mainframe system to the newly procured SSTP system.	High
Mapping of the 'to be' processes for the following areas: <ul style="list-style-type: none"> <li>• Human Resources</li> <li>• Payroll Services</li> <li>• Strategic Finance</li> <li>• Operational Finance</li> <li>• Procurement</li> </ul>	To provide assurance that proposed changes designed for the new system adequately manage risks. The purpose of the review is also to provide assurance to the Council's External Auditors as part of its managed audit requirements.	High
Corporate Contracts Register	To provide assurance that a corporate procurement register has been established and is being maintained.	High
Procure to Pay (P2P) System - (E-shop)	To review systems and processes in respect of the implementation of the system and corporate compliance in terms of using the system.	High

Auditable Area	Purpose	Risk
Implementation of Procurement Code & Board	To provide consultancy and assurance to the Board that the procurement code has been implemented in accordance with agreed protocols and procedures.	Medium
Implementation of the Birmingham CC Agency Staff Framework agreement	To review compliance against the framework agreement, specifically around the IT portal and compliance with the commercial terms of the contract.	Medium
<b>Human Resources</b>		
HR Protocols & Procedures	To review and provide consultancy around the implementation of HR policies and procedures, especially those developed around Single Status transition.	High
<b>Financial Services</b>		
Grant Accounting Arrangements	To provide a high level systems review of grants received by the Council to ensure they are accounted for and assurance that the appropriate funding terms are being complied with.	Medium
Debt Management Processes	To provide a high level review of the policies and procedures in place for reducing the level of debts the Council has or is writing off.	Medium
Welfare Reform Impact on Housing Benefits	To provide a systems and consultancy review around the impact of welfare reform on Housing Benefits. A particular area to be reviewed will be the Local Discretionary Grant Scheme which is due to be implemented on 1 April 2013. This review will also capture a review of the help desk arrangements and the associated human emotional impact associated with the calls.	Medium
Proposed Changes to Council Tax	To provide a systems and consultancy review around the proposed changes to Council Tax. These include the new localised Council Tax Support System and the revised discounts following the technical reforms to Council Tax.	Medium
Real Time Information (RTI) Project	To provide an assurance review to ensure the Council is compliant in meeting HMRC's Real Time Information requirements.	Medium
<b>Central Services</b>		
Accelerated Asset Review – Office	To provide on-going consultancy and advice around the programme. A programme assurance framework will be developed for the project in order to specific reviews.	Medium

Auditable Area	Purpose	Risk
ICTS - Service Desk Arrangements	A VFM review of the current service desk arrangements to ensure the current software system for logging calls is effective and fit for purpose. Also to ensure that contractual and support arrangements are still adequate.	Medium
Carbon Reduction Credits (CRC) - Annual Assurance Review	A review of the management systems in place for capturing all CRC information to allow the compilation of the annual assurance report.	High
2 x Property Services Contract Reviews	A review of two contracts managed by the Council's Property Services division. <i>Please note these contract audits form part of the Capital Expenditure Managed Audit detailed below.</i>	Medium
Customer Services Strategy	To have periodic meetings in order to review strategy and to provide a consultancy/ critical friend role in respect of this area.	Medium
Resilience Management (Emergency Planning & Business Continuity)	An annual review of specific processes and procedures in respect of the Council's business continuity and emergency planning arrangements.	High
<b>City Services</b>		
Street Lighting - Capital Programme	To review the process of identifying capital schemes, costing the scheme, and delivering the work to ensure value for money is achieved.	Medium
Street Lighting - Repairs & Maintenance	To review the end to end processes between receiving a call via City Direct to it being repaired. The review is to focus on the use of the Confirm System in terms of logging the job and electronic closure by the operative.	Medium
Highways Reactive Maintenance	This review will specifically focus on a review of the post inspection procedures to ensure unauthorised work has not been undertaken within the vicinity.	Medium
Waste Management Contract - Financial Monitoring	To provide assurance that the financial management information provided by Enterprise adequately allows the Council to monitor what they are paying for on the waste contract.	Medium

**Strategy for Internal Audit: Office of Chief Executive**  
For the period: 1 April 2013 to 31 March 2016

<b>Auditable Areas:</b>	<b>Risk</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	
Information Governance	High	√	√	√	
<b>Corporate Strategy Improvement Unit</b>					
Performance Data	Medium	√			
Equalities Framework for Local Government	Medium	√			
Census Data	Medium	√			

**Office of Chief Executive: Periodic Audit Plan for the period 1 April 2013 to 31 March 2014**

Auditable Area	Purpose	Risk
Information Governance	Ongoing advice, support, and awareness on Information Governance issues will be provided across the Council. In addition, we will seek to provide assurance on the implementation of robust information governance arrangements across the Council resulting from the ICO report.	High
<b>Corporate Strategy &amp; Improvement Unit</b>		
Performance Data	To provide assurance with regards to the quality of data provided in respect of performance indicators.	Medium
Equalities Framework for Local Government	To provide assurance as to how the Authority meets the Equalities Framework for Local Government.	Medium
Census Data	To provide assurance over the accuracy and quality of data extracted from census information and subsequently uploaded to corporate information systems for future planning purposes.	Medium