

CITY OF
WOLVERHAMPTON
COUNCIL

Audit and Risk Committee

11 March 2019

Report title	Internal Audit Update – Quarter Three	
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 Audit and Risk Committee is asked to note:

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

1.0 Purpose

- 1.1 The purpose of this report is to update the Committee on the progress made against the 2018 - 2019 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 31 December 2018 (quarter three) 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/25022019/H]

5.0 Legal implications

- 5.1 There are no legal implications arising from the recommendations in this report.
[TS/21022019/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 Health and Wellbeing implications

10.1 There are no health and wellbeing implications arising from this report.

11.0 Schedule of background papers

11.1 None



Internal Audit Update Quarter 3 (2018 - 2019)

[NOT PROTECTIVELY MARKED]



**Stronger
Economy**



**Stronger
Communities**



**Stronger
Organisation**

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 2018 - 2019 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

31 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	2018/19 (@ Q3)	2017/18	2016/17
Substantial	13	17	19
Satisfactory	14	21	10
Limited	4	9	8

2 Summary of audit reviews completed

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

Auditable area	AAN Rating	Recommendations					Level of assurance
		Red	Amber	Green	Total	Number accepted	
Fixed Assets	High	-	-	2	2	2	Substantial
Main Accounting (Budgetary Control & General Ledger)	High	-	-	5	5	5	Satisfactory
Compliance with GDPR Requirements	Medium	-	7	6	13	13	Satisfactory
Senior Officer Remuneration	N/A	-	-	-	-	-	N/A
Direct Payments	High	-	4	2	6	6	Satisfactory
Ashmore Park Nursery School	Medium	-	1	-	1	1	Substantial
Springdale Junior School	Medium	-	1	4	5	5	Substantial
St. Anthony's RC Primary School	Medium	-	1	4	5	5	Substantial
West Park Primary School	Medium	-	3	6	9	9	Substantial
Westacres Primary School	Medium	-	2	4	6	6	Substantial
Colton Hills Secondary School	Medium	-	7	5	12	12	Satisfactory
Dovecotes Primary School	Medium	-	2	3	5	5	Substantial
Windsor Nursery School	Medium	-	-	2	2	2	Substantial
Christ Church Infants School	Medium	-	5	3	8	8	Satisfactory
Oak Meadow Primary School	Medium	-	3	2	5	5	Substantial
Strategic Stakeholder Relationship Management	High	-	3	-	3	3	Satisfactory
City Development Project Pipeline	High	-	5	-	5	5	Satisfactory
Deprivation of Liberties	Medium	-	2	2	4	4	Satisfactory

Auditable area	AAN Rating	Recommendations					Level of assurance
		Red	Amber	Green	Total	Number accepted	
Foster Care – Framework Agreement	High	-	-	-	-	-	N/A – Briefing Note
Carbon Reduction Credits Scheme	Medium	-	1	-	1	1	Satisfactory
Complaints and Compliments Procedure	Medium	-	6	3	9	9	Satisfactory
Transport Grant Certifications	Medium	-	-	-	-	-	N/A
Reported this quarter for the first time:							
Bilston Nursery School	Medium	-	3	4	7	7	Substantial
Eastfield Nursery School	Medium	-	2	3	5	5	Substantial
Wodensfield Primary School	Medium	-	2	2	4	4	Substantial
Vulnerable Youngs Persons	Medium	-	1	4	5	5	Satisfactory
Adult Education Policies and Procedures	Medium	-	-	-	-	-	N/A
Black Country ESF and Youth Employment Initiatives	Medium	-	6	1	7	7	Satisfactory
Tenant Management Organisations *see note below	Medium	4	55	52	111	111	Limited
Recruitment and Retention of Social Workers	High	-	5	-	5	5	Limited
Procurement of Mobile Phones	Medium	-	2	1	3	3	Satisfactory
WMPF Monthly Payroll Contribution Statements	High	-	-	1	1	1	Substantial
Local Taxes – E-Form Testing	Medium	-	-	1	1	1	N/A
Aldersley Leisure Village Events – Cash Handling	Medium	1	5	4	9	9	Limited
Civil Parking Enforcement Contract Management	Medium	1	6	-	7	7	Limited
City North Gateway	Medium	-	-	-	-	-	Grant Certification
Troubled Families Grant Certification – Q2	Medium	-	-	-	-	-	Grant Certification

Auditable area	AAN Rating	Recommendations					Level of assurance
		Red	Amber	Green	Total	Number accepted	
Troubled Families Grant Certification – Q3	Medium	-	-	-	-	-	Grant Certification
i54 Western Extension Project Management	Medium	-	7	-	7	7	Satisfactory

- Key:**
AAN Assessment of assurance need.
- * The four organisations that formed part of the TMO review were Bushbury Hill Estate Management Board, Dovecote Tenant Management Organisation, New Park Tenant Management Co-operative and the Springfield Tenant Management Co-operative. Therefore, a significant number of the same, or similar recommendations were made for all four, hence the larger number of recommendations made.

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

Project/Programme	Was this in the original plan?	Audit Service's Role
Equal Pay	Yes	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	Yes	A member of the team sits on the Council's Information Governance Board in the capacity of providing advice and support.
Commercial Business Improvement Programme (formerly Digital Transformation Programme)	Yes	A member of the team takes part in the programme in a project assurance capacity. During the lifecycle of the programme on-going advice is provided on the governance of the programme and the management of associated risks.
Pay Strategy	Yes	A member of the team sits 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.
Project Assurance Group	Yes	A member of the team is involved in this group. The purpose of the group is to ensure that all of the Council's projects and programmes, recorded through the Verto system, are reviewed and scrutinised.
WV Active Improvement Programme	Yes	A member of the team is represented on the programme board. During the lifecycle of the programme on-going advice is provided on the governance of the programme and the management of associated risks.
Delivering Independent Travel Programme	New	A member of the team sits on the Programme Board as Independent Programme Lead. During the lifecycle of the programme on-going advice is provided on the governance, risk management and, programme and project management arrangements.
Schools Fire Safety Working Group	New	A member of the team sits on the Board in the capacity of providing advice and support. The programme's main objective is to rectify the specification of fire doors in newly built PFI schools.

Project/Programme	Was this in the original plan?	Audit Service's Role
Business Support Programme	New	A member of the team sits on the Board in the capacity of providing advice and support. The programme's main objective is the centralisation of administration within the Council.
City Learning Quarter Programme	New	Audit Services have been invited to provide an assurance role for the programme. This is a major capital investment project which has a reputational risk to the Council.
Our Assets Programme	New	A member of the team sits on the Programme Board as Independent Programme Lead. During the lifecycle of the programme on-going advice is provided on the governance, risk management and, programme and project management arrangements.
Children's Transformation Board	New	A member of the team attends the Board and provides support and assurance on project management arrangements and specific audit issues.
Agresso Board	New	A member of the team sits on this Board to oversee the on-going development of the Council's enterprise resource planning (ERP) solution.

4 *Counter Fraud Activities*

The Audit Service's team 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.

5 *Audit reviews underway*

There were a number of other reviews underway as at 31 December 2018 and these will be reported upon in later update reports.

6 *Any key issues arising from our work completed in Quarter 3*

There were seven limited reports issued during quarter three. These reports were as follows:

Tenant Management Organisations

(Bushbury Hill Estate Management Board, Dovecote Tenant Management Organisation, New Park Tenant Management Co-operative and the Springfield Tenant Management Co-operative)

At the time the Annual Governance Statement was last presented to the Audit and Risk Committee, the Director of City Housing flagged to the Committee that they had requested that all four of these organisations be subject to an audit in 2018-19.

The four organisations manage just over 2,000 properties on the Council's behalf. The scope of our review was primarily focussed upon compliance in meeting the requirements of their respective management arrangements and covered areas such as governance, tenant engagement, housing allocations, housing maintenance, financial control, equalities and performance monitoring.

We identified a large number of areas where there were both significant concerns and considerable scope for improvement, including:

- Recruitment, rotation and training of board members
- The build-up of large surpluses with no clear plans on how they will be used to benefit the residents
- Insufficient equalities and anti-social behaviour activities and monitoring
- Lack of communication with tenants and general tenant engagement
- Unclear housing allocations
- Inconsistent dealing with potential tenancy breaches
- Insufficient right to work checks for employees
- Not processing complaints adequately

There was also scope for increasing the support offered from the Council and in the performance monitoring of the arrangements.

The management of the tenancy management organisations has been identified as an area of concern by the Service Director – Housing, and a range of actions are planned in order to help these organisations make the necessary improvements. However, the size of this task should not be underestimated.

Recruitment and Retention of Social Workers

This included a review of the systems and controls for social worker recruitment (application processing) and retention (use of appraisal processes / support and training offered to employees). We noted that:

- Evidence to support the completion of social worker pre-employment checks was not always available.
- Delays were identified in the recruitment process.
- Evidence to support the completion of annual appraisals and probation hearings was not consistent.
- Career development pathways were not being fully utilised.
- Information to identify the reasons why social workers were leaving the Council was not being obtained and acted upon.

All of our recommendations were accepted and progress has already been made in actioning the issues, which includes the restructure of recruitment responsibilities. A dedicated Social Worker Recruitment and Retention Officer is also in the process of developing new monitoring procedures. Further, the Social Work Career Pathway information will be reviewed. This audit will be followed up as part of our 2019-2020 audit programme.

Aldersley Leisure Village Events – Cash Handling

Following the decision to close the Civic Halls during its refurbishment the Council was committed to deliver a number of events and shows that had already been pre-booked. A decision was taken, in agreement with the events promoters, to relocate these events and shows to Aldersley Leisure Village. The Visitor Economy Manager approached us at the end of September 2018 to help ensure their cash handling processes were 'up to scratch' prior to the first event (PDC Darts Tournament) starting at the beginning of November 2018. We also attended and supported the service during the opening weekend of the event and our audit identified a number of issues, particularly in respect of the following:

- detailed financial procedures or processes were not in place prior to the event;
- no reconciliation was performed in respect of admission tickets or car park ticket sales;
- no reconciliation of card sales; and
- till differences were not investigated.

The findings in the report have been incorporated into a lessons learnt tracker so they can be rectified for future events held at Aldersley Leisure Village.

Civic Parking Enforcement

A review was undertaken of the contract management arrangements in operation for the current £3.5m contract with APCOA Parking Ltd for Civil Parking Enforcement.

Several issues were identified regarding approval of contract variations, requirement for contract review and performance management and monitoring in liaison with contractor. These issues largely arose from the original establishment of the contract and subsequent contract management arrangements, although the current Parking Services Manager had started to take steps to strengthen monitoring more recently.

The current Head of City Transport and Parking Services Manager were in the process of addressing these issues as well as future procurement and contract management arrangements in liaison with Corporate Procurement, including a procurement exercise to be undertaken as the current contract was due to end in February 2019.

7 *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.

8 *Amendments to the Audit Plan*

Audit Area	Audits on the Original Plan	Audits added or removed up to Quarter 3	Revised number of audits
Corporate	8	(1)*	7
Key Financial Systems	12	(1)	11
People	15	(2)	13
Education	23	(1)	22
Place	12	(1)	11
Housing	5		5
Total	75	(6)	69

** this includes two audits from the previous year's plan. Both of which were requested from the respective service area.*

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. At the end of this quarter there were four audits deferred in the plan in order to accommodate the additional unplanned work that has arose throughout the year to date. These audits were as follows:

- Integration of the Family Group to the Customer Contact Centre *(the service in question no longer require these audits due to a restructuring of their service)*
- Civic Centre Building Evacuation *(no longer required due this area being covered in the fire safety in council buildings audit)*
- Markets – Rents Strategy and Collection Arrangements *(deferred due to a new income collection system being installed)*
- Capital Expenditure – Key Financial System *(this has been replaced by a review of key capital projects and programmes throughout the year)*