

CITY OF WOLVERHAMPTON COUNCIL	Audit and Risk Committee 20 January 2020
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Report title Internal Audit Update

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Report to be/has been considered by Not applicable

Recommendations for noting:

The Committee is asked to note:

1. The contents of the latest internal audit update.

1.0 Purpose

- 1.1 The purpose of this report is to update the Committee on the progress made against the 2019 - 2020 internal audit plan and to provide information on recent work that has been completed.

2.0 Background

- 2.1 The internal audit update report 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 recommendation in this report. [GE/01082020/S]

5.0 Legal implications

- 5.1 There are no legal implications arising from the recommendation in this report. [Legal Code: TS/09012020/Q]

6.0 Equalities implications

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

7.0 Climate Change and Environmental implications

- 7.1 There are no climate change and 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 the recommendation in this report.

11.0 Schedule of background papers

11.1 None.

Internal Audit Update Report 2019-2020

[NOT PROTECTIVELY MARKED]



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 2019 - 2020 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

13 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	2019/20 (@ Q2)	2018/19	2017/18
Substantial	2	18	17
Satisfactory	8	23	21
Limited	3	6	9

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	
Previously reported:							
Fixed Assets	High	-	1	-	1	1	Satisfactory
Wolves @ Work	Medium	-	1	1	2	2	Substantial
Senior Officer Remuneration	High	-	-	-	-	-	N/A
Long Knowle Primary School	Medium	-	7	10	17	17	Satisfactory
St. Patrick's Primary School	Medium	-	6	5	11	11	Satisfactory
Reported this quarter for the first time:							
Warstones Primary School	Medium	-	8	6	14	14	Satisfactory
Fire Safety in Council Buildings	Medium	2	5	2	9	9	Limited
Use of cash within Children's Services	Medium	-	2	6	8	8	Satisfactory
Mental Health – Section 117 Aftercare	Medium	-	7	3	10	10	Satisfactory
Fleet Services – Vehicle Spares & Stock Management	Medium	1	1	4	6	6	Limited
Carbon Reduction Credits Submission Verification	Medium	-	1	-	1	1	Satisfactory
Human Resources – I.T Systems	Medium	-	-	-	-	-	N/A
Business Continuity Arrangements	N/A	-	9	-	9	9	Limited
WMPF – Contribution Statements	High	-	-	1	1	1	Substantial
ICT – Management of I.T. Assets	Medium	-	5	2	7	7	Satisfactory
Quarter 1 – Troubled Families Grant Certification	Medium	-	-	-	-	-	Grant Certification

Auditable area	AAN Rating	Recommendations					Level of assurance
		Red	Amber	Green	Total	Number accepted	
Quarter 2 – Troubled Families Grant Certification	Medium	-	-	-	-	-	Grant Certification
2018-2019 Transport Grant Certification	Medium	-	-	-	-	-	Grant Certification

Key:

AAN Assessment of assurance need.

3 On-going assurance where reports are not issued

It is a requirement of the Internal Audit Charter that Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a manner which facilitates impartial and effective professional judgements and recommendations. Objectivity is presumed to be impaired when individual auditors review any activity in which they have previously had operational responsibility. If individual auditors are extensively consulted during system, policy or procedure development, and independence could be seen as being compromised, or if they have had previous operational roles, they will be precluded from reviewing and making comments during routine or future audits, for the remainder of that financial year and for the following financial year after their involvement. Therefore, should any reviews be conducted on the below, then they will be led by another member of the audit team.

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.

Project/Programme	Was this in the original plan?	Audit Service's Role
Delivering Independent Travel Programme	Yes	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	Yes	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.
Business Support Programme	Yes	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	Yes	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.
Agresso Board	Yes	A member of the team sits on this Board to oversee the on-going development of the Council's enterprise resource planning (ERP) solution.
Children's Transformation Board	Yes	A member of the team attends the Board and provides support and assurance on project management arrangements and specific audit issues.
Transform Adult Social Care Programme	New	A member of the team has been attending the Board from September 2019 to provide support and assurance on project management arrangements and specific audit issues.
Transport Asset Group	New	A member of the team is involved in this group. The purpose of the group is to ensure that business cases submitted by business areas for vehicles and equipment replacement are reviewed and assessed prior to approval, as well as addressing future Council Fleet requirements and climate targets for a cleaner environment and reduction in carbon emissions, and future use of electric / hybrid vehicles.
HR Improvement Programme	New	The purpose of this programme is to review current Human Resource systems, processes and procedures to drive out efficient service improvements. A member of the team sits on the Board to provide support and assurance around changes proposed in order to ensure risks are managed and controls are not compromised.

Project/Programme	Was this in the original plan?	Audit Service's Role
Civic Halls Operational Board	New	A member of the team is a representative on this group. The purpose of the board is to oversee the operational delivery of the Civic Halls full refurbishment.

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 at the time this report was produced, and these will be reported upon in later update reports.

6 *Any key issues arising from our work completed*

Fire Safety in Council Buildings

An audit of fire safety arrangements within the Council's corporate buildings was undertaken as part of the current years approved internal audit plan. Our review focussed upon buildings including the Art Gallery and Museum, Civic Centre, Central Library, Central Baths, Bushbury Cemetery and Crematorium and Aldersley Leisure Village. Our review did not include the school estate, instead for this year we focussed upon how each school confirms its compliance with the process.

There is an amber risk in the Council's Strategic Risk Register noting that if the Council does not have in place appropriate systems to ensure compliance with the Regulatory Reform (Fire Safety) Order 2005 within public buildings (including schools) there is a risk of injury to members of the public and exposure to regulatory action, financial penalties and reputational damage to the Council.

A Fire Safety Compliance Group was set up in July 2018. The purpose of the Group is to ensure that fire safety is implemented and maintained in Council buildings to protect employees, building users and visitors, contractors and any other people. The Fire Safety Compliance Group report to the Council's Strategic Health and Safety Wellbeing Board.

At the time of our review an Interim Compliance Officer was responsible for overseeing fire safety compliance for the Council's estate. The Interim Compliance Officer's role also incorporated the duties of an Asbestos Safety Officer role alongside providing strategic direction on a number of other compliance activities including legionella management and delivery of site safety management training for site responsible persons.

In July 2018, Site Responsible Persons were assigned for all corporate buildings with Headteachers performing a similar role for schools. Although management arrangements for fire safety had been put in place, our review found that these were not yet fully operational and embedded. We did note that the Site Responsible Persons had been in post for less than a year and that training was still in progress. We also acknowledged that the Interim Compliance Officer, Site Responsible Persons and Area Facilities Officers had other roles to perform beyond their responsibility for fire safety.

In June 2019 the new Directorate of City Assets and Housing was established, bringing together all property management functions for the Council Estate and established a new Compliance Team from September 2019. The Council has also established a new Our Assets Programme as part of the Council Plan priorities.

At the time of our review we identified the following areas where improvements could be made, arising from the following:

- Our testing at a sample of the buildings identified that weekly, monthly and annual fire checks were not always being carried out and recorded in accordance with corporate guidance. In addition, a number of Site Responsible Officers had yet to receive training.
- Monitoring reports were not available to show the current status of outstanding Fire Risk Assessment actions.
- There was little evidence that compliance checks were being carried out by the Site Responsible Officers.
- There was a limited amount of guidance and documentation available to the Site Responsible Officers in order to enable them to carry out their duties effectively.
- The master record detailing when Fire Risk Assessments were due was not fully completed and required review.
- Area Facilities Officers carry out inspections on the buildings but there was a lack of management information detailing the scheduling of these visits.
- There was no formal escalation process for the issues identified by the Area Facilities Officers as part of their building compliance checks.
- The Council's asset management system had a module for recording fire risk actions which was not being utilised. This meant that it was not possible to produce reports from the system focussing on fire risk management arrangements. Instead reliance was being placed upon the use of spreadsheets which were completed on an ad-hoc basis and were often out of date.
- Approximately a third of the Authority's schools were not returning their termly fire safety checklists to return to the Interim Compliance Officer in order to provide information on the fire safety arrangements checks carried out in their schools.

Following the completion of our report, a series of audit recommendations were made in order to address the issues identified. The Service area is now working on implementing these recommendations and since the report was issued they have:

- Completed training to all Site Responsible Persons (SRP's). A key requirement of this role is to undertake quarterly audits and provide written confirmation in the fire log book that all required checks are being undertaken. To facilitate this, a standard format fire log book, with detailed guidance, has been rolled out across all sites.
- Updated monitoring reports for actions required to be undertaken by Corporate Landlord's FM Maintenance team. A priority for the new Compliance team will be to develop monitoring reports for other actions, principally those of the SRP.
- Updated master records detailing when Fire Risk Assessments are due
- Provided additional Area Facilities Officer (AFO) support, by the recruitment of a temporary employee. A programme of scheduled visits is in place, however further recruitment is being undertaken to ensure that all buildings can be visited within required timescales. A detailed process has been developed to ensure that issues identified during visits are escalated appropriately.
- Reviewed the Council's asset management system (SAM), which will be used to record dates of fire risk assessments and due dates of subsequent assessments. Usage of SAM to record progress on fire risk actions is also being explored. A priority for the new Compliance team will be to ensure that actions are promptly updated, whatever platform is being used.

- Issued further communication to schools. The Head of School Organisation is currently developing a policy document for schools which captures compliance and associated reporting requirements.

Business Continuity Arrangements

At the request of the Director for Public Health, a high-level review of the Council's business continuity arrangements was undertaken. Management of business continuity forms part of the wider resilience framework and is co-ordinated by the Council's Resilience Team. The team are engaging with management and are actively promoting business continuity. This has included assisting in the completion of plans and providing constructive feedback on plan submissions. Further, the team are delivering specific training scenarios in relation to Brexit to help test out plans and challenge information submitted. In January 2019, the Resilience team developed a set of new templates and associated guidance to record business continuity arrangements.

However, in order to build upon this, following our review of the current arrangements we noted the following areas where further improvements could be made:

- We noted that the existing overall business continuity policy had not been reviewed or formally approved for a number of years.
- High level business continuity arrangements were reported to the Resilience Board. However, there was no associated project group to formulate, discuss and roll out detailed issues relating to business continuity.
- Resilience Board meetings were not recorded on the corporate meeting system portal.
- The spreadsheet used to monitor the completion of business continuity plans did not include all areas of the Council or organisations which are linked to the Council (e.g. West Midlands Pension Fund / Wolverhampton Homes).
- It was acknowledged that, at the time of the review, the Resilience team had obtained 87% of business impact assessments from service managers. However, only 25% of continuity plans had been completed. It was therefore difficult to evaluate and monitor plans / set corporate priorities.
- A corporate wide business continuity priority register had yet to be developed.
- The business impact analysis template asked managers to specify improvements or projects to solve any identified gaps within their business continuity plans. However, there was no facility to track or monitor any improvements.
- Further, the business continuity plans were required to be submitted to the Resilience Team. However, managers had not been provided with guidance on the necessity to keep the document 'live' i.e. Relevant and up to date, including interaction with the Resilience Team regarding review timescales.
- From our sample testing of Service Specific Business Continuity Plans we noted that the completion of the plans by individual service managers required further consideration to ensure that plans contained sufficient detail. In the event of a plan requiring activation, it would be doubtful whether the instructions provided would enable business to recover and continue.

We did acknowledge that the management of business continuity is not the sole function of the Resilience team and will rely upon the support and buy-in from service areas across the Council. Also, following the completion of our audit, a series of audit recommendations were made in order to address the issues identified. These were presented to the Resilience Board, who were in agreement with them, and a series of agreed recommendations are now being actioned.

Fleet Services – Vehicle Spares and Stock Management

Fleet Management help support the City's priorities through the provision of a quality, safe and value for money fleet service and ensure that all vehicles and equipment provided to the Council and external partners (Wolverhampton Homes) are effectively and efficiently operated and maintained. At the time of our review, approximately 450 vehicles in addition to plant and equipment were maintained by fleet services with an annual vehicle spare parts budget of £412,000 for 2019 -2020. The Council's vehicle depot based at Culwell Street incorporates a vehicle spares stores containing stock valued at £57,000 as at 31 March 2019.

Whilst stock and stores management arrangements were generally operating effectively, we identified two issues around the procurement of Fleet Management's stock, arising from the following:

- Non-compliant spend had occurred due to the expiry of the contract for the supply of vehicle spares, and the purchase of items not covered by a contract or an exemption leading to a breach of the Council's Contract Procedure Rules.
- Current procurement and contract arrangements did not fully support the unique procurement needs and activity of the service.

Following the completion of our audit, a series of audit recommendations were made in order to address the issues identified. The Service area, in conjunction with Corporate Procurement, agreed to implement these recommendations by the end of March 2020.

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 Changes to the Audit Plan during the year

At the start of the year the Internal Audit Plan was agreed with directors and approved by the Audit and Risk Committee. Following a recent restructure within Audit Services which resulted in a number of members of the team leaving the Council, the plan has been revisited as a short-term measure so that the immediate focus remains on ensuring that the more immediate and higher risk areas are subject to audit prior to the year end, while a recruitment process for new auditor posts is underway. In consultation with the relevant directors and following a managed approach a small number of audits from the initial plan will be deferred and revisited in the following year. This includes:

Audit Title	Directorate	Update
Customer Services Benefits Realisation	Corporate	As there have been delays in implementing the changes to the CRM system, this audit will be deferred to 2020-2021.
ICT – Change Management	Strategy	While we are still undertaking audits within ICT on Asset Management and Disaster Recovery, this audit will be deferred to 2020-2021.
Capital Expenditure	Finance	We are already providing an assurance role on a number of ongoing capital projects which will replace this proposed review.
Mayoral Hospitality and Charity	Governance	This audit was requested by the previous Director of Governance and a separate piece of work is already underway in this area which will replace the intended review.
Performance Framework Reporting	Strategy	We understand that a new performance framework process is being introduced in 2020. Therefore, this review will be deferred until then.
Section 17/No Recourse to Public Funds	Children's	This project is currently in the process of being completed and this review will be deferred until 2020-2021.
Transitional Arrangements	Adults	The service has already undertaken their own checks within this area and from the current year, reliance will be placed on this.
Post 16 Provision in Schools	Education	The future timing of this audit will be discussed as part of the 2020-21 Audit Planning process.
School Census Procedures	Education	Similarly, the future timing of this audit will be discussed as part of the 2020-21 Audit Planning process.
Corporate Landlord Delivery Model	Housing	This audit was requested by the previous Interim Director of Place with regards to the proposed restructuring of Corporate Landlord. Whilst support was offered in respect of this review we understand it was no longer required at that point in time.

We are confident that these changes will not impact upon our ability to provide an end of year overall opinion on the adequacy and effectiveness of the Council's risk, governance and internal control processes.