

City of Wolverhampton Council

2020 - 2021 Internal Audit Plan



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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 themes and areas within them that may require assurance) using a variety of methods:

- Areas of potential risk identified through a variety of sources (including the strategic risk register) 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.
- Key Financial Systems - work undertaken in close liaison with the external auditors, in order to help inform and support the work they are required to undertake.
- Areas where we use auditor's knowledge, management requests and past experience etc.



Step 2 – Ranking

Where appropriate score each auditable area as a high, medium or low assurance need using the CIPFA scoring methodology of materiality/business impact/audit experience/risk/ potential for fraud.



Step 3 – Three year cycle

List the likely medium and high assurance need themes and/or areas for the next three years. High need themed areas will be reviewed annually, medium need usually once in a three-year cycle, while a watching brief will remain on the low needs.



Step 4 - Next Years Plan

List the themes and where appropriate the types of work that will be undertaken in 2020-2021 in the internal audit plan.

A glossary of terms

Definition of internal auditing

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.

Governance

The arrangements in place to ensure that the Council 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 Council'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 Council and the reporting of financial management
- the performance management of the Council 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
- tests 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.

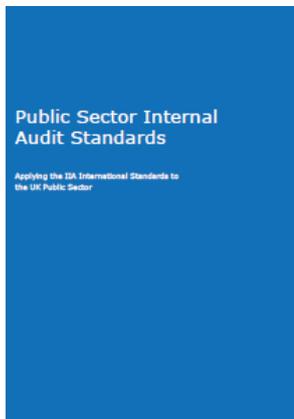
Audit and Risk Committee

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

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 Council's policies, processes and controls and the second being managers' own checks of this first line.

Internal Audit standards



The internal audit team have adopted and comply with the standards as laid out in the Public Sector Internal Audit Standards.

Introduction

- The purpose of internal audit is to provide the Chief Executive, Section 151 Officer and Audit and Risk Committee 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 true role of internal audit is to contribute to internal control by examining, evaluating and reporting to management on its adequacy and effectiveness.
- There is a statutory requirement for internal audit to work in accordance with the 'proper audit practices'. These 'proper audit practices' are in effect the 'Public Sector Internal Audit Standards'. The Council has an Internal Audit Charter which is reviewed and approved annually by the Audit and Risk Committee and defines the activity, purpose, authority and responsibility of internal audit, and establishes its position within the Council. This document sits alongside the charter and helps determine how the internal audit service will be developed.
- The purpose of this document is to provide the Council with an internal audit plan, 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.

Assessing the effectiveness of risk management and governance

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 and Risk Committee. This opinion is reflected in the general level of assurance given in our annual report and where appropriate within separate reports in areas that will touch upon risk management and governance.

Assessing the effectiveness of the system of control

- 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.

- The 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.

Assessment of assurance needs methodology

- 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.
- 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 assurance need 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.
- 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 auditable themes and areas that impact significantly on the achievement of the control objectives.
 - We assigned assurance need values to the auditable themes and areas, based on the evidence we obtained.
- The audit plan is drawn out of the assessment of assurance need. The proposed plan covers the 2020-2021 financial year and is detailed at the end of this document.

The assessment of assurance needs - identifying the Council's priorities and the associated risks

At the time this audit plan was prepared, the following were the Council's six strategic outcomes:

- Children and young people get the best possible start in life
- Well skilled people working in an inclusive economy
- More good jobs and investment in our city
- Better homes for all
- Strong, resilient and healthy communities
- A vibrant, green city we can all be proud of

All of this will be supported by the '**Our Council**' programme. This is the internal change programme which will help drive organisational improvement and development. It provides the foundation on which the Council will deliver its services, in partnership with its communities and stakeholders, to achieve the city's ambitious Vision 2030. The 'Our Council' programme aligns internal activity and the operating model to the strategic outcomes, by delivering:



Our Assets

We will rationalise our buildings, vehicles and equipment to provide better use for ourselves, our communities and our partners. Our assets will be used to unlock investment in the city, by providing space for new homes and developments that bring wider economic benefits.



Our Data

We will use data and insight to lead policy development and decision making. Data will be open and available, enabling people to engage with us more freely and to ensure decision making is closely aligned with communities' needs. We use data confidentially to be effective and efficient.



Our Technology

We will embrace digital technology throughout our organisation to enhance customer access and will continue to improve the efficiency and joined-up nature of our services. Our communities and partners will be able to self-serve and access information when they want it, how they want it.



Our Money

We will have a sustainable, agile organisation able to work with partners and communities to unlock the potential of our city. We will operate as efficiently as possible whilst embedding a commercial culture throughout the organisation to meet our financial challenge.



Our People

We will continue to develop a highly talented and empowered workforce with the skills, drive and innovation to meet ever changing demands, and to work collaboratively and confidently to tackle our city's priorities.

The Council has identified the following strategic risks as potentially impacting upon its ability to achieve its strategic outcomes:

- Medium Term Financial Strategy
- Safeguarding
- Business Continuity Management
- City Centre Regeneration
- Emergency Planning
- Skills for Work and Inclusive Growth
- Cyber Security
- Compliance with the requirements of the National Building Safety Programme, Grenfell Inquiry Report and MHCLG Building Regulation Guidance Advice Notice(s)
- Fire Safety – Public Buildings
- Civic Halls
- Parent Company assurance of Tenancy Management Organisations
- Information Governance
- Maximising Benefits from the Combined Authority
- Payment Card Industry Data Security Standard
- Health and Safety
- Waste Management Services
- Governance of Major Capital Projects and Programmes
- Climate Change

Identifying the “audit universe”

- 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 above, and the management objectives. These auditable areas include the control processes put in place to address the key risks.
- In addition to this, 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

- 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.
- There are a number of key factors for assessing the degree of assurance need 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
- In this model, the assignment of the relative values are translated into an assessment of assurance need. These ratings used are high, medium or low to establish the frequency of coverage of internal audit.

Developing an internal audit plan

- The internal audit plan is based, wherever possible, on management's risk priorities, as set out in the Council's own risk analysis/assessment. The plan has been designed so as to, wherever possible, cover the key risks identified by such risk analysis.
- In establishing the plan, the relationship between risk and frequency of audit remains absolute. The level of risk will always determine the frequency by which auditable themes and areas will be subject to audit. This ensures that key risk themes and 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.
- It is recognised that a good internal audit plan should achieve a balance between setting out the planned audit work and retaining flexibility to respond to changing risks and priorities during the year. Traditionally Audit Services produced quite detailed internal audit annual plans identifying all the individual audits planned for the year, and this approach does have the advantage of providing a clear route map to the end of year opinion. However, as the year progresses it is likely that the risks and organisational priorities will change, resulting in changes to the plan. This is a particular issue within the local authority environment at this moment in time, due to the pace of change and high level of uncertainty affecting the risk environment. Therefore, for this year we are again keeping the audit plan more open than previously, and, where appropriate, the new plan reflects themes and types of work rather than individual audits. More detailed working plans will be maintained operationally within Audit Services. This approach should hopefully result in a more realistic and flexible plan.
- Auditor's judgement will be applied in assessing the number of days required for each audit identified in the plan.
- 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.

- This exercise builds on and supersedes previous internal audit plans.
- 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.

Considerations required of the Audit and Risk Committee and the Council's Senior Management Team

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

How the internal audit service will be delivered

Staffing

The audit team follow the Council's core behaviours. They are recruited, trained and provided with opportunities for continuing professional development. Employees are also sponsored to undertake relevant professional qualifications. All employees are subject to the Council's appraisal scheme, which leads to an identification of training needs. In this way, we ensure that employees 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 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 staff.

Resources required

It is estimated that approximately 1,400 internal audit days (including fraud, assurance and contingency work) will be required to deliver the audit plan.

Audit Service's External Clients



**West Midlands
Combined Authority**



West Midlands Pension Fund



The City of Wolverhampton Council's Audit Services also provides the internal audit service to a number of other associated public sector based organisations in the West Midlands. Separate internal audit plans are produced for each of these and Audit Services reports back to each of their respective Audit Committees or equivalent.

The internal audit plan 2020-2021

The following reviews and associated services will be delivered across the Council:

Auditable Area	Purpose
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 Cabinet Office requirements we will lead on the Council's NFI data matching exercise.
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 where appropriate maintenance of the Council's fraud risk register, hosting raising fraud awareness seminars and running fraud surgeries and e-learning.
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 advice and or/reviews.
Payment transparency	An ongoing review of compliance with the government's data transparency publishing requirements.
Recommendation follow up	A regular and ongoing follow up of key internal audit recommendations made across the Council in 2019 - 2020.
Development and advice	Reviewing system developments on key controls and providing advice relating to systems which are not necessarily covered by audits originally scheduled for 2020-2021.
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 and Risk Committee	Preparation and presentation of papers for the Audit and Risk Committee and providing advice and training to committee members as and when required.

Corporate (Executive)		
Assurance Framework	A review of the monthly returns that will underpin the Assurance Framework process that was implemented in 2019-2020. This will entail reviewing a sample of returns to ensure there is sufficient evidence trails in place.	Medium
Finance		
Key Financial Systems	A review of the high-level financial system controls and other key processes, these include: Accounts Payable, Accounts Receivable, Payroll, Budgetary Control, General Ledger, Fixed Assets, Treasury Management, Local Taxes, Housing Rents, and Housing Benefits.	High
Procurement Non-Compliance Monitoring	A high-level review of the monitoring arrangements, and action taken, where procurement non-compliance is identified.	Medium
New Payment Kiosks	A review of the implementation of the Council's new replacement payment kiosks. The review will focus on the reconciliation and banking processes.	Medium
Governance		
Key governance areas	There is a newly appointed Director of Governance and a contingency has been assigned to this area in order to give the director time to identify areas where audit assurance may be required.	Medium

Human Resources		
Annual Leave Recording	A corporate review of annual leave. This is to include the process for part time employees, the booking of mandatory unpaid leave and the correct calculation of leave balances for leavers.	Medium
Management of Attendance	A compliance review in respect of the management of attendance process. As a result of the HR Improvement Programme there are proposed changes around the reporting and recording of sickness.	Medium
Disclosure of Bureau Services Checks	This is a corporate review of the DBS checks for employees of the Council. This will include the undertaking of checks as part of the recruitment process and the renewal of checks that are due to expire.	High
Diversity Monitoring	This audit is to review the current diversity monitoring processes and procedures adopted by HR.	Medium

Business Improvement		
Projects and Programmes	An on-going review of the management of the Council's programmes and projects to ensure they are complying with the approved methodology.	Medium
Business Improvement Programmes	To provide on-going advice and support to newly established service improvement programmes initiated throughout the year.	Medium

Strategy		
Performance Framework Reporting (Data Integrity)	A review of the integrity of data used for reporting outcomes under the Council's proposed performance framework.	Medium
Recovery of IT Assets for Agency Staff	A review of the systems and procedures in place for recovering CWC assets from agency staff. This will be done in conjunction with ICTS and service areas across the Council.	Medium
ICT - Disaster Recovery	A high-level review of the Council's current ICT disaster recovery arrangements.	High
Cyber Security	A review of the controls the Council has in place to reduce the risk of cyber security attacks.	High

Children Services		
Section 17 Payments*	A review of new systems and processes in place to administer these payments. <small>*Section 17(6) of the Children Act states that the local authority may exercise its duty to safeguard and promote the welfare of children in need by providing 'assistance in kind to be given or in exceptional circumstances in cash'.</small>	Medium
Out of City Placements	A review of the payment arrangements for children in outer city care placements.	Medium
Commissioning/Procurement Planning - Contracts	This is a review of the commissioning and procurement arrangements in Children's Services to ensure they are compliant with the Council's Contract Procedure Rules.	Medium
Recruitment and Retention – Performance Management	This is a review of the new performance management framework. The review will the arrangements are in place for monitoring/evidencing performance and also include the requirement to complete the new social worker qualification.	Medium
Troubled Families – Grant Certifications	The will involves verifying and certifying the quarterly grant claims.	Medium

Adult Services		
Commissioning / Procurement Planning Contracts	Review of commissioning arrangements to ensure that forward planning takes place and procurement rules are complied with.	Medium
Continuing Health Care	Review of current arrangements to ensure that key risks are effectively controlled and managed.	Medium
Education		
School Audits	A review of the governance and financial procedures in place at a sample of nursery, primary, secondary, special schools, and pupil referral units to ensure coverage of all local authority maintained schools over a predetermined cycle.	Medium
School census procedures	A review of the process for inputting and collation of school census information.	Medium
ConnectEd	A follow up review of ConnectED's management and financial arrangements where the Council acts as the company's supervising authority.	Medium
Early Years grant arrangements	A review of the arrangements in place to claim and distribute the grant.	Medium
Data Integrity review	A follow up review of the last Data Integrity review.	Medium
Public Health		
Key areas within Public Health, likely to include business continuity arrangements.	With a number of Public Health related risks accelerating at the time this plan was prepared, discussions will be held with the Director of Public Health during the year in order to focus the audit resource into the key risk areas.	High

Regeneration		
Regeneration Programme and Project Management Framework	A high-level review of programme level governance, risk management, monitoring and reporting arrangements, and application of key programme level controls (including use of Council systems) to ensure the effective delivery of programmes and projects by the Regeneration Directorate.	High
Westside	An interim review of governance, project management, risk management and control systems (including use of Council systems) being developed in preparation for project delivery stage.	High
Queens Street Gateway	A review of governance, project management, risk management and control systems (including use of Council systems) in operation including compliance with any external funding arrangements as applicable.	Medium
Adult Education External Funding Arrangements (WMCA)	A review of the Council's monitoring and compliance arrangements regarding WMCA Adult Education Budget external funding (including terms and conditions and claims process), and achievement of key deliverables.	High
Black Country AIM (Advice Investment and Markets) Programme and Black Country Impact Project - European Regional Development Fund	A review of governance, risk, performance and operational management arrangements for the ERDF funded AIM Programme to ensure compliance with funding requirements and delivery of key outcomes and outputs as part of contributing to the achievement of the Council's strategic objectives.	High
Black Country Impact Project – European Social Fund	A review of governance, risk and operational management arrangements, including partnership engagement, for the ESF funded Impact Project to ensure compliance with funding requirements and delivery of key outcomes and outputs.	High
Industrial Sites Delivery Programme	A review of the governance, programme and risk management arrangements for delivery of the strategic aims and objectives of the Industrial Sites Delivery Programme.	High

Environment		
Future Generations: Our Climate Commitments	A high-level review of the proposed governance, monitoring and reporting arrangements developed to support delivery of the Commitment and associated Carbon Neutral target by 2028.	High
Westside Link (Connected Places) Project Phase 1	A review of the governance, project management, risk management and control systems in operation for the Westside Link (Connected Places) Project.	High
City East Gateway Phase 1 and 2	A review of the governance, project management, risk management and control systems in operation for the City East Gateway Project.	High
Wedding Offer (Registrars)	A review of the operational and management arrangements established to support effective delivery of the Registrars' Wedding Offer including development of future business opportunities as part of a holistic Council wide offer.	Medium
ERDF Smart Infrastructure (LED Street Lighting Replacement)	A review of the project management arrangements and compliance with ERDF funding requirements in operation.	High
Waste Disposal and Recycling Contract Management	In-year audit coverage of a specific contract will be determined through review of contracts awarded in 2020-2021.	High
Time Recording and Management Arrangements (including overtime)	A review of time recording and management processes in operation within Environmental Services (including overtime) to ensure they are effective and efficient and supports service delivery.	Medium

City Assets and Housing		
Housing Capital Programme	A review of governance, programme/project management, risk management, control systems and resource/succession planning in operation for the strategic and operational delivery of the Housing Capital Programme.	Medium
HMO Licencing Review	A review of the HMO Licencing procedures for the administration and issuing of licences.	Medium

Programme and Project Assurance

In addition to the traditional internal audit plan, Audit Services also provide an ongoing assurance role by having an independent role on a number of programmes, projects boards and working groups, including:

Programme and Project related assurance work	
<ul style="list-style-type: none"> Information Governance 	<ul style="list-style-type: none"> Transforming Adult Social Care Programme
<ul style="list-style-type: none"> Pay Strategy 	<ul style="list-style-type: none"> Children's Transformation Programme
<ul style="list-style-type: none"> Project Assurance Group 	<ul style="list-style-type: none"> Platform for Care Programme
<ul style="list-style-type: none"> WV Active Improvement Programme 	<ul style="list-style-type: none"> Civic Halls Programme
<ul style="list-style-type: none"> Delivering Independent Travel Programme 	<ul style="list-style-type: none"> Business World Development Project
<ul style="list-style-type: none"> Schools Fire Safety Working Group 	<ul style="list-style-type: none"> Transport Asset Group
<ul style="list-style-type: none"> City Learning Quarter Programme 	<ul style="list-style-type: none"> Infrastructure for Growth Board
<ul style="list-style-type: none"> Business Support Programme 	