

CITY OF
WOLVERHAMPTON
COUNCIL

Audit and Risk Committee

23 March 2020

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

Recommendation for noting:

The Committee is asked to note:

1. The contents of the latest internal audit update.

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

- 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/11032020/V]

5.0 Legal implications

- 5.1 There are no legal implications arising from the recommendations in this report. [TS/11032020/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 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 Health and Wellbeing implications

- 9.1 There are no health and wellbeing implications arising from the recommendations in this report.

10.0 Corporate landlord implications

10.1 There are no corporate landlord implications arising from the recommendations 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

22 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 (@ Q3)	2018/19	2017/18
Substantial	6	18	17
Satisfactory	12	23	21
Limited	4	6	9

2 Summary of audit reviews completed

The following audit reviews were completed by the end of the third 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
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
Quarter 2 – Troubled Families Grant Certification	Medium	-	-	-	-	-	Grant Certification

Auditable area	AAN Rating	Recommendations					Level of assurance
		Red	Amber	Green	Total	Number accepted	
2018-2019 Transport Grant Certification	Medium	-	-	-	-	-	Grant Certification
Reported this quarter for the first time:							
Kings Secondary School	Medium	-	6	4	10	10	Satisfactory
St. Matthias Secondary School	Medium	-	7	7	14	14	Satisfactory
Green Park Special School	Medium	-	-	1	1	1	Substantial
Little Village Nurseries (two visits)	Medium	-	4	1	5	5	Substantial
Bilston CE Primary School	Medium	-	1	2	3	3	Substantial
St Andrews Primary School	Medium	-	2	1	3	3	Substantial
Employee Driver Checks	Medium	2	4	1	7	7	Limited
GDPR Update	Medium	-	3	4	7	7	Satisfactory
Equipment Stores	Medium	-	8	10	18	18	Satisfactory
Quarter 3 - Troubled Families 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 lead 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.
Infrastructure for Growth Board	New	The purpose of this group is to oversee the strategy of regeneration projects across the city to ensure there is a co-ordinated joined up approach. A member of the team is present on this board to provide support and assurance around governance.

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*

Employee Driver Checks

It is a legal requirement that employees are insured for business use insurance cover if they use their own vehicles for work purposes. Under the Health & Safety Executive's (HSE) guidance, employers are required to undertake periodic checks of employee's driving details (including business insurance cover) if they are either driving Council owned, or their own, vehicle to carry out Council duties. Currently employees are required to record their driving details on the Council's Business World system and managers are required to complete fields to evidence they have verified the employee's details (including business insurance cover).

As part of our review a data matching exercise was performed between the number of employees who had claimed mileage since 1 April 2018 and those who had recorded their details on Business World. This exercise identified approximately only 25% had recorded their details on the system. Therefore, there is a risk that a considerable number of employees may be using their own vehicles for work purposes, without the appropriate level of insurance cover.

In addition to the above completion rates the following issues were also identified and included in our report:

- The requirement to record employee driving details on Business World was last communicated just over three years ago and there is no evidence of this being covered in any recent corporate induction programme;
- Employee driving details were not being fully entered against their record on Business World;
- Managers do not appear to be checking that their employees have entered their driving details on Business World prior to authorising mileage claims and where they are, such information is not being validated.
- The current completion rates for recording employee driving details suggests the current process is not working properly and should be reviewed to ensure it remains fit for purpose; and
- A small number of cases were identified where the employee declared they did not have business use on their car insurance. However, the respective managers allowed the employee to continue using their vehicle for Council duties.

Following the recommendations made in our report the Council's Driving at Work Policy is now being reviewed, before been re-launched, and the importance of ensuring the appropriate level of checks are being undertaken is being reiterated across the Council.

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. During the current quarter the following follow-up reviews were completed:

- Rainbow Nurseries
- Fire Safety in Council Buildings

Both reviews confirmed progress had been made in implementing the recommendations in the original report and no significant issues were identified.

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. Subsequent changes to the audit plan have been reported through the Audit and Risk Committee. Following the recent departure of the Director of Housing it has been agreed that the two audits under the Housing Plan will be deferred and included in the 2020 – 2021 audit plan. This should not impact upon the ability to provide an end of year opinion on the overall adequacy and effectiveness of the Council's risk, governance and internal control framework.