

# Audit Committee

## 21 September 2015

<b>Report title</b>	Internal Audit Update – Quarter One	
<b>Cabinet member with lead responsibility</b>	Councillor Andrew Johnson Resources	
<b>Accountable director</b>	Mark Taylor, Finance	
<b>Originating service</b>	Audit	
<b>Accountable employee(s)</b>	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
<b>Report to be/has been considered by</b>	Not applicable	

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### Recommendations for noting:

The Committee is asked to note:

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

## **1.0 Purpose**

- 1.1 The purpose of this report is to update the Committee on the progress made against the 2015/16 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 30 June 2015 (quarter one) 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/07092015/E)

## **5.0 Legal implications**

- 5.1 There are no legal implications arising from the recommendations in this report. (TS/07092015/B)

## **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 Schedule of background papers - None**

# Internal Audit Update: Quarter 1

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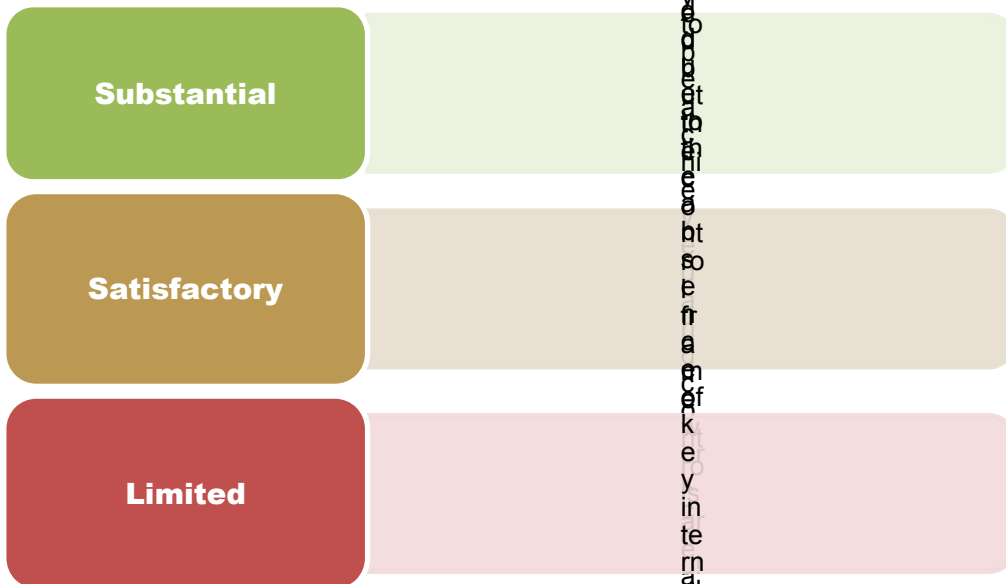
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# 1 Introduction

The purpose of this report is to bring the Audit Committee up to date with the progress made against the delivery of the 2015/6 internal audit plan.

The Audit 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 be used 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:



## 2 Summary of audit reviews completed

The following audit reviews were completed within the first quarter of the current year.

Auditable area	AAN Rating	Recommendations			Total	Number accepted	Level of assurance
		Red	Amber	Green			
Hill Avenue Primary School	Medium	-	7	6	13	13	Limited
Low Hill Nursery School	Medium	-	-	5	5	5	Substantial
Whitgreave Junior School	Medium	-	-	-	0	0	Substantial
Long Knowle Primary School	Medium	1	12	5	18	18	Limited
Senior Officers Remuneration and Officers > £50K	N/A*	-	-	-	-	-	N/A*
Coppice Performing Arts School	N/A*	1	-	-	1	1	Limited
Use of P-cards: System controls	N/A*	-	4	2	6	5**	Limited

**Key:**

AAN Assessment of assurance need

\* One-off piece of work undertaken by request or certification/non-risk based reviews etc. – therefore an audit opinion may not always be provided.

\*\* One recommendation was superseded by the introduction of the new council P-card.

## 3 Audit reviews underway

There were a number of other reviews underway as at 30 June 2015, and these will be reported upon in later update reports.



## Year on year comparison

Six 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	2015/16 (Quarter 1)	2014/15	2013/14
Substantial	2	7	18
Satisfactory	-	29	51
Limited	4	12	9

## 4 Key issues arising from our work completed in Q1

Further details arising from the limited assurance reports referred to above, will be presented to the committee in a private report exempt from publication under Schedule 12A of the Local Government Act 1972 (as amended), Part 1, Paragraph 1, 2, 3 as it is felt that in particular, individuals may be identifiable through the content.

### Agresso

As previously reported to Audit Committee, we are currently undertaking full end to end audit reviews of all key systems, in order to provide assurance on the implementation of Agresso. These extensive reviews are on-going and will be reported to the Audit Committee in due course on their completion.

In addition, we continue to work with key staff on the implementation of Agresso and as part of this process we have recently provided assurance in respect of the implementation of various modules within the system.

### Managed Audits

Managed audits are the work we do on the council's key financial systems and incorporate 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. The 2014/15 programme of managed audits has now been completed. For 2015/16 we will be looking to develop a good working relationship with the council's new external auditors Grant Thornton.

### The follow up of previous recommendations

Follow up work on key recommendations made as part of the limited assurance reports we issued in 2013/14 has commenced. Progress on this will be reported at future Audit Committee meetings.

### Counter Fraud Activities

We have continued to investigate all allegations of suspected fraudulent activity, during the year. Details of these have will be presented to the Audit Committee in a separate report, along with details of new initiatives put in place in order to both raise awareness of, and tackle fraud across the council.

## The Annual Report of the Audit Committee

The 2014/15 Annual Report of the Audit Committee (approved by the committee at its July meeting) will be presented by the Chair at the Full Council meeting on 23 September 2015.

### Audit Committee training session

A training session on "Understanding Local Government Accounts" for the Audit Committee was arranged and facilitated by PwC on 9 September 2015. The purpose of this was to help members of the committee in their understanding of the annual accounts, prior to their approval.

### City People

City People recently ran the below article on the audit service, and was also reported in the Express and Star:

"The council's audit service has continued to expand on its successful joint working arrangement with Sandwell MBC. Not only has it recently won the contract to provide the audit service for Wolverhampton Homes, it has also entered into a partnership with Centro (who are responsible for the delivery of public transport in the West Midlands) in order to provide a similar range of services.

The current client base across the two teams at Wolverhampton and Sandwell now includes:

- Wolverhampton City Council
- Sandwell Metropolitan Borough Council
- Wolverhampton Homes
- West Midlands Pension Fund
- West Midlands Fire Service
- Centro
- Sandwell Leisure Trust
- Sandwell Inspired Partnerships
- Various academies across the borough

A range of other related services are also included, at various points, within this arrangement including risk management, a fraud investigation service and insurance.



Councillor Craig Collingswood the new Chair of the Audit Committee said that he is pleased that our audit, risk, fraud and insurance service continues to grow as they provide an important role in ensuring that we have excellent governance, risk management and internal controls in place here at the council. They also work closely with our external auditors (PwC) in making sure our accounts are in order. This is certainly a model for the future whereby we are bringing a much stronger commercial outlook to the way that we provide and deliver our services.

He went on to say that by increasing their customer base, not only does this bring economies of scale to the council, it also allows the team to develop and widen their experience and skills.

I see one of the key roles of the Audit Committee as being there to support the service and help raise the profile of internal control and risk management issues across the council. I will also be reporting back to Full Council at their September meeting on the work the committee has undertaken over the last 12 months."