

Audit and Risk Committee

28 September 2020

Report title	Internal Audit Update	
Accountable director	Claire Nye, Director of Finance	
Originating Service	Audit	
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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 2020 - 2021 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 Regular 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/17092020/R]

5.0 Legal implications

- 5.1 There are no legal implications arising from the recommendation in this report. [TS/16092020/R]

6.0 Equalities implications

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

7.0 Climate Change and Environmental implications

- 7.1 There are no climate change and environmental implications arising from the recommendation in this report.

8.0 Human resources implications

- 8.1 There are no human resources implications arising from the recommendation in this report.

9.0 Corporate landlord implications

- 9.1 There are no corporate landlord implications arising from the recommendation 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 Covid implications

11.1 This report details the impact of Covid-19 on the Council's internal audit service.

12.0 Schedule of background papers

12.1 There are no schedule of background papers.

13.0 Appendices

13.1 Appendix 1 - Internal Audit Update Report 2020-2021

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[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 2020-2021 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.

2 *Internal Audit Plan Update*

A report was presented to the Council's Audit and Risk Committee on 22 June 2020 updating the Committee on how Covid-19 had impacted upon the internal audit plan and explaining how a significant proportion of the audit resources had been temporarily redeployed to other areas of the Council's business to provide assistance in a number of areas including the food distribution hub, the various business support grants team, assisting Procurement with supplier due diligence checks regarding the supply of PPE and other Covid-19 related grant assurance.

Since the June meeting, the audit team have managed to complete a number of outstanding reviews from the previous year, including all of the key financial stems. Alongside this, work has also begun on delivering areas within the 2020-2021 audit plan. Details on both of these are included in section 3 of this report

An exercise is also currently underway, and directors are being consulted regarding their individual plans to understand which audits are business critical and require delivery during the remainder of 2020–2021, alongside the Covid-19 related work that we are undertaking. Those areas that are not deemed business critical at this point in time, will feed back into the risk planning exercise for next year and either be removed or deferred to next year's plan. Further details on progress will be reported at the next meeting of the Committee.

3 Summary of audit reviews completed

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

Auditable area	AAN Rating	Recommendations					Level of assurance
		Red	Amber	Green	Total	Number accepted	
2019/20 Audits now completed							
City North Gateway M54 Junction 2 Project Management	Medium	-	-	-	-	-	N/A - advisory
Accounts Receivable	High	-	1	1	2	2	Satisfactory
Main Accounting (General Ledger and Budgetary Control)	High	-	-	5	5	5	Substantial
Fixed Assets	High	-	-	-	-	-	Substantial
Local Taxes (Council Tax and NNDR)	High	-	-	1	1	1	Substantial
Housing Rents	High	-	-	-	-	-	Substantial
Housing Benefits	High	-	-	-	-	-	Substantial
Accounts Payable	High	-	-	1	1	1	Substantial
The following new reviews have also been completed:							
Senior Officer Emoluments	High	-	-	-	-	-	N/A
Sundry Debtors - Bad Debt Due Diligence	High	-	-	-	-	-	N/A

Key: AAN = Assessment of assurance need

4 *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
Information Governance	Yes	A member of the team sits on the Council's Information Governance Board in the capacity of providing advice and support.
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.
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.
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.

Project/Programme	Was this in the original plan?	Audit Service's Role
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. This also includes advice and support on the implementation of the new Eclipse management information system.
Transform Adult Social Care Programme	Yes	A member of the team attends the Board to provide support and assurance on project management arrangements and specific audit issues.
Transport Asset Group	Yes	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	Yes	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.
Civic Halls Operational Board	Yes	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	Yes	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.

5 *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.

6 *Audit reviews underway*

There are also a number of other audit reviews now underway and these will be reported upon in future updates.

7 *Sundry Debtors - Bad Debt Due Diligence*

Audit Services were requested to undertake due diligence into a number of companies that appeared on the Council's end of year bad debt report. This work involved undertaking a number of financial checks to understand whether each company was financially stable to repay the outstanding debts. Following the checks performed by Audit Services each company was RAG rated in terms of their ability to repay their outstanding debts and passed to the Council's Corporate Finance Team to inform the overall bad debt provision for the Council's accounts.

8 *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.