

# Audit and Risk Committee

08 March 2021

<b>Report title</b>	Internal Audit Update – Quarter 3	
<b>Accountable director</b>	Claire Nye, Director of Finance	
<b>Originating Service</b>	Audit	
<b>Accountable employee</b>	Peter Farrow Tel Email	Head of Audit 01902 554460 <a href="mailto:peter.farrow@wolverhampton.gov.uk">peter.farrow@wolverhampton.gov.uk</a>
<b>Report to be/has been considered by</b>	Not applicable.	

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## Recommendation for noting:

The Audit and Risk Committee is asked to note:

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

## **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 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/22022021/M]

## **5.0 Legal implications**

- 5.1 There are no legal implications arising from the recommendation in this report. [TS/19022021/T]

## **6.0 Equalities implications**

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

## **7.0 All other implications**

- 7.1 There are no other implications arising from the recommendation in this report.

## **8.0 Schedule of background papers**

- 8.1 None.

## **9.0 Appendices**

- 9.1 Appendix 1 - Internal Audit Update Report 2020-2021

# Appendix 1 - Internal Audit Update Report 2020-2021

[NOT PROTECTIVELY MARKED]



[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*

Previous update reports have been presented to the Council's Audit and Risk Committee throughout the year, informing the Committee on how Covid-19 had impacted the Council's internal audit plan. They explained how a proportion of the audit resources had been temporarily redeployed within the Council to provide assistance in a number of areas including the food distribution hub, the various business support grants teams, assisting Procurement with supplier due diligence checks regarding the supply of personal protective equipment (PPE) and other Covid-19 related grant assurance.

Also, that in order to reflect the in-year change in risk profile for the Council and to facilitate the shift in resources, a consultation exercise has been undertaken with the senior management team and the internal audit plan revisited to ensure that the audit resource is focussed in the most effective manner. This included an assessment of both Covid-19 and strategic risks from the respective risk registers and has taken into account factors such as the outcome of more recent assurance exercises, possible alternative assurance routes such as those from the first and second lines of defence from the three lines of defence model, and any particular key timing issues.

We continue to assess the situation, and at present it is believed that the number of audits planned to be completed, including all of the key financial systems reviews, will still enable us to be in a position to provide an annual audit opinion at the year-end.

### 3 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	
<b>Previously reported</b>							
<b>2019/2020 Audits</b>							
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
<b>2020/2021 Audits</b>							
Senior Officer Emoluments	High	-	-	-	-	-	N/A
Sundry Debtors - Bad Debt Due Diligence	High	-	-	-	-	-	N/A

**Key:** AAN = Assessment of assurance need

Auditable area	AAN Rating	Recommendations					Level of assurance
		Red	Amber	Green	Total	Number accepted	
Licensing - Private Taxi Hire	Medium	-	2	-	2	2	Satisfactory
Blue Badges Grant Certification	Medium	-	-	-	-	-	N/A
Mayor's Charity Trust Independent Examination	-	-	-	-	-	-	N/A
Transport Grant Certifications	Medium	-	-	-	-	-	N/A
Eclipse System - Project Governance Review	Medium	-	-	-	-	-	N/A
Reported this quarter for the first time:							
SEND Safer Recruitment and Single Central Record	Medium	-	-	-	-	-	N/A - advisory
Garden Waste Service	Medium	-	1	-	1	1	Satisfactory
Procurement Compliance Review	Medium	2	3	1	6	6	Limited
Children's Residential Homes – Compliance with Working Time Directives	Medium	4	1	2	7	7	N/A - Consultancy

**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.
NHS Social Care Digital Programme	New	A member of the team attends the Board to provide support and assurance on project management arrangements and specific audit issues.
Our Assets Board	New	The purpose of this Board is to provide a strategic overview of how the Council manages its current assets. A member of the team attends the Board to provide support and assurance on project management arrangements and any specific audit issues.
Local Fibre Network Programme Board	New	The purpose of this Board is to oversee the implementation and roll-out of a new fibre network across the city, which will enable superfast broadband. A member of the team

Project/Programme	Was this in the original plan?	Audit Service's Role
		attends the Board to provide support and assurance on project management arrangements and any specific audit issues.
Art Gallery Improvements Scheme Board		The purpose of this Board is to provide a strategic overview of the building improvements to the City's Art Gallery. A member of the team attends the Board to provide support and assurance on project management arrangements and any specific audit issues.
Adult Eclipse Project Board		A member of the team will attend the Board to provide support and assurance on project management arrangements for the new Eclipse management information system and any specific audit issues.

## 5 *Counter Fraud Activities*

The Audit Service's team investigate all allegations of suspected fraudulent activity, during the year. Details of these 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 were a number of reviews underway as at the end of quarter three and these will be reported upon in future update reports.

## 7 *Summary of issues from Q3 reviews*

### **Procurement Compliance Review**

Following issues raised by the Head of Procurement, we reviewed a sample of contracts to ensure they were conducted in accordance with the Council's Contract Procedure Rules. A limited assurance rating was awarded due to the lack of evidencing of various stages of the process resulting in poor audit trails.

While there is nothing to suggest contracts had been awarded incorrectly or that procurement legislation had not been followed, records such as conflict of interest forms (completed by officers involved in each procurement exercise) and contract award forms were not always being completed and held on file. Similarly the Accord Contracts Register was not being completed each time a procurement exercise commenced, there were three different systems maintained for the storage of procurement exercise documentation – again reducing the clarity of the audit trail, and there was scope for improving the internal checks carried out both during and at the end of each procurement exercise.

The contents of the report were discussed and agreed with the Head of Procurement, and an action plan has been put in place to address the issues identified.

### **Children's Residential Homes – Compliance with Working Time Legislation**

This was a consultancy review that was requested in year. The scope of the review was to analyse the working hours (contractual hours and additional hours) to ensure staff located at children's residential homes were complying with working time legislation. The review identified some issues around the monitoring of time as staff were working between sites. Following the findings of the report a new system has been put in place to monitor employee's time across both sites, and shift rotas have been revisited to ensure working time legislation is not compromised.

In order to ensure the report's recommendations have been actioned the service area has requested a further review at the end of April 2021.

## 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. Since the last report there have been no such issues.