

Appendix 1

City of Wolverhampton Council

2021 - 2022 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 and Covid-19 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 assess each auditable area as a high, medium or low assurance need, taking into consideration the CIPFA 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 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 – This Year's Plan

List the areas and where appropriate the types of work that will be undertaken in 2021-2022 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.

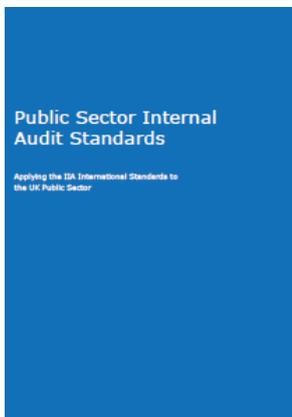
Audit and Risk Committee

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. This included the consideration of a number of audit reviews deferred from the 2020-2021 Internal Audit Plan, while members of the audit team were redeployed in order to help the Council respond to Covid-19.
 - 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 2021-2022 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

Following the Covid-19 pandemic, these are underpinned by the Council's five point relight recovery plan:



OUR PRINCIPLES

We will underpin our work with the following key principles;



CLIMATE FOCUSED

This recovery commitment is aligned to our climate change strategy 'Future Generations' and our target to make the City of Wolverhampton Council carbon – neutral by 2028. We are committed to delivering on the recommendations of our Climate Citizen Assembly and to upholding the promises we made when the Council declared a climate emergency in July 2019.



DRIVEN BY DIGITAL

The city is at the forefront of digital infrastructure and innovation. Wolverhampton will be one of the first cities in the world to host a 5G accelerator hub making us truly a world leader in emerging technology. Now more than ever digital skills and connectivity are vital to ensure our residents can access services, interact with friends and family, and enter the job market.



FAIR AND INCLUSIVE

We will continue to tackle the inequalities in our communities which impact on the opportunities of local people. The Council's 'Excellent' rated equalities framework is at the heart of our recovery commitment. No community will be left behind as we transform our city together.

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

- Information Governance
- 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
- Health and Safety
- Waste Management Services
- Governance of Major Capital Projects and Programmes
- Climate Change
- Implications of Brexit

As a result of Covid-19 a separate risk register is currently being maintained in order to manage the risks specific to the pandemic. This register is presented to the Audit and Risk Committee on a regular basis.

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 consideration 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 appropriate 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 and in particular the Council's response to Covid-19, it is likely that the risks and organisational priorities will change, resulting in changes to the 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 and assist in the direction and control of all audit work.
- Included within the plan, in addition to audit days for field assignments are:
 - An allocation which will be used to help the Council in its response to the Covid-19 Pandemic.
 - 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 Professional Conversations, which helps lead 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

Using the risk-based audit methodology referred to throughout this audit plan, it is estimated that approximately 1,400 internal audit days (including fraud, assurance and contingency work) will be required to deliver the audit plan in its entirety. This resource requirement can be met, and the plan delivered, from within the current internal audit staffing structure and accompanying budget.

Audit Service's External Clients

 <p>West Midlands Combined Authority</p>	<p>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. Where appropriate, separate internal audit plans are produced for each of these and Audit Services reports back to each of their respective Audit Committees or equivalent.</p>
 <p>West Midlands Pension Fund</p>	
 <p>WOLVERHAMPTON HOMES</p>	<p>As a constituent member of the West Midlands Combined Authority, the Council will work with and contribute to (along with the other constituent members) a number of projects and programmes led by the Combined Authority. In such instances, any audit issues arising from these activities would be reported directly to the Combined Authority's Audit, Risk and Assurance Committee, to which the Chair of the Council's Audit and Risk Committee is a member.</p>
 <p>WV LIVING building homes you will love</p>	

The internal audit plan 2021-2022

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 also play a 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 2020 - 2021.
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 2021-2022.
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.

COVID Related Work		
Support Schemes	The team will continue to support the various Covid-19 related support schemes, such as assisting in business support grant applications, test and trace payments and various Government returns, which are likely to still be in place at the beginning of April 2021.	High
Business Support Grants - Post Payment Assurance Work	The team will undertake on-going post assurance checks to ensure payments have been paid to applicants that meet the eligibility criteria. The team will look to recover payments where eligibility has not been met and look to potentially prosecute applicants who have applied for financial support under false pretences. This will also include focussed audits on the governance and management of these schemes.	High

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, Housing Benefits, and Income Management.	High
Annual Certifications	These include the verification of the calculations provided on the Benefit Subsidy Claim, Senior Officer Remuneration, and WMPF Payroll Contribution Statements.	High
Procurement Non-Compliance Monitoring	A review of contracts to ensure they have been procured in accordance with the Council's Contract Procedure Rules and procurement regulations.	High
New Financial Management Code	A high-level review to ensure the Council has the appropriate governance, policies and procedures in place to comply with CIPFA's new Financial Management Code.	Medium

Business World – Governance and Change Management	A review focussing on the assurance process around system upgrade testing and the process for governing access to the Business World system.	Medium
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Governance		
The Mayor of Wolverhampton's Charitable Fund	The annual independent examination of accounts in order to meet the requirements set out under section 145 of the Charities Act 2011.	Medium
Information Governance Breaches	A high-level review of the recording, investigation and reporting of identified data breaches throughout the year.	High
Elections – Postal Votes	A review of the processing of postal vote applications and the verification process for the returning of votes. Due to the Covid-19 pandemic it is anticipated that postal vote applications are likely to significantly increase.	Medium
Managers HR Self Service	A review to ensure managers are engaging with, and fully utilising, Human Resource self service facilities when undertaking their day to day management tasks.	Medium
Recruitment Selection	A review of the recruitment selection process to ensure it is in accordance with the Council policies and procedures including compliance with commitments in terms of equalities.	Medium

Strategy		
Professional Conversation Assurance Reviews	These are quarterly reviews of the Council's Professional Conversation process, which has replaced the Council's Employee Appraisal Scheme.	Medium
ICT - Disaster Recovery	A 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
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Children Services		
Out of City Placements	A review of the payment arrangements – previous issues regarding advance payments led to a systems change and assurance is required to ensure that the new system controls are embedded and that where appropriate, there is the accurate clawback of any overpayments.	Medium
Eclipse Project Review	A review to ensure that the outstanding issues from the project closure report are cleared / procedures fully embedded.	Medium
Working Time Compliance	A review of the controls in place for monitoring/evidencing of employee hours in accordance with legislation.	Medium
Troubled Families – Grant Certifications	The verifying and certifying of the quarterly grant claims.	Medium

Adult Services		
Commissioning / Procurement Planning Contracts	A review of the commissioning arrangements to ensure that forward planning takes place and procurement rules are complied with.	Medium
Continuing Health Care	A review of the current arrangements to ensure that key risks are effectively controlled and managed.	Medium
Service Provider Fee Review	A review of the different provider payment frameworks to ensure the process is fair and equitable to all providers.	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. These will be dependent upon and conducted in accordance with Government guidance around Covid-19.	Medium
School Census Procedures	A review of the process for inputting and collation of school census information.	Medium
SEND and Post 16 Provision in Schools	A review of the arrangements in place to prepare pupils with Education Healthcare Plans for independence.	Medium
Lawnswood Pupil Referral Unit	A review of financial arrangements in operation at the unit.	Medium
Early Years Grant Arrangements	A review of the arrangements in place to claim and distribute this grant.	Medium

Public Health		
Key areas within Public Health, likely to include business continuity arrangements.	With a number of Public Health related issues surrounding the current Covid-19 pandemic, discussions will be held with the Director of Public Health during the year in order to focus the audit resource into key risk areas as appropriate.	High

Regeneration		
Regeneration Programme and Project Management Framework	A high-level review of directorate level governance and management arrangements for the delivery of programme and projects led by the Regeneration directorate.	High
Westside	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.	High
Future High Streets Fund	A review of the governance, management and internal control arrangements in operation for the Future High Streets Fund.	Medium
Black Country AIM (Advice Investment and Markets) Programme and Black Country Impact Project	A review of governance, risk, performance and operational management arrangements for the funded AIM Programme including compliance with funding requirements.	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		
Smart Infrastructure (LED Street Lighting Replacement)	A review of the project management arrangements and compliance with 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 and 2021-2022.	High
City Environment Programme and Project Governance and Management Framework	A high-level review of directorate level governance and management arrangements for delivery of programmes and projects led by City Environment.	Medium

City Assets and Housing		
Decarbonisation Grant	To provide a high-level assurance review to ensure the grant has been used in accordance with its terms and conditions.	Medium
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
Housing Grant Claims	To provide assurance that housing grant claim arrangements are robust.	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

• Information Governance	• Transforming Adult Social Care Programme
• Pay Strategy	• Children's Transformation Programme
• Project Assurance Group	• NHS Social Care Digital Programme
• Various Service Improvement Programmes	• Civic Halls Programme
• Travel Assistance Assurance Board	• Business World Development Project
• Schools Fire Safety Working Group	• Strategic Transport Asset Group
• City Learning Quarter Programme	• Infrastructure for Growth Board
• Business Support Programme	• Our Assets Board
• Local Fibre Network Programme	• Art Gallery Improvement Scheme Board
• Adult Eclipse Project Board	• SEND Systems