



# Audit Committee

## 14 December 2015

<b>Report title</b>	Internal Audit Update – Quarter Two	
<b>Cabinet member with lead responsibility</b>	Councillor Andrew Johnson Resources	
<b>Accountable director</b>	Mark Taylor, Finance	
<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 two.

## **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 September 2015 (quarter two) 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/27112015/Fb)

## **5.0 Legal implications**

- 5.1 There are no legal implications arising from the recommendations in this report. (RB/01122015/D)

## **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**

This report is PUBLIC  
[NOT PROTECTIVELY MARKED]

# Internal Audit Update: Quarter 2

CITY OF  
WOLVERHAMPTON  
COUNCIL



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Economy**

**Stronger  
Communities**

**Stronger  
Organisation**

Wolverhampton City Centre image – courtesy of the Express & Star

# 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 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:

<b>Substantial</b>	<ul style="list-style-type: none"><li>• a robust framework of controls which ensures that objectives are likely to be achieved and controls are applied continuously or with only minor lapses</li></ul>
<b>Satisfactory</b>	<ul style="list-style-type: none"><li>• a sufficient framework of key controls for objectives to be achieved but the control framework could be stronger or the application of controls could be more consistent</li></ul>
<b>Limited</b>	<ul style="list-style-type: none"><li>• a risk of objectives not being achieved due to the absence of key internal controls or a significant breakdown in the application of controls</li></ul>

## 2 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			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
Grove Primary School	Medium	-	6	-	6	6	Satisfactory
Warstones Primary Schools	Medium	-	-	6	6	6	Satisfactory
Graiseley Primary School	Medium	-	-	4	4	4	Satisfactory
New Park Community Special School	Medium	-	2	2	4	4	Satisfactory
Rakegate Primary School	Medium	-	2	3	5	5	Satisfactory
Penn Hall Special School	Medium	-	-	-	-	-	Substantial
Migration of Services into the Customer Contact Centre	Medium	-	-	4	4	4	Substantial
Street Lighting – Capital Programme	Medium	-	3	-	3	3	Satisfactory
Fleet Management – Hire and Replacement of Vehicles	Medium	-	2	3	5	5	Satisfactory

Auditable area	AAN Rating	Recommendations			Total	Number accepted	Level of assurance
		Red	Amber	Green			
Budgetary Control Managed Audit	High	-	3	2	5	5	Satisfactory
General Ledger Managed Audit	High	-	2	4	6	6	Satisfactory
Housing Benefits Managed Audit	High	-	1	3	4	4	Satisfactory
Carbon Reduction Commitment Assurance Review / Data Verification	High	-	-	1	1	1	Substantial
Young Peoples Supported Living (YMCA) Contract Arrangements	High	1	3	-	4	4	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 September 2015, and these will be reported upon in later update reports.

### Year on year comparison

20 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 (@ Q2)	2014/15	2013/14
Substantial	5	7	18
Satisfactory	10	29	51
Limited	5	12	9

## 4 Key issues arising from our work completed in Q2

One report was issued during the period where we provided a limited level of assurance:

### Young People Supported Living (YMCA) Contract Arrangements

We undertook an audit review of the operational and contract management arrangements for the YMCA. The YMCA contract provides housing support and social inclusion services for young people at risk. The contract has a term of five years and expires in November 2017, with an option to extend until November 2019. The annual contract value is £693,813, totalling £3,469,065 over the contract term of five years. We identified one issue which we classified as 'red' - with formal contract management, roles and responsibilities in relation to the contract not being clearly defined or assigned. This subsequently resulted in a number of weaknesses in respect of contract management and governance, specifically as set out in the following three 'amber' issues:

- Contract review, performance monitoring and reporting arrangements were not in place. The YMCA contract had not been subject to a formal contract review since it commenced in 2012, although the requirement for such a process is set out within contract terms and conditions, service specifications and established best practice.
- The financial position of the contract spend against contract value was not readily known At the time of our review, and on-going financial monitoring had not been undertaken, we believe due to a lack of clarity regarding budget responsibility.
- Block payments were not being authorised or monitored on an on-going basis by the relevant budget manager.

### Managed Audits

We have met with Grant Thornton, our new external auditors and will work with them in developing our approach to the audit of the Council's financial systems. This will be based on risk, and where possible mirror their requirements, enabling them to place as much assurance as possible upon our work in these areas.

### 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 Committee.

### **Amendments to the internal audit plan**

The following audits included in the original internal audit plan have been deferred until the year-end. At which time they will be revisited in order to determine if they should be included in the 2016/17 plan

- HR Data Quality – our planned audit was originally based on concerns around the accuracy of the reporting of appraisals and absence management. It is now known that this arose due to changes in employees positions not always pulling through into their new positions. Action is being taken to find a work around solution and it should be resolved when the Council upgrades Agresso to milestone 5.
- Democratic Support – Management of Reports review. This audit was originally planned as a result of concerns around the effectiveness that Democratic Support played in the overall production and posting of reports. However, the service area is currently going through a major change and restructure. Therefore, we plan to await the outcome of this review.
- Corporate Projects Team – We are now providing on-going assurance on corporate programmes and projects as a member of the audit team is present on the Corporate Review Group. This group reviews and approves the project initiation stage of each programme and project run by the Council.
- Public Sector Network – We are planning to replace this with the Digital Transformation project which we will be involved in, in a more consultancy/advisory role.

We do not believe that these changes will adversely impact upon our ability to provide an overall opinion statement on the adequacy and effectiveness of the Council's internal control, governance and risk management processes.

### **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.