City of Wolverhampton Council

2022 - 2023 Internal Audit Plan

Index

A quick guide to the audit and assurance planning process

Glossary of terms

Introduction

Assessing the effectiveness of risk management and governance

Assessing the effectiveness of the system of control

The assessment of assurance needs methodology

The assessment of assurance needs – identifying the Council's priorities and the associated risks

Developing an internal audit plan

Considerations required of the Audit and Risk Committee and Council's Senior Management Team

How the internal audit service will be delivered

The internal audit plan

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 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.

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Step 2 – Ranking

Where appropriate score each auditable area as a high, medium or low assurance need using the CIPFA scoring methodology of materiality/business impact/audit experience/risk/ potential for fraud.

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Step 3 – Three year cycle

List the likely medium and high assurance need themes and/or areas for the next three years. High need themed areas will be reviewed annually, medium need usually once in a three-year cycle, while a watching brief will remain on the low needs.

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Step 4 - Next Years Plan

List the themes and where appropriate the types of work that will be undertaken in 2022-2023 in the internal audit plan.

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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.
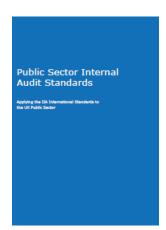
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Audit and Risk Committee

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 consider 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 consideration 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.
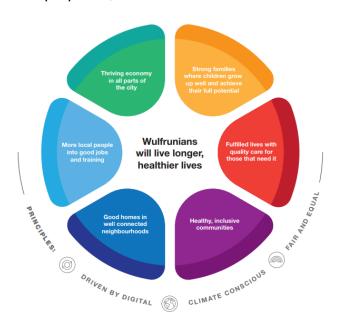
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- The plan contained within this report is our assessment of the audit work required in order to measure, evaluate and report on the effectiveness of risk management, governance and internal control.

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.
  - 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 2022-2023 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 Council Plan was structured around six priorities:

Also, at the time this plan was produced, and following the merging of the strategic risk register with the Covid-19 risk register that had been introduced at the height of the pandemic, the Council had identified the following strategic risks as potentially impacting upon its ability to achieve its priorities:

- Impact on Residents Health and Wellbeing
- Businesses Closing
- Safeguarding Children
- Safeguarding Adults
- Reputation/Loss of Public Trust
- Social Care Providers Adults
- Employee Wellbeing
- Education Provision
- City Wide Regeneration
- Recovery (Relighting our City)
- Rising Unemployment
- Information Governance
- Medium Term Financial Strategy
- Cyber Security
- Civic Halls
- Climate Change
- Adult Social Care Provision and Social Work/Occupational Therapy
- Related Parties

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 calculation for each auditable area and are based on the following factors:

  - Materiality
  - Business impact
  - Audit experience
  - Risk
  - Potential for fraud

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- 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 minimum 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 it is likely that the risks and organisational priorities will change, resulting in changes to the plan. This is a particular issue within the local authority environment at this moment in time, due to the pace of change and high level of uncertainty affecting the risk environment. Therefore, for this year we are again keeping the audit plan more open than previously, and, where appropriate, the new plan reflects themes and types of work rather than individual audits. More detailed working plans will be maintained operationally within Audit Services. This approach should hopefully result in a more realistic and flexible 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;
  - assist in the direction and control of all audit work.

- This exercise builds on and supersedes previous internal audit plans.

- Included within the plan, in addition to audit days for field assignments are:

  - 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.

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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 appraisal scheme, which leads 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

It is estimated that approximately 1,400 internal audit days (including fraud, assurance and contingency work) will be required to deliver the audit plan.

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Audit Service's External Clients

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. Separate internal audit plans are produced for each of these and Audit Services reports back to each of their respective Audit Committees or equivalent.

The internal audit plan 2022-2023

The following reviews and associated services will be delivered across the Council:

Auditable Area	Purpose
National fraud initiative (NFI)	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 2021 - 2022.
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 2022-2023.
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. This also includes providing advice and training to support committee members.

Audit	Purpose of Audit	Assurance Need
COVID Support Schemes	The team will continue to support the various COVID19 related support schemes, such as business support grants and test and trace support payments, which are likely to still be in place at the beginning of April 2022.	High
COVID 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 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
Accounts Payable (Creditors)	These relate to the annual key financial systems. They are high-level reviews which provide assurance of the core controls within each of the financial systems.	High
Accounts Receivable (Debtors)		
Budgetary Control		
Fixed Assets		
General Ledger		
Housing Benefits		
Housing Rents		
Income Management		
Local Taxes (Council Tax & NNDR)		
Treasury Management		
Annual Certifications	These will include verification of the calculations provided on Senior Officer Remuneration and WMPF Payroll Contribution Statements.	Medium
Procurement Non-Compliance Monitoring	A high-level review of contracts to ensure they have been procured in accordance with the Council's Contract Procedure Rules and procurement regulations.	Medium
Payroll Allowances and Expenses	A review of payroll allowances and expenses to ensure they are paid in accordance with the employee's terms and conditions.	Medium
RIPA Compliance	A compliance review to ensure that new RIPA processes and procedures have been embedded with the Council.	Medium

Audit	Purpose of Audit	Assurance Need
Sickness - Manager Self Service	A review to ensure managers are reporting sickness via the approved sickness recording procedures, which is administered through the Council's Agresso system.	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
Elections	A focussed review on a specified element of the elections process. Audit Services will work with the Elections Team to ensure the audit provides assurance on key/high risk areas.	Medium
Information Governance	There is currently a risk around Information Governance on the Council Strategic Risk Register. Audit Services will work with the Council's Information Governance Team to ensure the audit provides assurance on key/high risk areas.	Medium
Project Management Office	To provide on-going support and guidance on ensure Council programmes and projects are managed in accordance with the Council's approved project management approach.	Medium
Governance	A focussed review on a specified element of the various governance processes overseen by the Council's Democratic Support Team. Audit Services will work with the Service Manager for this area to ensure the audit provides assurance on key/high risk areas.	Medium
Professional Conversation Assurance Reviews	These are regular reviews of the Council's Professional Conversation process, which has replaced the Council's Employee Appraisal Scheme.	Medium
ICT Asset Management Controls	A high-level review to ensure the Council has appropriate systems and security measures in place to control their ICT assets.	Medium
Social Worker Training and Development	Following high profile national cases, to provide assurance that systems are in place to ensure and evidence Social Workers are up to date with training / take advantage of development opportunities provided.	Medium

Audit	Purpose of Audit	Assurance Need
Adoption Support Fund	To provide assurance that the Special Guardianship element of ASF has appropriate controls in place and is paid in accordance with established guidance.	Medium
Strengthening Families	Early Intervention workforce skills (non - qualified SWs) are appropriately skilled to undertake duties assigned.	Medium
Troubled Families – Grant Certifications	The will involves verifying and certifying the quarterly grant claims.	Medium
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 conducted in accordance with Government guidance around Covid-19.	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
Alternative Provision	Review of the overall approach and framework in place for the placement of children and vulnerable young people in alternative education provision.	Medium
Commissioning arrangements for out of city provisions	A review of the commissioning arrangement to ensure that forward planning takes place and procurement rules are complied with.	
Schools Music Service	Review of the administrative arrangements for the provision of the music service to schools in Wolverhampton.	Medium
Service Provider Fee Review (carried forward)	A review of the different provider payment frameworks to ensure the process is fair and equitable to all providers.	Medium
Community Occupational Therapy Service.	A review of the governance, management and internal control arrangements in operation for the Community Occupational Therapy Service.	Medium
Care Act Compliance on Provision of Care During Covid	A review of Care Act compliance on provision of care during Covid (including review of Safeguarding Complaints Register).	Medium

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Audit	Purpose of Audit	Assurance Need
Payments Process from CareFirst to Agresso	A review to ensure appropriate processes and controls are in place for transfer of payment information to Agresso.	Medium
Public Health Risk Register	To provide assistance and advice around the establishment of a Public Health focussed risk register.	Medium
Public Health - Risk Led Review	An appropriate risk led review will be undertaken following the establishment of Public Health's risk register.	Medium
Use of Payments Uploads	To provide assurance that the payment upload process for high volume payments is working effectively.	Medium
Climate Change Action Plan	A high-level review of the management and oversight, monitoring, and reporting arrangements in operation for the Climate Change Action Plan.	High
Major Funding Streams	• Future High Street Funds • Towns Fund A high-level review of the governance and management arrangements for the administration of the Fund monies awarded to the Council.	High
Blue Network ERDF Project (Parks and Open Spaces)	A review of the governance and management arrangements for the delivery of the Blue Network project funded by ERDF monies.	High
Taxis and Private Hire Driver Checks and Vehicle Inspections	To provide assurance that there is a robust process being followed for the vetting of taxi and private hire drivers, and for undertaking vehicle inspections.	Medium
Markets Incentive Scheme	A review of the incentive scheme including all incentives and discounts granted to market traders across the Markets Service, including review of continuation of cash as a payment method.	Medium

Audit	Purpose of Audit	Assurance Need
Transport Grants Certification	To provide a high-level assurance review to ensure the grant has been used in accordance with its terms and conditions.	Medium
Wolves at Work 18-24 Programme (Youth Employment Scheme)	A high-level review of the governance and management arrangements developed for delivery of the Wolves at Work 18-24 Programme (Youth Employment Scheme).	High
IGNITE	A review of the governance, management and operational arrangements established for the IGNITE business and enterprise hub for providing support to small businesses within the city in response to the ongoing implications and impact of the Pandemic and EU departure.	High
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
Private Sector Housing	A review of the procedures used by Private Sector Housing enforcement.	Medium
Wolverhampton Council - Housing Company Limited	This is a follow-up of the findings raised as part of the Homes England review.	Medium
Civic Halls	To undertake an update review of the Civic Halls Programme. The scope of the review will be agreed further during the year	High
Performance and Insight Data Management	To provide a support role to the Performance and Insight Team in ensuring the data is provided to them in a timely manner. Therefore, reducing the risk of inaccurate management information being produced.	Medium
Energy from Waste Contract	A review of the contract management arrangements.	Medium

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Audit	Purpose of Audit	Assurance Need
Health and Safety Review	An annual focussed review of an area of health and safety. This year's review will focus on the process of tree inspections to minimise the risk of falling trees causing harm or death.	Medium
Major Regeneration Projects	A focussed review of the governance and programme management for regeneration projects with significant strategic importance. The projects to be reviewed will be determined in year.	High
Council Linked Bodies	An annual review of key Council linked bodies to ensure appropriate agreements and monitoring arrangements are in place.	Medium
City Events	A review of past events and the process in place regarding future events.	Medium
Projects and Works – Information and Project Reporting	A review of the effectiveness of information and project reporting in respect of Wolverhampton Homes Refurbishment Project.	Medium
Art Gallery - Catering Operation	A review of the cash handling, stock management, and banking arrangements for the new Art Gallery café.	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	• Culwell Depot Relocation and Modernisation Programme
• Various Service Improvement Programmes	• Civic Halls Programme
• Travel Assistance Assurance Board	• Business World Development Project
• City Learning Quarter Programme	• Infrastructure for Growth Board
• Strategic Transport Asset Group	• Relight Programme
• Local Fibre Network Programme	• Art Gallery Improvement Scheme Board
• Adult Eclipse Project Board	• SEND Systems