

CITY OF
WOLVERHAMPTON
COUNCIL

Audit and Risk Committee

14 March 2022

Report title	Internal Audit Update – Quarter 3	
Accountable director	Claire Nye, Finance	
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Report to be/has been considered by	Not applicable	

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 2021 - 2022 internal 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 31 December 2021 (quarter three) 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 recommendation in this report. [GE/25022022/C]

5.0 Legal implications

- 5.1 There are no legal implications arising from the recommendation in this report. [TC/28022022/B]

6.0 Equalities implications

- 6.1 Equalities issues form part of the Audit Universe which is used to help inform the Annual Internal Audit Plan. Equalities issues are also implicit in a number of audit related activities undertaken during each year.

7.0 All other implications

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

8.0 Schedule of background papers

- 8.1 There is no schedule of background papers.

Appendix 1 - Internal Audit Update Report 2021-2022

[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 2021 - 2022 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:

No Assurance	Limited	Satisfactory	Substantial
Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

2 Internal Audit Plan Update

Reports were presented to the Council's Audit and Risk Committee during the previous financial year, which updated the Committee on how Covid-19 had impacted the Council's internal audit plan. These reports explained 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 personal protective equipment (PPE) and other Covid-19 related grant assurance.

Since these reports were presented to the Committee, members of the team have continued to support areas of the business with existing grant schemes that are still live. Whilst the team continues to support the Council in these areas a small number of audits have been completed during quarter two, details of which are included under section three of this report.

3 Summary of audit reviews completed

The following audit reviews were completed by the end of the third quarter of the current year.

Auditable area	AAN Rating	Recommendations					Level of assurance
		Red	Amber	Green	Total	Number accepted	
2020/21 Audits							
Adult Education External Funding	Medium	-	1	2	3	3	Satisfactory
ConnectED – CWC Supervisory Compliance	Medium	-	2	5	7	7	Satisfactory
2021/22 Audits							
Co-ordination and Monitoring of School Financial Value Standard (SFVS) Returns	Medium	-	-	-	-	-	Not Applicable
2020/21 Senior Officer Remuneration	High	-	-	-	-	-	Not Applicable
Early Years Grant Arrangements	Medium	-	1	5	6	6	Satisfactory
Children’s Residential Homes – Employee Working Hours	Medium	3	3	1	7	7	Limited
2020/21 Bad Debt Review	Medium	-	-	-	-	-	Not Applicable
Elections – Postal Votes	Medium	-	-	5	5	5	Substantial
WMPF Payroll Contribution Statements	High	-	-	-	-	-	Substantial
2020 – 2021 Transport Grant Certifications	Medium	-	-	-	-	-	Not Applicable
Graiseley Primary School	Medium	-	3	3	6	6	Satisfactory
Wilkinson Primary School	Medium	-	1	1	2	2	Substantial
Reported this quarter for the first time:							
Low Hill Nursery School	Medium	-	-	8	8	8	Satisfactory
Claregate Primary School	Medium	-	2	1	3	3	Substantial

Auditable area	AAN Rating	Recommendations					Level of assurance
		Red	Amber	Green	Total	Number accepted	
Lawnswood Campus Sites	Medium	-	9	12	21	21	Limited
IR35 Compliance Review	Medium	3	1	-	4	4	Limited
Professional Conversations	Medium	-	3	-	3	3	Satisfactory
Mayor's Charity Trust Audit	Medium	-	-	-	-	-	Not Applicable
School Census Procedures	Medium	-	-	2	2	2	Substantial
Troubled Families Grant Claim	Medium	-	-	-	-	-	Not Applicable

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	Audit Service's Role
Pay Strategy	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	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.
Business Support Programme	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	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.
Agresso Board	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	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	A member of the team attends the Board to provide support and assurance on project management arrangements and specific audit issues.

Project/Programme	Audit Service's Role
Strategic Transport Asset Group	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.
Civic Halls Operational Board	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	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.
Our Assets Board	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	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 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.
Business Improvement Programme Boards	The purpose of these boards is to drive through service improvements in selected areas of the Council. Audit's role on these boards is provide assurance around governance and risk, as well as addressing any particular 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 at the end of Quarter 3*

There were are a number of reviews underway and these will be reported upon at a future committee meeting.

7 *Summary of issues from Quarter 3 reviews*

IR35 Compliance Review

The purpose of this review was to provide assurance that the Council has robust systems and procedures in place to manage compliance with IR35 and identify contractors who fall within scope to avoid the risk of financial penalties. In addition, a follow up of the recommendations made in the previous audit review has been undertaken to establish if agreed actions have been implemented. The main findings of the review were as follows:

- Inconsistencies in the policies and procedures relating to the recruitment of agency workers/contractors. It was also not clear as to who was responsible for undertaking the IR35 checks to ensure the Council was fully compliant with the legislation.
- There were several assumptions made when IR35 was implemented, which were still currently in place. These related to posts that were either in or out of scope in terms of IR35 assessments. However, there was no reference as to how these posts will be assessed in the current policies or procedures.
- Although there was a required process to follow when recruiting agency workers or contractors, it was identified that managers were not always following this process, and as a result were unaware of what their responsibilities were under IR35, which in turn poses a risk to the Council in terms of not complying with the legislation.
- There was evidence that required IR35 checks had not been undertaken. Also, for those checks completed there were some cases where insufficient evidence was on file to support whether the agency worker/contractor, and their intermediary, had been notified of the determination.

Lawnswood Campus Pupil Referral Unit

Lawnswood Campus is home to three Pupil Referral Units, the Braybrook Centre, The Midpoint Centre the Orchard Centre which includes the Nightingale Home and Hospital Service serving the schools in Wolverhampton as part of a city wide strategy to promote inclusion and positive behaviour in safe, secure, child-centred, positive and nurturing environments.

- **Braybrook:** Key Stage 3 children and young people with social, emotional and behavioural difficulties and includes a Student Support Centre and Outreach Service.
- **Midpoint:** Key Stage 4 children and young people with social, emotional and behavioural difficulties and includes a Student Support Centre and Outreach Service.
- **Orchard:** Key Stage 3 and 4 children and young people who require social, emotional or mental health (SEMH) support.

- **Nightingale:** KS2-KS4 specialist short stay Centre that works in partnership with key agencies to offer appropriate intervention to vulnerable students with medical and mental health needs in a supportive and structured setting.

All four services have been rated as 'Good' in their last Ofsted inspections.

Our review was undertaken between November and December 2021 and the scope covered the arrangements made by the school in respect of governance, protection of people, assets and data, and expenditure and income. Our main findings were as follows:

- The minutes of the Management Committee and the Finance and General Purposes Committee for 2020 to 2021 did not always reflect the key decisions being made and appendices were not being referenced in or attached to the minutes of the meetings.
- Declarations of interest had not been made by all members of the Management Committee and key financial staff.
- The Centres websites were not compliant with the requirements set out in the Constitution of Governing Bodies of Maintained Schools. In addition, the school had not completed or published its Covid19 Risk assessment.
- There were no inventories for any of the Centres.
- Details of virements being undertaken at each of the Centres were not being reported to the Management Committee.
- In one case details of expenditure in excess of the Executive Headteachers delegated limits was not presented to the Management Committee for approval.
- A number of invoices order had been raised following receipt of the invoice, therefore budgetary commitments were not promptly recorded in the financial system, and also in some cases there was limited evidence of goods receipting / confirmation of service received.

Following the audit, the school have implemented an action plan to address the areas identified for improvement and we plan to carry out a follow up review in July 2022.

Professional Conversations

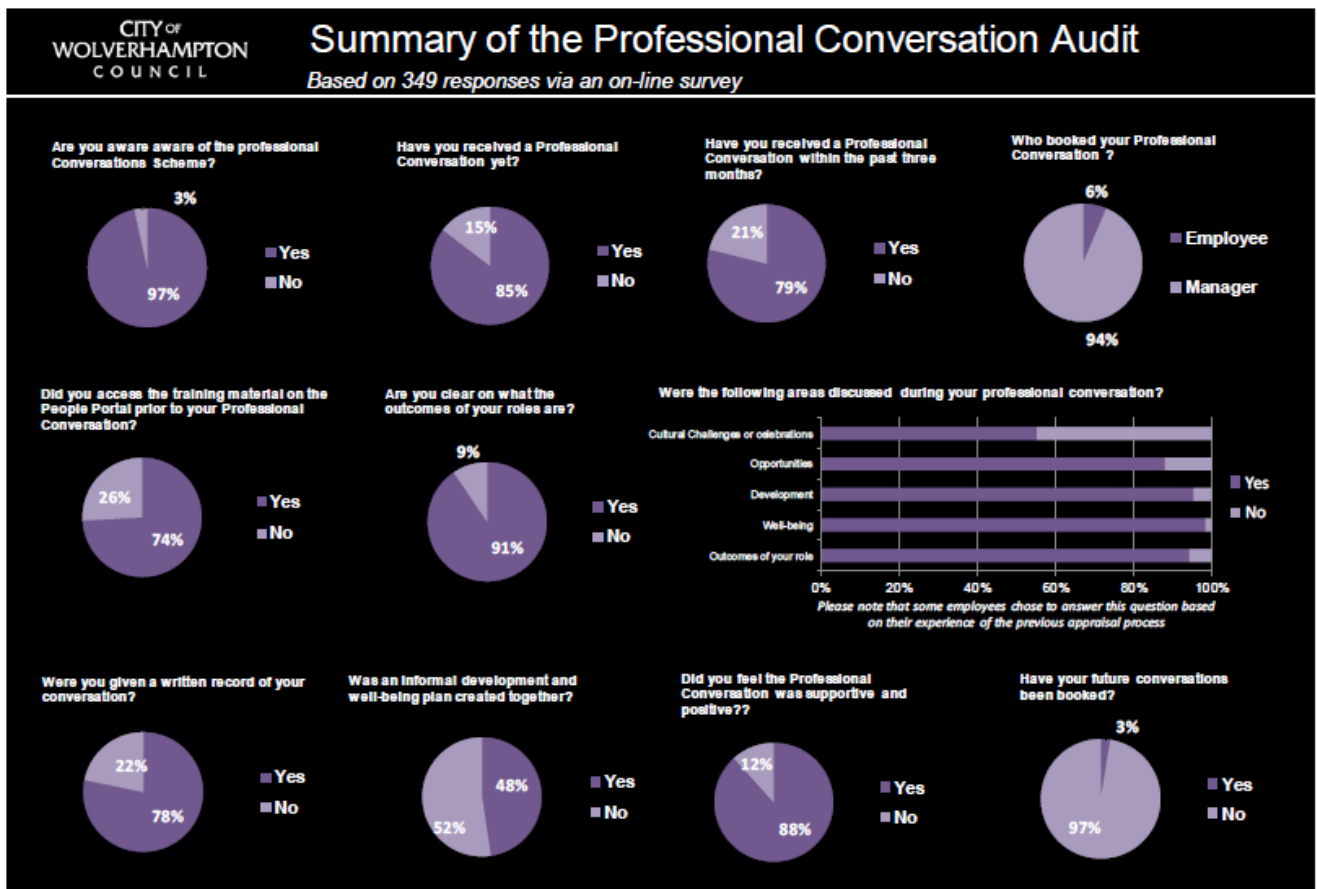
An audit review of the newly introduced Professional Conversations process had previously been undertaken in March 2021 and had led to a limited assurance opinion due to low completion rates, awareness, and training associated with the process.

A follow up review involving a new employee survey was undertaken in order to ascertain if the improvements recommended had been implemented. Based on the findings of a survey we undertook as a key component of our review, there had been a significant improvement on the awareness of the Professional Conversation scheme and in the completion of such conversations.

Following our latest review, we did make recommendations in the following areas:

- There remained a need to ensure that all employees completed the Professional Conversations mandatory training.
- Equalities should be incorporated as a core item within the Professional Conversation Process.
- Consideration to be given to recording Professional Conversations on Agresso Business World.

The results from the latest survey were as follows:



Key Financial Systems

The 2021-2022 key financial systems reviews are underway. These reviews involve the auditing of each financial system's core controls. The team have changed the way we undertake these reviews as we are now undertaking transactional testing throughout the year in order to minimise the impact on services at year end. The advantage of adopting this approach also means that we can identify issues earlier so that corrective measures can be put in place. A summary report of the year's findings will be produced towards the end of the year.

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.

9 Changes to the Audit Plan during the year

As a result of timing issues and other mitigating factors a small number of audits have been fed back into the audit universe and where appropriate will be completed and reported upon in the 2022-2023 year. This will not impact upon the ability to provide an end of year audit opinion on the adequacy and effectiveness of the Council's governance, risk management and control framework. These include SEND and Post 16 Provision in Schools, the wider Programme and Project Management Framework, Recruitment Selection, Housing Capital Programme and Adult Services Service Provider Fee Review.