City of Wolverhampton Council

2023 - 2024 Draft 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 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, discussions with directors, 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 2023-2024 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 2023-2024 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, the Council had identified the following strategic risks as potentially impacting upon its ability to achieve its priorities:

- Businesses Closing
- Safeguarding Children
- Safeguarding Adults
- Reputation/Loss of Public Trust
- Social Care Providers Adults
- Employee Wellbeing
- Education Provision
- City Wide Regeneration
- Rising Unemployment
- Information Governance
- Medium Term Financial Strategy
- Cyber Security
- Civic Halls
- Climate Change
- Related Parties
- Refugee and Asylum Accommodation and Support
- Financial Well-being and Resilience
- Charging Reform and Fair Cost of Care
- Employee Recruitment and Retention

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 and the likelihood that it may change in year, more open than previously. 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 1,300 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 currently 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.

How proposed reviews within the 2023/24 Audit Plan link to the Council Plan and its six priorities

Strong Families where children grow up well and achieve full potential	Fulfilled lives with quality care for those that need it	Healthy, inclusive communities	Good homes in well-connected neighbourhoods	More local people into good jobs and training	Thriving economy in all parts of the city
Fostering – Training and Development	Social Worker Recruitment	Asylum Seeker Provision	Blue Network (Parks and Open Spaces)	Wolves at Work (18-24) Programme	City Events
Supporting Families	Adult Services Commissioning	Refugee Resettlement	Housing Capital Programme	Local Employer Support	Future High Street Fund
School Establishment Audits	Service Provider Fee Review	Energy Bills Support Scheme	Housing – Homes England	Wolverhampton Local Plan	Levelling Up Business Cases
Health and Safety in Schools	Care Act Compliance	Health and Safety – Tree Inspections	Successors and Lodgers in Possession	IGNITE	Town Funds
School Appeals			Assurance from the Complaints Process	City Learning Quarter	Art Gallery - Catering Operation
High Needs Block Matrix Top Up Funding					

Cross Council Reviews

- Key Financial System Reviews
- Annual Certifications
- Procurement Non-Compliance
- Amazon Corporate Account
- Monitoring of overspends on Purchase Orders
- Compliance with Financial Management Code
- Mayor's Charity Trust
- Equalities
- Elections (inc. Photo ID)
- Project Management Office
- Council Linked bodies
- Professional Conversations

- Council Linked bodies
- RIPA Compliance
- Digital and IT Leavers Process
- Implementation of Omni Channel System
- Cyber Security
- Wolverhampton Incinerator – Energy from Waste
- Transport Grant Certifications
- Taxi and Private Hire Checks
- Projects and Works – Information and Project Reporting
- Re-procurement of Building Term Contractor
- Information Governance
- Register of Interests

Details in respect of each of the audits above are provided in the tables below.

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The Internal Audit Plan 2023-2024

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 (if applicable)	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.
Recommendation follow up	A regular and ongoing follow up of key internal audit recommendations made across the Council in 2022 - 2023.
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 2023-2024.
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.

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Audit	Purpose of Audit	Assurance Need
Accounts Payable (Creditors) Accounts Receivable (Debtors) Budgetary Control Fixed Assets General Ledger Housing Benefits Housing Rents Income Management Local Taxes (Council Tax and NNDR) Treasury Management	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. This work will be co-ordinated, where appropriate, in line with any work undertaken by the Council's External Auditors in order to avoid duplication.	High
Annual Certifications	These will include verification of the calculations provided on Senior Officer Remuneration and WMPF Payroll Contribution Statements.	Medium
Procurement Non-Compliance Monitoring (including the award of major contracts)	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
Amazon Corporate Account	A review of the controls for managing and monitoring the Council's Corporate Amazon account.	Medium
Monitoring of Overspends on Purchase Orders	A review of the monitoring, processes, and action taken to address overspends on purchase orders.	Medium
Compliance with the Financial Management Code	A high-level review of the Council's compliance with the CIPFA Financial Management Code.	Medium
Energy Bills Support Scheme	To provide on-going support and governance assurance of the energy bill support payments to residents of the city.	Medium
Mayor's Charity Trust	The annual independent examination of accounts in order to meet the requirements set out under section 145 of the Charities Act 2011.	Medium

Audit	Purpose of Audit	Assurance Need
Equalities	A review of the consideration, completion and quality of Equality Impact Assessments.	Medium
Elections – Photo ID and Electoral Commission Changes	A focussed review on specified elements of the elections process. We will work with the Elections 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
Democratic Support: School Appeals Process	To review the management and decision-making process for School Appeal Panel hearings. The scope of this review is from the perspective of Democratic Support role in the process.	Medium
Register of Interests for Councillors	To review the process for capturing the register of interests for Elected Members and will include a review of and the publication of declarations.	Medium
Information Governance - Records Management	A review of the assurances processes for ensuring services areas in the Council have appropriate records management processes in place, in order to comply with GDPR requirements.	Medium
Information Governance - Data Protection Officer Audits	A project with the Council's Information Governance Team, to help them develop an assurance framework regarding compliance with GDPR requirements.	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
Health and Safety Review	An annual focussed review of an area of health and safety.	Medium
Council Linked Bodies	An annual review of key Council linked bodies to ensure appropriate agreements and monitoring arrangements are in place.	Medium

Audit	Purpose of Audit	Assurance Need
Regulation of Investigatory Powers Act (RIPA) Compliance	A compliance review to ensure that new RIPA processes and procedures have been embedded within the Council.	Medium
City Events	A review of lessons learnt from past events, and of the proposed strategy regarding the Council's future events programme.	Medium
Digital and IT - Leavers Process	An audit of the leavers process, to seek assurance automated processes are working to mitigate information governance risks of leavers continuing to access information and the IT asset retrieval process.	Medium
Implementation of Omni Channel System	To provide project assurance and support on the implementation of the Council's Omni Channel System.	Medium
Cyber Security	To undertake a focussed review of areas within the Council's cyber security processes.	High
Social Worker Recruitment	To provide assurance that the revised social worker recruitment procedures have been embedded and are operating effectively.	Medium
Fostering - Training and Development	To provide assurance that foster carers receive appropriate training and development accordance with established guidance.	Medium
Supporting Families – Grant Certifications	The will involve 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 on a cyclical basis.	Medium
Health and Safety Tree Inspections in Schools	A review of the provisions made by maintained schools in terms of tree inspections and tree maintenance.	Medium

Audit	Purpose of Audit	Assurance Need
Education	To ensure that the High Needs Fund Matrix top up funding is allocated and monitored appropriately in accordance with DfE guidance and Council policies.	Medium
Adult Services Commissioning Arrangements	Review of commissioning arrangements to ensure that forward planning takes place and procurement rules are complied with.	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
Care Act Compliance	A review of Care Act compliance on provision of care (including a review of the Safeguarding Complaints Register).	Medium
Asylum Seeker Provision	To provide assurance on Wolverhampton's response to accommodating asylum seekers in the city, including the administration of contracts	Medium
Refugee Resettlement	To provide assurance on how Wolverhampton provide integration and resettlement support for refugees residing in the city.	Medium
Future High Street 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
Wolverhampton Incinerator - Energy from Waste Contract	A review of the latest contract management arrangements.	High
Taxis and Private Hire Driver Checks and Vehicle Inspections	A focused deep dive review of the process being followed for the vetting of taxi and private hire drivers, and for undertaking vehicle inspections.	High
Transport Grant Certifications	To provide a high-level assurance review to ensure the grant has been used in accordance with its terms and conditions.	Medium

Audit	Purpose of Audit	Assurance Need
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
Towns Fund	A high-level review of the governance and management arrangements for the administration of the Towns Fund monies awarded to the Council.	Medium
City Learning Quarter	A high-level health check review of the governance and programme management arrangements to ensure the Civic Halls lessons learnt recommendations have been adopted.	High
Wolverhampton Local Plan	A review of the processes involving the Wolverhampton Local Plan	Medium
Levelling Up	A review of areas within the Council's activities that fall under the levelling up agenda.	Medium
Local Employer Support	To provide support and assurance of the payments to be made as part of the local employer support programme.	Medium
Decarbonisation Grant	To provide a high-level assurance review to ensure the grant has been used in accordance with its terms and conditions.	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
Post Project Completion	A review of a sample of completed projects in order to ascertain if there were any lessons that could be learnt, and if they could then feed into, and help improve processes for future projects.	Medium

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Audit	Purpose of Audit	Assurance Need
Art Gallery - Catering Operation	A review of the cash handling, stock management, and banking arrangements for the new Art Gallery café.	Medium
Re-procurement of Building Term Contractor	To provide assurance and advice around the procurement of the Council's term building contractor.	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
Housing – Homes England	A follow-up of the findings raised as part of the Homes England review.	Medium
Housing - Succession and Lodgers in Possession	A review of the processes for succession and lodgers in possession.	Medium
Housing - Assurance from the Complaints Process	To ensure that housing complaints are dealt with in a timely and consistent manner.	Medium

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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	
• Support for Energy Bills	• Transforming Adult Social Care Programme
• Pay Strategy	• Children's Transformation Programme
• Project Assurance Group	• Agresso Board
• Our People Board	• Wolves at Work 18-24 Programme Board
• School Compliance Board	• Travel Assistance Assurance Board
• Terms Time Only (Holiday Pay) Programme	• Strategic Transport Asset Group
• City Learning Quarter Programme	• Adult Eclipse Project Board

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