

CITY OF WOLVERHAMPTON COUNCIL	Audit and Risk Committee 4 March 2024
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Report title Internal Audit Update

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Report to be/has been considered by Not applicable

Recommendations for noting:

The Audit and Risk Committee is asked to note:

1. The contents of the latest internal audit update.

1.0 Purpose

- 1.1 The purpose of this report is to update the Committee on the progress made against the 2023-2024 internal audit plan and to provide information on recent work that has been completed.

2.0 Background

- 2.1 The internal audit update report 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/19022024/K]

5.0 Legal implications

- 5.1 There are no legal implications arising from the recommendation in this report. [TC/21022024/A]

6.0 Equalities implications

- 6.1 Where appropriate, any relevant equality issues will be considered as part of individual reviews, and a review of the corporate approach to equalities forms part of the Audit Universe and will be subject to a separate review within a three-year cycle.

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 2023-2024

[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 2023-2024 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.

Analysis of audit opinions issued to date:

Report Assurance Rating	Number of Reports
Substantial Assurance	12
Satisfactory Assurance	20
Limited Assurance	4
No Assurance	-
Not Applicable (no opinion given)	2
Total number of reports:	38

2 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	
Audits completed at the end of quarter 2							
House of Multiple Occupations - Licensing	High	-	3	1	4	4	Satisfactory
Amazon Corporate Account	Medium	-	5	3	8	8	Satisfactory
Election Photo ID	Medium	-	-	4	4	4	Substantial
Wolves @ Work Programme	Medium	-	-	2	2	2	Substantial
Family Hubs Grant Certification	Medium	-	-	-	-	-	Not Applicable
Senior Officer Emoluments	Medium	-	-	-	-	-	Not Applicable
WMPF Contribution Statements	Medium	-	-	-	-	-	Substantial
Alternative & Out of City Provision	Medium	3	6	2	11	11	Limited
Asylum and Migration Review	Medium	-	1	3	4	4	Satisfactory
Information Governance - Records Management (Microsoft Teams Sites)	Medium	3	1	-	4	4	Limited
Management of Equal Pay Risks	High	-	3	6	9	9	Satisfactory
Art Gallery Catering Arrangements	Medium	-	-	-	-	-	Substantial
Health & Safety – Building Inspections	Medium	-	1	5	6	6	Satisfactory
Fixed Assets (2022-2023)	High	-	-	-	-	-	Substantial
Digital & IT – Return of Leaver’s Equipment	Medium	1	2	3	6	6	Limited
Blue Network – Programme Governance	High	-	1	5	6	6	Satisfactory
Future High Street Fund – Programme Governance	High	-	6	5	11	11	Satisfactory

Auditable area	AAN Rating	Recommendations					Level of assurance
		Red	Amber	Green	Total	Number accepted	
City Learning Quarter – Programme Governance	High	-	-	7	7	7	Satisfactory
Reported this quarter for the first time:							
Health & Safety – Tree Inspections for Schools	Medium	-	1	1	2	2	Satisfactory
Childrens Foster Carer Training	Medium	-	4	1	5	5	Satisfactory
Wolverhampton Towns Fund	Medium	-	-	2	2	2	Substantial
IGNITE Programme	High	-	6	2	8	8	Satisfactory
Overspends on Purchase Orders	Medium	-	1	-	1	1	Satisfactory
Equalities Impact Assessments	Medium	-	2	6	8	8	Satisfactory
CIPFA Financial Management Code	Medium	-	1	3	4	4	Satisfactory
Register of Councillor Interests	Medium	-	1	2	3	3	Satisfactory
RAAC Assurance Programme	High	-	1	2	3	3	Satisfactory
Income Management KFS Review	High	-	1	-	1	1	Substantial
Housing Benefits KFS Review	High	-	-	5	5	5	Substantial

Key: AAN Assessment of assurance need.

School Establishment Visits

Auditable area	AAN Rating	Recommendations					Level of assurance
		Red	Amber	Green	Total	Number accepted	
Bushbury Hill Primary School	Medium	-	-	7	7	7	Satisfactory
Eastfield Primary School	Medium	-	1	1	2	2	Substantial
St. Luke's Primary School	Medium	-	-	4	4	4	Substantial
Lanesfield Primary School	Medium	-	-	2	2	2	Substantial
Stow Heath Primary School	Medium	-	9	12	21	21	Limited
Loxdale Primary School	Medium	-	-	2	2	2	Substantial
Reported this quarter for the first time:							
Uplands Junior School	Medium	-	4	10	14	14	Satisfactory
Whitgreave Primary School	Medium	-	3	1	4	4	Satisfactory
Fallings Park Primary School	Medium	-	2	6	8	8	Satisfactory

3 *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 where appropriate.

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.
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.
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.

Project/Programme	Audit Service's Role
Depot Relocation	A member of the team attends the Board to provide support and assurance on project management arrangements and specific audit issues.
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.
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.
Regularity Services Debt Recovery Project	A member of the team is engaged to provide advice and consultancy as the Project develops new arrangements for the recovery of outstanding debts.
Wolves At Work 18-24 Programme Board	The purpose of this board is to oversee and provide direction for the development and delivery of various Council initiatives, programmes and projects (in liaison with external partners) with the collective aim to improve employment opportunities in this age range. A member of the team is present on this board to provide support and assurance.
School Compliance Board	The Schools Compliance Board is responsible for providing assurance that all maintained schools in the city are meeting statutory requirements, and that the council is correctly discharging its responsibilities. Audit's role is to overview and challenge quality assurance aspects of the Board generally and to report issues to the Board arising from on-going audit assurance work which will be scheduled throughout the year.
Term Time Only Payments Working Group	A member of the team is engaged to provide advice and consultancy in terms of the calculation of over / under payments, as well as advising on the governance of the project.
Financial Well-Being Strategy Board	A member of the team is engaged to provide advice and consultancy in terms of the payment of support packages.
Fleet Management System Working Group	There is a member of the team on the working group to provide advice and support on the governance of the group and identify any procurement concerns around the acquiring of new fleet items.

4 *Counter Fraud Activities*

The Audit Service's team investigate all allegations of suspected fraudulent activity, during the year. Details of these will, where appropriate, 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.

5 *Audit reviews underway*

There are also a number of other audit reviews currently underway and these will be reported upon in future update reports.

6 *Summary of issues from our latest reviews*

Of the 15 audits reported during this quarter there were no limited assurance reports issued. However, the following report may be of interest to members of the committee:

Reinforced Autoclaved Aerated Concrete (RAAC) Assurance Programme

RAAC is included in the Council's Strategic Risk Register and this audit review aimed to provide assurance that the appropriate controls had been established in respect of assessing whether Council buildings contain RAAC material in their construction. The review included consideration of the management, monitoring and reporting arrangements.

The Council's assurance process started with an initial desktop assessment to determine if there was a possibility of RAAC being present in buildings. Where RAAC was suspected, the buildings are physically inspected and if confirmed to be present, its condition was assessed and any necessary remedial action was included in a plan of works.

This review concluded that that there were appropriate systems and controls in place to identify Council buildings that could be at risk of containing RAAC. One recommendation was made around the process to be followed for assessing Council owned buildings that are currently leased to third party organisations.

7 *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, details of which will continued to be reported back to the Audit and Risk Committee.

In the annual Internal report presented to the committee at the 24 July 2023 meeting it was reported that a total of four limited assurance reports were issued during year. As part of the quarter two update report the committee were provided with details of the progress made in implementing the recommendations for the SEND and Post 16 Provision in Schools limited assurance report. During this quarter the follow-up review had been completed for the three remaining limited assurance reports:

Adults Continuing Health Care

We carried out a follow-up to the report issued on 31 March 2023. The audit reviewed Continuing Healthcare (CHC), to seek assurance that there are adequate governance, management, and internal control arrangements in operation for the Council's Continuing Healthcare obligations. The original audit report was given a limited assurance rating.

The majority of recommendations made in the original audit report were implemented. However, it was identified that there were three recommendations that had not been implemented at the time of this review. These related to the following areas:

- The testing undertaken in the original audit was reperformed to confirm missing documentation, to evidence compliance with the Service Level Agreement or the national framework for NHS continued healthcare, was located. This review identified this documentation could still not be evidenced.
- The Home Care Framework had not been fully updated to include all providers.
- At the time of this review discussions were still taking place with the Council's Information Governance Team to ensure current data sharing agreements adequately protected the service.

IT Asset Management Arrangements (including the Digital & IT – Return of Leaver's Equipment review complete in quarter two of this year)

As part of the 2022-2023 Internal Audit plan the Council's IT Asset Management arrangements was issued 8 February 2023. Due to the findings of this report, a limited assurance opinion was given. In response to this review, a further internal audit review was requested as part of the 2023-2024 internal audit plan, which focussed on the recovery of IT assets and the process for revoking access as part of the leavers process. This report was issued on 19 October 2023 and a summary of the report's findings were presented to the committee in November 2023 as part of the internal audit update report. Based on the findings of this review a further limited assurance opinion was given. It should be further noted that recommendations from the previous IT Asset Management review, relating to these processes, had not been implemented on the agreed implementation dates.

Based on the follow-up review of these two audits we are pleased to report the majority of the recommendations in these two reports had been implemented at the time of this review. For three recommendations, not implemented, the original implementation date agreed for these recommendations was 31 March 2024, however evidence was seen that these recommendations were being progressed in order to meet this date.

At the Audit and Risk Committee meeting in November 2023 the committee were informed that 58 devices, at an estimated replacement cost of £45,000, had not been recovered from leavers. Significant progress has been made in recovering these items and there are currently only eight devices that had not been returned which amounted to an estimated total replacement cost of £5,447. At the time of this review recovery action was being taken to recover the cost of these devices.

Climate Change: 2028 Net Zero Action Plan

We carried out a follow-up to the report issued on 28 April 2023. The audit reviewed the management, monitoring, and reporting arrangements for the Climate Change 2028 Action Plan (the plan). The review was based on the actions detailed within the 28 July 2021 Cabinet report to meet the Council's net zero carbon ambitions by 2028. The original audit report was given a limited assurance rating.

We are pleased to report that the majority of recommendations have been successfully implemented or are currently in progress. The two recommendations currently in progress related to the following areas:

- Whilst a reporting schedule had been established, the first annual report was due to be presented to Cabinet in September 2024.
- The establishment of a localised risk register for capturing climate related risk.

The appointment of the Head of Green Cities and Circular Economy, and the establishment of a support team, has been instrumental in overseeing the climate change agenda. It is also recognised that Climate Action is now highlighted as one of the Core Principles of the Our City, Our City Plan.

8 *Changes to the Audit Plan during the year*

There have been some changes to the 2023 – 2024 audit plan during the year. The following additional audit reviews were carried out during the year:

- Equal Pay Assurance
- Part Year Working Project Assurance
- West Midland Pension Fund (WMPF) Job Evaluation Comparators
- Children's Commissioning and Procurement
- Waste Services – Working Arrangements
- Section 19 Flood Notices
- Bob Jones Community Centre Usage
- Reinforced Autoclaved Aerated Concrete (RAAC) Assurance
- Asset Management System

As a result of the additional work the following audits will be deferred to the 2024 – 2025 audit plan:

- Children's Social Worker Recruitment
- Local Employer Support
- Council Linked Bodies (YOO Recruit)
- Levelling Up - Bilston Health Hub

The following audits were removed from plan due to either no longer being required or the necessity to be replaced by more high-risk areas:

- Education High Need Block Matrix Top Up Funding
- Project and Works – Information and Project Reporting
- Post Project Completion
- Re-procurement of Building Term Contractor
- Wolverhampton Council Housing Company Limited
- Housing – Succession and Lodgers in Possession
- Housing – Assurance from Complaints Process

In terms of the three Housing related reviews these were either no longer required or have been superseded by specific reviews in the auditing of Wolverhampton Homes or reviews now captured in the 2024-2025 audit plan.

9 *Payment Transparency*

The latest position on the Council's payment transparency activity is as follows:

- The Council publishes its own spend data which is available on the Council's internet site under Transparency and Accountability (payments to suppliers) and is updated monthly.
- In addition, to the spend to date, the site also includes spend for each financial year.
- Since last reported to the Audit and Risk Committee, there have been no requests for information from the public (as an 'armchair auditor').

We will continue to report back to the Audit and Risk Committee on the details of any 'armchair auditor' requests the Council receives.