



Audit Committee

14 July 2014

Report title	Annual Internal Audit Report 2013/14	
Cabinet member with lead responsibility	Councillor Andrew Johnson Resources	
Accountable director	Keith Ireland, Delivery	
Originating service	Audit	
Accountable employee(s)	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
Report to be/has been considered by	Not applicable	

Recommendations for noting:

The Committee is asked to note:

The contents of the Annual Internal Audit Report and the overall opinion that “based on the work undertaken during the year, the implementation by management of the recommendations made and the assurance made available to the Council by other providers as well as directly by Internal Audit, Internal Audit can provide reasonable assurance that the Council has adequate and effective governance, risk management and internal control processes”

1.0 Purpose

- 1.1 The purpose of this report is to provide the Audit Committee with an annual internal audit opinion on the adequacy and effectiveness of the Council's governance, risk management and internal control processes.

2.0 Background

- 2.1 This report gives a brief description of the role of Internal Audit, the control environment within which it operates, its compliance with the Public Sector Internal Audit Standards and a summary of the work carried out during the year to 31 March 2014.

3.0 Progress, options, discussion

- 3.1 Regular progress reports on the work of Internal Audit will continue to be presented to the Audit Committee.

4.0 Financial implications

- 4.1 There are no financial implications arising from the recommendations in this report. (GE/27062014/F)

5.0 Legal implications

- 5.1 There are no legal implications arising from the recommendations in this report. [AS/07072014/D]

6.0 Equalities implications

- 6.1 There are no equalities implications arising from the recommendations in this report.

7.0 Environmental implications

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

8.0 Human resources implications

- 8.1 There are no human resources implications arising from the recommendations in this report.

9.0 Corporate landlord implications

- 9.1 There are no corporate landlord implications arising from the recommendations in this report

10.0 Schedule of background papers – None



Audit Services

Annual Internal Audit Report 2013/14



Section

1	Introduction
2	Internal audit opinion
3	Compliance with the Public Sector Internal Audit Standards
4	Summary of work completed

1. Introduction

- 1.1 Our internal audit work for the period from 1 April 2013 to 31 March 2014 was carried out in accordance with the Internal Audit Plan. The Plan was constructed in such a way as to allow us to make a statement on the adequacy and effectiveness of the Council's governance, risk management and control processes.

In this way our annual report provides one element of the evidence that underpins the Annual Governance Statement the Council is required to make to accompany its annual financial statements. This is only one aspect of the assurances available to the Council as to the adequacy of governance, risk management and control processes. Other sources of assurance on which the Council may rely, could include:

- The work of the External Auditors (currently PricewaterhouseCoopers - PwC)
- The result of any quality accreditation
- The outcome of any visits by Her Majesty's Revenues and Customs (HMRC)
- Other pieces of consultancy or third party work designed to alert the Council to areas of improvement
- Other external review agencies (i.e. Ofsted, the Information Commissioner's Office)

As stated above, the framework of assurance comprises a variety of sources and not only the authority's internal audit service. However, Internal Audit holds a unique role within a local authority as the only independent source of assurance on all internal controls. Internal Audit is therefore central to this framework of assurance and is required to acquire an understanding not only of the authority's risks and its overall whole control environment but also all sources of assurance. In this way, Internal Audit will be able to indicate whether key controls are adequately designed and effectively operated, regardless of the sources of that assurance.

- 1.2 The definition of internal audit, as described in the Public Sector Internal Audit Standards, is "Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes".

Internal audit activity is organisationally independent and further details behind the framework within which internal audit operates, can be found in the internal audit charter.

Overall Assurance

- 1.3 As the providers of internal audit to the Council, we are required to provide the Chief Executive and Section 151 Officer with an opinion on the adequacy and effectiveness of the Council's governance, risk management and control processes. In giving our opinion it should be noted that assurance can never be absolute. The most that internal audit can provide to the Chief Executive and Section 151 Officer is reasonable assurance that there are no major weaknesses in the Council's governance, risk management and control processes. In assessing the level of assurance to be given,

we have taken into account:

- All audits undertaken for the year ended 31 March 2014.
- Any follow-up action taken in respect of audits from previous periods.
- Any key recommendations not accepted by management and the consequent risks.
- Any limitations which may have been placed on the scope of internal audit.
- The extent to which any resource constraints may impinge on the ability to meet the full audit needs of the Council.

2. Internal audit opinion

2.1 We have conducted our audits in accordance with the Public Sector Internal Audit Standards. Within the context of the parameters set out in paragraph 1.3 above, our opinion is as follows:

2.2 Based on the work undertaken during the year, the implementation by management of the recommendations made and the assurance made available to the Council by other providers as well as directly by Internal Audit, Internal Audit can provide **reasonable assurance** that the Council has adequate and effective governance, risk management and internal control processes.

However, throughout the year we did note a number of key control issues, either through our work or in the preparation of the Annual Governance Statement, and these are listed below:

While not fundamental to the overall control environment, we gave a 'limited' rating in the following areas:

I54 Payment Processes
Diploma Exemplar Building
Windmill Lane Children's Short Break Respite Centre
Compliance with Birmingham City Council Agency Contract
FutureWorks – Data Migration and Reconciliation
Monitoring of School Surplus/Deficit Balances
Information Governance in Schools
Budgetary Control (Children, Young People and Families)
Waste Management Contract – Financial Monitoring

Significant governance issues arising from the Annual Governance Statement:

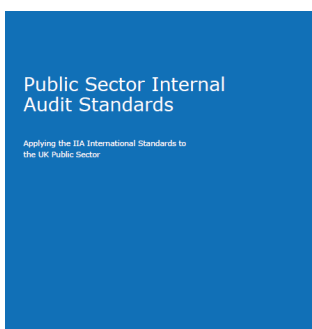
The Council recognises that the identification, evaluation and monitoring of risks is a key aspect in the governance of the organisation. The following matters represent the most significant current governance issues that are subject to attention in order to ensure that lessons are learnt and good practice is embedded:

FutureSpace
Corporate Landlord
Savings Targets
PSN Compliance
Contract Management and Monitoring
Procurement
Health and Social Care Reforms
FutureWorks
Partnership Governance
Information Governance
Strategic Asset Management
Schools Improvement

Further details on each of these can be found in the 2013/14 Annual Governance Statement.

- 2.3 In reaching our opinion, the following factors were taken into particular consideration:
- The need for management to plan appropriate and timely action to implement our and other assurance providers recommendations.
 - Key areas of significance, identified as a result of our audit work performed in year are detailed in section 4 of this report.

3. Compliance with the Public Sector Internal Audit Standards



During the year we complied with the new Public Sector Internal Audit Standards which came into effect from 1 April 2013.

4. Summary of work completed

A detailed written report and action plan is prepared and issued for every review. The responsible officer will be asked to respond to the report by completing and returning an

action plan. This response must show what actions have been taken or are planned in relation to each recommendation.

Year on year comparison

A total of 78 pieces of audit work were completed during the year, where an audit opinion has been provided. A summary of these audit opinions, with a comparison over previous years is given below.

Opinion	2013/14	2012/13	2011/12
Substantial (was Strong)	18	22	36
Satisfactory	51	42	62
Limited (was Weak)	9	6	7

Where appropriate each report we issue during the year is given an overall opinion based on the following criteria:

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

The following internal audit reviews were completed during 2013/14

Key: AAN = Assessment of Assurance Need

Auditable Area	AAN Rating	Recommendations					Level of Assurance
		Red	Amber	Green	Total	Number accepted	
Previously reported in Q1, Q2 & Q3 reports							
Fallings Park Primary School	Medium	-	2	13	15	15	Satisfactory
Eastfield Nursery School	Medium	-	4	6	10	10	Satisfactory
Grove Primary School	Medium	-	4	6	10	10	Satisfactory
FutureWorks Programme – High Level Design Phase Review	Medium	-	3	-	3	3	Satisfactory
Claregate Primary School	Medium	-	-	2	2	2	Substantial
St Mary's Catholic Primary	Medium	-	5	8	13	13	Satisfactory
Green Park Special School	Medium	-	2	8	10	10	Satisfactory
Duke Street Residential Bungalows	Medium	-	-	11	11	11	Satisfactory
Villiers Primary School	Medium	-	1	2	3	3	Substantial
Merry Hill House	Medium	-	-	9	9	9	Satisfactory
St Alban's CE Primary School	Medium	-	5	7	12	12	Satisfactory
Lanesfield Primary School	Medium	-	3	9	12	12	Satisfactory
Goldthorne Park Primary School	Medium	-	1	7	8	8	Satisfactory
St Stephen's CE Primary School	Medium	-	6	6	12	12	Satisfactory
Bilston Nursery School	Medium	-	1	12	13	13	Satisfactory
St Anthony's Catholic Primary School	Medium	-	1	7	8	7 *	Satisfactory

Auditable Area	AAN Rating	Recommendations					Level of Assurance
		Red	Amber	Green	Total	Number accepted	
Ekta Day Centre	Medium	-	-	7	7	7	Satisfactory
D'Eyncourt Primary School	Medium	-	-	6	6	6	Substantial
Black Country Pathways to Enterprise Project	Medium	-	2	-	2	2	Satisfactory
i54 Payment Processes	High	2	1	1	4	4	Limited
Diploma Exemplar Building	High	2	1	1	4	4	Limited
Play Services	Medium	-	-	9	9	9	Satisfactory
Civic Halls Safe Check	Low	-	1	1	2	2	Satisfactory
Carbon Reduction Commitment (CRC) Annual Assurance Review	High	-	2	2	4	4	Substantial
Senior Officers Emoluments	High	-	-	-	-	-	N/A **
Senior Officers Salaries >£50K Check	High	-	-	-	-	-	N/A **
Payroll Contribution Statements for WMPF	High	-	1	-	1	1	N/A **
CRC Assurance Statement	High	-	-	-	-	-	N/A **
Section 106 Agreements – Monitoring Arrangements	Medium	1	3	-	4	4	Satisfactory
Translation and Interpretation Budget	Medium	-	1	2	3	3	Satisfactory
Civic Centre Car Park Stamp Review	Low	-	-	7	7	7	Satisfactory
FutureWorks Detailed Design Phase	High	-	4	-	4	4	Satisfactory
Corpus Christi Catholic Primary School	Medium	-	-	4	4	2 *	Substantial
Vine Island – Contract Monitoring	Medium	-	1	-	1	1	Satisfactory
Strategic Construction Partnership	High	-	-	-	-	-	Substantial

Auditable Area	AAN Rating	Recommendations					Level of Assurance
		Red	Amber	Green	Total	Number accepted	
Springdale Infant School	Medium	-	-	9	9	9	Satisfactory
Church Street Outreach Services	Medium	-	1	6	7	7	Satisfactory
Windmill Lane Children's Short Break Respite Centre	Medium	-	13	4	17	17	Limited
Ashmore Park Nursery School	Medium	-	1	3	4	4	Substantial
West Park Primary School	Medium	-	-	3	3	3	Substantial
Christ Church CE Infant School	Medium	-	2	3	5	5	Satisfactory
Whitgreave Infant School	Medium	-	5	7	12	12	Satisfactory
St Patrick's Catholic Primary School	Medium	-	-	15	15	15	Satisfactory
Cash Receipting and Banking Arrangements (Regeneration)	Medium	-	1	3	4	4	Substantial
Compliance with Birmingham City Council Agency Contract	Medium	2	3	-	5	5	Limited
Street Lighting – Repair and Maintenance	Low	-	2	-	2	2	Satisfactory
Employment Opportunities	Medium	-	3	14	17	17	Satisfactory
City Show Cash Collection Procedures	Low	-	2	3	5	5	Satisfactory
Bert Williams Leisure Centre Catering Income	Low	-	-	4	4	4	Satisfactory
TR17 Pensions Return Certification	High	-	-	-	-	-	Substantial
Capital Expenditure Managed Audit	High	-	1	-	1	1	Satisfactory
Contaminated Land Programme Grant Certification	Medium	-	-	-	-	-	N/A **
FutureWorks - Data Migration and Reconciliation	High	5	-	-	5	5	Limited
Q4 reports not previously reported							

Auditable Area	AAN Rating	Recommendations					Level of Assurance
		Red	Amber	Green	Total	Number accepted	
Westacre Infant School	Medium	-	3	3	6	6	Satisfactory
Windsor Nursery	Medium	-	1	3	4	4	Substantial
Colton Hills Secondary School	Medium	-	3	7	10	10	Satisfactory
Ernest Bold Resource Centre	Medium	-	-	13	13	13	Satisfactory
Penn Fields Special School	Medium	-	1	5	6	6	Satisfactory
Trinity CE Primary	Medium	-	1	6	7	7	Satisfactory
Civic Hall Box Office	Medium	-	2	4	6	6	Satisfactory
Monitoring of Surplus / Deficit Balances (Schools)	Medium	-	4	-	4	4	Limited
Information Governance (Schools)	Medium	NA	NA	NA	NA	NA	Limited***
Electronic Social Care records	Medium	-	-	-	-	-	Substantial
Families in Focus	Medium	-	1	2	3	3	Substantial
All Age Disability Transition Arrangements	Medium	-	4	3	7	7	Satisfactory
Budgetary Control (Children, Young People and Families)	High	-	3	-	3	3	Limited
Recovery of Costs for Third Party Collisions	Medium	-	3	1	4	4	Satisfactory
IT Provision in Schools	Medium	-	1	4	5	5	Satisfactory
Housing Benefits – Local Discretionary Grant Scheme	Medium	-	5	-	5	5	Satisfactory
Review of Procurement Procedures (E&E)	Medium	-	2	2	4	4	Satisfactory
Waste Management Contract – Financial Monitoring	Medium	3	3	-	6	6	Limited
Pensions Gratuities	Medium	-	4	1	5	5	Satisfactory

Auditable Area	AAN Rating	Recommendations					Level of Assurance
		Red	Amber	Green	Total	Number accepted	
Complaints Process (Adults and Community)	Medium	-	-	2	2	2	Substantial
Payroll Managed Audit	High	-	-	-	-	-	Satisfactory
Local Taxes Managed Audit	High	-	-	-	-	-	Substantial
Housing Benefit Managed Audit	High	-	-	-	-	-	Substantial
Housing Rents Managed Audit	High	-	-	-	-	-	Substantial
Accounts Receivable and Billing Managed Audit	High	-	-	-	-	-	Substantial
Accounts Payable Managed Audit	High	-	1	1	2	2	Satisfactory
Fixed Assets Managed Audit	High	-	1	6	7	6****	Satisfactory
Annual Pay Award 2013/14	Medium	-	-	-	-	-	Substantial
Information Governance – Management of Information Sharing Agreements	High	-	3	2	5	5	Satisfactory
FutureWorks Data Migration and Reconciliation – First Cutover Dress Rehearsal	High	-	4	1	5	5	Satisfactory

Notes

- * Relatively minor recommendations not immediately agreed by schools but work on-going to identify acceptable solutions where necessary. This did not impact upon the overall levels of assurance at the schools concerned.
- ** Certification only – therefore, no audit opinion required.
- *** Due to the nature of this audit (covering a sample of schools with varying procedures) recommendations were not formally categorised in terms of being red, amber or green. Instead, a generic action plan was agreed with key officers.
- **** Relatively minor recommendation considered by management to be resource intensive. Alternative solutions to be considered.

Key issues arising during the year

Issues that arose during Q1, Q2 and Q3 have already been flagged to the Audit Committee during the year.

In our quarter 1 progress report we provided further details on:

- FutureWorks Programme High Level Design Phase Review

In our quarter 2 progress report we provided further details on:

- i54 Payment Processes
- Diploma Exemplar Building Contract
- FutureWorks Detailed Design Phase Review

In our quarter 3 progress report we provided further details on:

- FutureWorks - Data Migration and Reconciliation
- Compliance with the Birmingham City Council Agency Contract
- Windmill Lane Children's Short Break Respite Centre

In our quarter 4 progress report we are reporting for the first time on:

Monitoring of Surplus / Deficit Balances (schools)

An audit of the arrangements for the monitoring of schools' surplus / deficit balances was undertaken, and we raised the following issues:

- Lack of a strategic overview of individual school balances.
- No formal processes in place when challenging schools' financial performance.
- Only limited use made of information provided by schools regarding excessive surplus balances.
- An insufficient challenge made to schools in deficit.

All recommendations were agreed by management for implementation by September 2014 at the latest.

Information Governance (Schools)

Our exercise provided a benchmark to demonstrate that the schools who responded to a questionnaire we issued, had a general knowledge and understanding of information governance. However, only limited assurance could be provided as only 50% of the sample responded. It was also apparent that the majority of schools require further guidance in order to ensure they are fully aware of the risks around information governance, as at the moment there is a risk that schools may struggle in the event of a data breach, and the Council may suffer reputational damage as a consequence.

An action plan was agreed as a result of our work in this area and we will review progress with implementation in the coming months.

Budgetary Control (Children, Young People and Families)

Our audit of the budgetary control procedures operating within areas of Children, Young People and Families identified the following:

- Not always undertaking budget manager responsibilities in accordance with Financial Procedure Rules or making effective use of available budgetary control information.
- Lack of robust budgetary reporting arrangements.
- Limited involvement of budget managers in the budget setting process.

The recommendations were agreed with management for full implementation.

Waste Management Contract – Financial Monitoring

The Council entered into a partnership agreement for the management of the city's waste in 2006. The service area, has for some time raised a number of issues surrounding the contract and have been taking a series of actions to try and resolve these. The Head of Commercial Services requested our review in order to obtain an independent view on the quality of information that was being provided by the contractor. Our audit supported this view, including:

- The lack of sharing of information by the contractor on an open book basis.
- The accepted rate per tonne historically applied to calculate incinerator costs incurred by the contractor was resulting in an under recovery of Council costs.
- Contrary to partnership agreement conditions, costs associated with the trade waste services were being included as part of the waste management agreement.
- The need to strengthen investment / risk fund partnership agreement clauses, covering the operation and request for information by the Council to the contractor regarding the fund(s)
- The lack of information from the contractor on actual costs means that the Council could not identify whether the contractor has made a trading surplus which should be paid into the investment fund.
- Contradictory clauses within the partnership agreement regarding the provision of the contractor's base profit and overheads.

Negotiations with the contractor are taking place and are being escalated within the respective organisations in order to reach a resolution. However, we will continue to offer our support where we can.

Managed Audits

Managed Audits are the work we do on the Council's key financial systems and incorporate the requirements of the External Auditors, in order that they can place reliance on our work and thereby reduce their own year-end testing accordingly. The programme of Managed Audit testing undertaken during 2013/14 has been completed. Of the eight Managed Audits undertaken and finalised, we concluded that there was substantial assurance in four and satisfactory assurance in the other four. Two Managed Audits, General Ledger and Budgetary Control, have yet to be finalised, but our level of assurance is likely to be at least satisfactory in both instances.

School Audits

During the year we maintained a strong audit presence in the City's schools. Our annual school audit review programme focuses upon the adequacy and effectiveness of LA maintained schools' governance, risk management and control processes. Schools completed during the year were assessed as having either satisfactory (19) or substantial (7) levels of assurance. Over the year we found the following recurring issues:

- Schools were failing to obtain declarations of business interests from all staff which is now a requirement within the Scheme for Financing Schools.
- Schools had not established a register of gifts and hospitality which is also now a requirement within the Scheme for Financing Schools.
- Purchase orders continue to be raised after the receipt of goods and services.
- Schools were failing to review Charging and Remissions Policies and annually review and approve all charges levied.

- Governing Bodies were not always approving expenditure in excess of Headteachers' delegated limits and demonstrating compliance with Contracts Procedure Rules for Maintained Schools with Delegated Budgets.
- Schools were not always undertaking checks on vehicle details. Further, there was no evidence that staff had the required business use insurance when performing official school duties.
- Income arrears were not being monitored by Governing Bodies and schools had not established suitable arrears policies.

Savings/reducing potential fraud and error – our contribution

We review the order processing and creditor payments system for potential duplicate payments on an on-going basis. Results of this work during 2013/14 were as follows:

- 50 duplicate payments were identified and stopped prior to payment, with a value of £276,500.
- 31 payments to the value of £68,100 have been or are in the process of being recovered from suppliers.

Benefit Fraud Investigations 2013/14

The Benefit Fraud Team moved within Audit Services during the year. The table below identifies the value and number of benefit fraud overpayments resulting from investigations during 2013/14. A total of 527 investigations were completed, which identified 177 overpayments. Sanctions resulting from these overpayments were as follows:

Sanction	Value of overpayment £000	Number of cases
Non Sanction Over Payment	265	100
Prosecution	301	53
Administrative Penalty	18	18
Formal Caution	2	6
Total	586	177

National Fraud Initiative

The table below identifies frauds and errors, as at March 2014, from the Audit Commission's National Fraud Initiative (NFI) data matching exercises. The Housing Benefit figures are also included in the figures reported above.

Description	Number of frauds / errors	Current value (£)
Housing benefit claimants to student loans	11	39,820
Housing benefit claimants to WCC payroll	2	1,450
Housing benefits claimants to WCC pensions	6	18,053
Housing benefit claimants to external payrolls	2	4,724
Housing benefits claimants to external pensions	5	41,654
Housing benefits claims to external housing benefits claims	1	1,770
Housing benefits claims to external housing tenants	1	360
Pension gratuity to DWP deceased records	6	16,005
Overpaid VAT	21	4,474
Duplicate invoice records (different creditors)	2	5,246
Single person discount	139	95,063
*Rising 18's	51	12,879
Total		241,498

Action is being taken to recover the value of the fraud and error wherever possible.

Audit and assurance effectiveness measures

Our performance against the following Audit and Assurance effectiveness measures, that were prepared around the successful delivery of the audit service, is as follows:

Audit Plan measures	
Audit reports identifying suggested areas for action, issued to auditees within two weeks of completion of fieldwork.	Approximately 60% of audit reports were issued within two weeks of the completion of audit fieldwork.
Number of audits where time taken to complete assignment is more than 10% longer than planned.	Approximately 40% of reviews took 10% longer than anticipated, with the other 60% completed either on target or under. In the majority of instances, reasons for audit work exceeding budget is that unforeseen issues arise which take time to resolve.
Delivery of at least 80% of the audit plan, and an opinion which provides suitable assurance on the overall governance, risk management and control environment.	The audit plan was subject to significant revision during the course of the year in order to take account of emerging issues and a changing risk profile, during which has been a challenging year for the Council. However, all key risk areas identified in the plan have been completed.

Risk Based Audit Plan produced and available to the Council in advance of the year to which it relates.	Yes, the Audit Plan was approved before the year commenced.
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Recommendations measures	
90% of recommendations accepted by Council management.	Over 90% of our recommendations made in year were accepted by Council management.
Number of key recommendations followed up, implemented by the Council by the target date.	Approximately 90% of previous key recommendations followed up had been implemented within the agreed date. Where they had not, this was often as a result of a change in circumstance and where appropriate the date was extended and the recommendation re-iterated.

Relationships measure	
Positive feedback from completed client satisfaction surveys.	Yes, the vast majority of feedback was of a positive nature, and is available for review if required.

External Audit measure	
Full reliance placed on internal audit work by External Audit.	Yes, the External Auditors continue to comment favourably on work completed by Internal Audit in support of the Managed Audit arrangement.

Quality assurance and improvement programme

Internal audit has a quality assurance and improvement programme. During the year, the internal audit activity has followed this programme and there have been no significant areas of non-conformance or deviations from the standards as set out in the Public Sector Internal Audit Standards.

Counter fraud and fraud investigations

We have continued to investigate all allegations of suspected fraudulent activity, and where appropriate whistleblowing allegations, throughout the year. Details of these are monitored through the work of the Audit Committee's Investigations Sub-Committee.

We have also undertaken a wide range of counter fraud initiatives during the year, including a Council newsletter 'The FRAUDitor', Fraud seminars, fraud surgeries, a refreshed website and various self-assessments against recognised counter fraud best practice. Again, further details of these have been reported through the Audit Committee's Investigations Sub-Committee.

FutureWorks programme – the assurance framework and our role

We have agreed, and put in place, an internal audit assurance framework for the current FutureWorks programme as shown below:



A programme of further and on-going reviews will be required at key stages of the project to provide assurance in respect of compliance with this framework.

We continue to work closely with the external auditors (PwC) in relation to this Programme so that our work is co-ordinated and assurance can be provided efficiently. This has included participating in a workshop with PwC to develop an Assurance Framework for the procurement phase of the programme and this has now been completed. As at 31 March 2014, the following combined assurances from internal and external audit had been given against the programme:

Programme area	External and independent assurance obtained to date (the third line of defence)
Reported previously:	
Project Governance The governance and reporting structure and the decision making process.	Internal audit position statement – September 2012 gave substantial assurance on the project’s governance arrangements regarding an appropriate structure being in place to approve key decisions and which addressed the recommendations laid out in the Patricia Hughes report.
Project Management The key project management controls in place i.e. project plan with clearly defined milestones, resourcing plans, and identification and management of key project risks.	PwC health check – September 2012 concluded that the programme has robust project and risk management arrangements in place. Internal audit position statement – September 2012 gave substantial assurance on the project management arrangements.

<p>Procurement methodology</p> <p>The procurement methodology followed and compliance with the prescribed approach.</p>	<p>Internal audit position statement – September 2012 gave substantial assurance on the sign-off arrangements in respect of documentation completed prior to publication of the OJEU notice.</p>
<p>Tender evaluation and appointment process</p> <p>The evaluation approach/framework to be adopted for the review and evaluation of tender submissions to ensure there is a transparent process in place in the event of the process being challenged.</p>	<p>Internal audit was able to observe the appropriate conduct of the procurement process up to the appointment of the successful bidder. This included access to dialogue sessions with both shortlisted contractors. Observations and recommendations were fed back to key staff and the board as appropriate.</p>
<p>Risk Management</p> <p>How the risks associated with the project are being managed and the role of the Audit Committee in reviewing these.</p>	<p>In September 2012 the Audit Committee received the following reports:</p> <p>PwC health check - concluding that the programme has robust project and risk management arrangements in place.</p> <p>Internal audit update report – the first ‘position statement’ giving substantial assurance around both the governance and project management framework put in place to oversee the future delivery of the project.</p> <p>In July 2013 the Audit Committee received the following report:</p> <p>PwC external audit update – who stated that they had carried out an audit ‘health check’ of the programme in March and April 2013. The scope of this review was to consider the Council’s programme management controls as at 30 March 2013. Their work specifically focused on the overall programme structure, the Council’s assurance framework and controls over the procurement phase of the programme. They reviewed key project documentation and discussed progress with the programme team. They concluded that as at April 2013 the Council had good programme and risk management arrangements in place for the procurement phase of the programme but that more needed to be done to clarify and formalise its future assurance needs for the delivery phase.</p>
<p>Implementation Review</p> <p>How the programme is progressing.</p>	<p>In September 2013 the Audit Committee received details of the following:</p> <p>Internal audit high level design review – June 2013 gave satisfactory assurance on the high level design documents for key work streams.</p>

	<p>In December 2013 the Audit Committee received details of the following:</p> <p>Internal audit detailed design phase review – November 2013 provided satisfactory assurance on the development of the detailed design documents.</p>
	<p>In March 2014 the Audit Committee received details of the following:</p> <p>PwC 'FutureWorks Programme stage gate review – Testing phase' in January 2014 - this concluded that: "The programme has a strong and committed team focussed on delivering the system by 1 April 2014. As with many large programmes of this nature, the team faces a number of challenges most of which have mitigations in place. We have not raised any high priority areas." An agreed action plan has been produced in response to the PwC report and arrangements are in place for internal audit to monitor progress against this, in conjunction with programme management and Agilisys.</p> <p>An Internal Audit review focussing on the discreet area of data migration and reconciliation procedures associated with the January data upload identified a number of issues and therefore could provide only limited assurance regarding this particular process.</p>
Reported for the first time:	
	<p>Further to the above, we have recently revisited these issues and noted that while risk levels had reduced from the time of our original report, some concerns remained.</p>

As the project has entered the delivery phase, we have continued to work on data migration and reconciliation procedures relating to the Payroll and HR elements of the system which are yet to fully go live. This work will continue until all the significant issues have been resolved. We have also been supporting the Hub staff in helping to resolve operational issues relating to the implementation of Agresso. We will endeavour to continue to provide this support while backlogs remain, this will impact on our ability to undertake some areas within the existing audit plan. When new systems have settled we will undertake full 'end to end' audit reviews of all of the key systems.

Single Status Programme – the assurance framework and our role

Similar to the FutureWorks programme above, we have agreed, and put in place, an internal audit assurance framework for the single status programme as shown below:



As at 31 December 2013 we had completed extensive assurance work in respect of payroll implementation which was the final phase of the single status project. Following the implementation of single status, on-going assurance work has taken place in respect of the new transitional arrangements in order to monitor compliance with the collective agreement.

We have been actively involved in the Single Status appeals process and currently have representation on the Equality and Governance panel. Throughout the Single Status process we have been embedded in the programme and have had a presence on the Single Status Board and Pay Strategy Board. The purpose of these groups is to ensure on-going compliance with the collective agreement and to prevent any potential pay inequalities arising from the appeals process.

The Single Status Board was resurrected with effect from 15 January 2014 and meets fortnightly to explore ways of assisting employees with the loss of allowances from 1 April 2014. In addition to the above areas we have also been actively involved in both the pensions auto-enrolment and real time information (RTI) projects, which were subsumed under the single status programme. We have been embedded into the project team and have audited the successful implementation of both projects. There are currently no outstanding red or amber issues relating to our work on the Single Status project.

Equal Pay

We have played an active part in this project and we have previously undertaken assurance reviews around the Council's settlement strategy, the accuracy of proposed settlement offers, and the accuracy of payments. Further assurance work has been undertaken based on the recent outcome of the Birmingham City Council v Abdulla case. We continue to have an on-going role in terms of providing assurance around future settlements and have presence at equal pay project team meetings.

Introduction of New Procurement Procedures

A review was undertaken of the draft Procurement Code in September 2013 which has now been ratified by the Council and implemented. The review identified that the Procurement Code largely addresses compliance with relevant legislation, regulation, EU directives and the Public Service (Social Value) Act, and clearly reflects proposed governance and monitoring arrangements via the Procurement Board. We will continue to monitor the implementation of the Procurement Code and operation of the Procurement Board via Audit representation on the Board. The first meeting of the Board was held on 30 April 2014.

In addition, an audit of the property services procurement processes prior to responsibility for this area of work transferring to corporate procurement has been undertaken, and an update will be provided to the next Audit Committee meeting.