



## **1.0 Purpose**

- 1.1 The purpose of this report is to update the Committee on the progress made against the 2016/17 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 30 September 2016 (quarter two) 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 recommendations in this report (MK/29112016/I).

## **5.0 Legal implications**

- 5.1 There are no legal implications arising from the recommendations in this report (TS/0112016/G).

## **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.

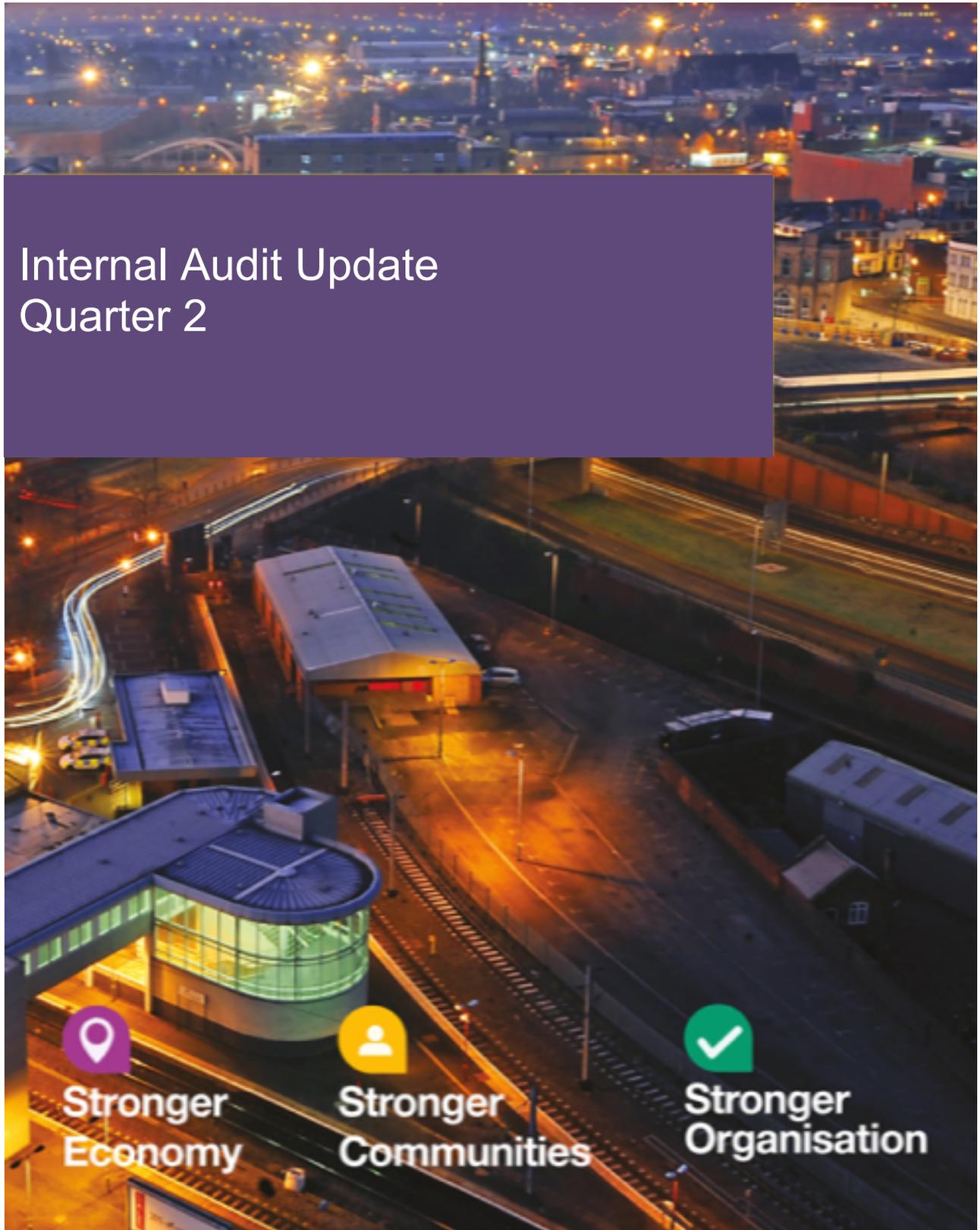
## **8.0 Human resources implications**

- 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**



# Internal Audit Update Quarter 2



**Stronger  
Economy**



**Stronger  
Communities**



**Stronger  
Organisation**

## 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 2016/17 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:

| Limited  | Satisfactory   | Substantial   |
|--|--|---|
| There is a risk of objectives not being met due to serious control failings. | A framework of controls is in place, but controls need to be strengthened further. | There is a robust framework of controls which are applied continuously. |

### Year on year comparison

19 pieces of audit work have been completed so far in the current year, where an audit opinion has been provided. A summary of the audit opinions given, with a comparison over previous years, is set out below:

| Opinion      | 2016/17<br>(@ Q2) | 2015/16 | 2014/15 |
|--------------|-------------------|---------|---------|
| Substantial  | 13                | 13      | 7       |
| Satisfactory | 4                 | 35      | 29      |
| Limited      | 2                 | 14      | 12      |

## 2 Summary of audit reviews completed

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

| Auditable area  | AAN Rating | Recommendations |       |       |       |                 | Level of assurance |
|---|------------|-----------------|-------|-------|-------|-----------------|--------------------|
|   |            | Red             | Amber | Green | Total | Number accepted |                    |
| <b>Previously reported:</b>   |            |                 |       |       |       |                 |                    |
| Phoenix Nursery School  | Medium     | -               | -     | 1     | 1     | 1               | Substantial        |
| St Thomas' CE Primary School  | Medium     | -               | -     | 2     | 2     | 2               | Substantial        |
| Holy Trinity Catholic Primary School  | Medium     | -               | -     | 2     | 2     | 2               | Substantial        |
| Castlecroft Primary School  | Medium     | -               | -     | 2     | 2     | 2               | Substantial        |
| St Michael's CE Aided Primary School  | Medium     | -               | -     | 4     | 4     | 4               | Substantial        |
| The Braybrook Centre  | Medium     | -               | -     | 4     | 4     | 4               | Substantial        |
| The Orchard Centre  | Medium     | -               | -     | 2     | 2     | 2               | Substantial        |
| Midpoint Centre   | Medium     | -               | -     | 4     | 4     | 4               | Substantial        |
| Fleet Management Accounts Payable Process   | Medium     | -               | 1     | 5     | 6     | 6               | Substantial        |
| FutureSpace Governance Assurance 2016/17  | High       | -               | -     | 3     | 3     | 3               | Substantial        |
| 2016/17 Annual Certification of Senior Officers Remuneration and Officers earning over £50K | N/A*       | -               | -     | -     | -     | -               | N/A*               |
| <b>Reported this quarter for the first time:</b>  |            |                 |       |       |       |                 |                    |
| Tettenhall Wood Special School  | Medium     | -               | 2     | 1     | 3     | 3               | Satisfactory       |
| Wilkinson Primary School  | Medium     | -               | 3     | 2     | 5     | 5               | Satisfactory       |
| Bilston CE Primary School   | Medium     | -               | 1     | 4     | 5     | 5               | Satisfactory       |
| Christ Church CE Junior School  | Medium     | -               | -     | 3     | 3     | 3               | Substantial        |
| Mayoral Hospitality   | Medium     | -               | -     | 2     | 2     | 2               | Substantial        |

| Auditable area                            | AAN Rating | Recommendations |       |       |       |                 | Level of assurance |
|---|------------|-----------------|-------|-------|-------|-----------------|--------------------|
|   |            | Red             | Amber | Green | Total | Number accepted |                    |
| Schools Compliance - Collective Agreement | Medium     | -               | 3     | 2     | 5     | 5               | Satisfactory       |
| Management of Utility Works 2016/17       | Medium     | -               | -     | 5     | 5     | 5               | Substantial        |
| Carbon Reduction Credits Scheme           | N/A*       | -               | -     | -     | -     | -               | N/A*               |
| Payment Arrangements for Court Costs      | Medium     | 1               | 1     | -     | 2     | 2               | Limited            |
| Section 17 Payments                       | Medium     | -               | 10    | 1     | 11    | 11              | Limited            |
| IT & SM Transport Grant 2015              | N/A*       | -               | -     | -     | -     | -               | N/A*               |
| Highway Challenge Fund Grant              | N/A*       | -               | -     | -     | -     | -               | N/A*               |
| Payment by Results - June 2016 Claim      | N/A*       | -               | -     | -     | -     | -               | N/A*               |

**Key:**  
AAN Assessment of assurance need.  
\* One-off piece of work undertaken by request or certification/non-risk based reviews etc. – therefore an audit opinion may not always be provided/required.

### 3 *On-going assurance where no report is issued*

We provide on-going assurance throughout the year in the following areas:

#### *Equal Pay*

A member of the audit team is embedded in the project to provide advice on project governance and management of risks associated with the management of equal pay claims. Audit assurance is also provided around the calculation of settlement offers and the payment of claims.

#### *Information Governance*

We have a member of the team who sits on the Council's Information Governance Board.

#### *Digital Transformation Programme (DTP)*

We also have a member of the team involved in this programme which covers the Customer Engagement Platform, Master Data Management, and Business Intelligence projects. During the lifecycle of the programme we provide on-going advice on the governance of the programme and management of associated risks. We have also provided on-going support in respect of user acceptance testing in respect of each of the programme's projects.

#### *Corporate Projects/Programmes*

We also have representation on the Council's Corporate Review Group. The group is responsible for reviewing and approving the initiation all of the Council's proposed programmes and projects. The group also provides assurance that all programmes and projects are managed in accordance with the Council's corporate project management approach.

#### *Pay Strategy*

Finally, we have representation 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.

#### *Counter Fraud Activities*

We continue to investigate all allegations of suspected fraudulent activity, during the year. Details of these have 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.

### 4 *Audit reviews underway*

There were a number of other reviews underway as at 30 September 2016 and these will be reported upon in later update reports.

### 5 *Any key issues arising from our work completed in Quarter 2*

There were two limited reports issued during quarter two details of which are provided below:

#### **Payment arrangements for court costs**

Previously the Council's court costs had to be paid either by cheque or via a p-card. The Courts have recently implemented an account credit facility whereby the account is topped up and costs are deducted each time a case is lodged. This review was requested by the Director of Governance following the implementation of this new facility. The review examined transactions for the first three months of the account and identified that an inadequate reconciliation process was in place for monitoring payments and costs. We have been working with Banking services and officers from Legal to strengthen processes around the reconciliation of the accounts.

### **Section 17 payments**

Section 17(6) of the Children Act 1989 states that the local authority may exercise its duty to safeguard and promote the welfare of children in need by providing 'assistance in kind to be given or in exceptional circumstances in cash'. The budget allocated for the current financial year is approximately £300,000. Our audit reviewed arrangements for payments in the scope of this Act. We made a number of recommendations to improve controls around the assessment of individual cases, authorisation and monitoring of payments.

In addition, a policy and procedure for families with no recourse to public funds was also being developed at the time of our review and we liaised with the Policy Officer to ensure a robust policy will be in place.

### **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.