



Audit Committee

22 September 2014

Report title	Internal Audit Update – Quarter One	
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 latest Internal Audit Update as at the end of quarter one.

1.0 Purpose

- 1.1 The purpose of this report is to update the Committee on the progress made against the 2014/15 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 June 2014 (quarter one) 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. (GE/04092014/O)

5.0 Legal implications

- 5.1 There are no legal implications arising from the recommendations in this report. (RB/03092014/F)

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

Wolverhampton City Council



Internal Audit Progress Report : Q1 Audit Committee: 22 September 2014

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1 Introduction

The purpose of this report is to bring the Audit Committee up to date with the progress made against the delivery of the 2014/15 internal audit plan.

The Audit 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 Councillors 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:

Substantial	a robust framework of controls which ensures that objectives are likely to be achieved and controls are applied
Satisfactory	a sufficient framework of key controls for objectives to be achieved but the control framework could be stronger or the
Limited	a risk of objectives not being achieved due to the absence of key internal controls or a significant breakdown in the application

2 Summary of work completed

The following audit reviews were completed within the first quarter.

Key: AAN = Assessment of Assurance Need

Auditable Area	AAN Rating	Recommendations				Number accepted	Level of Assurance
		Red	Amber	Green	Total		
Bert Williams Leisure Centre – Income Management	Medium	-	5	2	7	7	Satisfactory
Coppice Performing Arts School – Provisional Financial Review	N/A*	-	-	-	-	-	N/A *
Legal Services Recharges	N/A*	-	4	-	4	4	N/A*
Adoption Reform Grant Certification	N/A*	-	-	-	-	-	N/A

Notes

* One-off pieces of work undertaken by request (outside of the Audit Plan).

There were a number of other reviews underway as at 30 June 2014, and these will be reported back in later update reports.

Year on year comparison

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

Opinion	2014/15 (Quarter 1)	2013/14	2012/13
Substantial	0	18	22
Satisfactory	1	51	44
Limited	0	9	6

3 Key issues arising

Legal Services Recharges

Further to a referral from Strategic Finance, a review was undertaken into the time recording and invoicing processes for work undertaken within Legal Services. As a result of our review, we concluded that the procedures for the recording and monitoring of chargeable time and subsequent invoicing of clients were not sufficient. This was as a result of:

- Not maintaining adequate procedures following changes in key personnel.
- Fee-earning staff not correctly recording all chargeable time and a lack of monitoring and validation procedures to ensure that fee-earners correctly record all chargeable time.
- Issues around the apparent limited functionality and incorrect use of the Iken time recording system.

Recommendations were made to resolve these issues, and they have been agreed with senior management for implementation.

Agresso

The implementation of Agresso continues to be one of the major focusses of our work, and during the first quarter we undertook the following activities:

- An on-going representation on the FutureWorks Board, and provided formal assurance to the Board at various stages, including the reconciliation of payroll data for Woden and the City of Wolverhampton Academy Trust Academies, supporting the decision to pay their July payroll from Agresso.
- Continued to provide significant internal audit resources to assist the Hub in clearing the backlog of invoices for payment.
- Focusing particular attention on the payments processes, specifically where arrangements have been made to facilitate payments outside normal processes and in monitoring duplicate payments.
- Undertaking a piece of work designed to provide assurance in respect of the benefits realisation process.
- Working extensively with the Payroll team to undertake and review payroll reconciliations in support of the planned future payment of Wolverhampton Homes and Wolverhampton City Council payrolls from Agresso.
- Providing extensive and on-going advice and support in respect of the project.

In addition to the above, we intend to undertake full end to end audit reviews of all key systems from September onwards, in order that we are able to provide assurance in respect of the implementation of Agresso.

The extent of our role in the implementation of Agresso during the year (in particular the first quarter) will in all likelihood impact upon our ability to complete a number of planned audits in-year. However, we will continue to review our planned audit capability in line with the changing risk profile of the Council, and audit resource will be targeted towards the high risk areas.

Managed Audits

Managed audits are the work we do on the Council's key financial systems and incorporate the requirements of the external auditors (PwC), in order that they can place reliance on our work and thereby reduce their own year-end testing accordingly. All 2013/14 managed audits work was completed to the satisfaction of PwC. The 2014/15 programme of managed audits has now commenced and will be completed in the coming months.

The follow up of previous recommendations

In quarter 2, we intend to commence our follow up work on key recommendations made as part of the limited assurance reports we issued in 2013/14. Progress on which will be reported at the next Audit Committee

Counter Fraud Activities

We have continued to investigate all allegations of suspected fraudulent activity, during the year, Details of these have been presented to, and monitored through the work of the Audit Committee's Investigations Sub-Committee, along with details of a number of new initiatives put in place in order to tackle fraud across the Council.