

CITY OF
WOLVERHAMPTON
COUNCIL

Audit and Risk Committee

11 December 2017

Report title	Internal Audit Update – Quarter Two	
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Report to be/has been considered by	Not applicable	

Recommendation for noting:

The Committee is asked to note:

1. The contents of the latest internal audit update as at the end of quarter two.

1.0 Purpose

- 1.1 The purpose of this report is to update the Committee on the progress made against the 2017-2018 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 2017 (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. (GE/27112017/H)

5.0 Legal implications

- 5.1 There are no legal implications arising from the recommendations in this report. (TS/28112017/Q)

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.

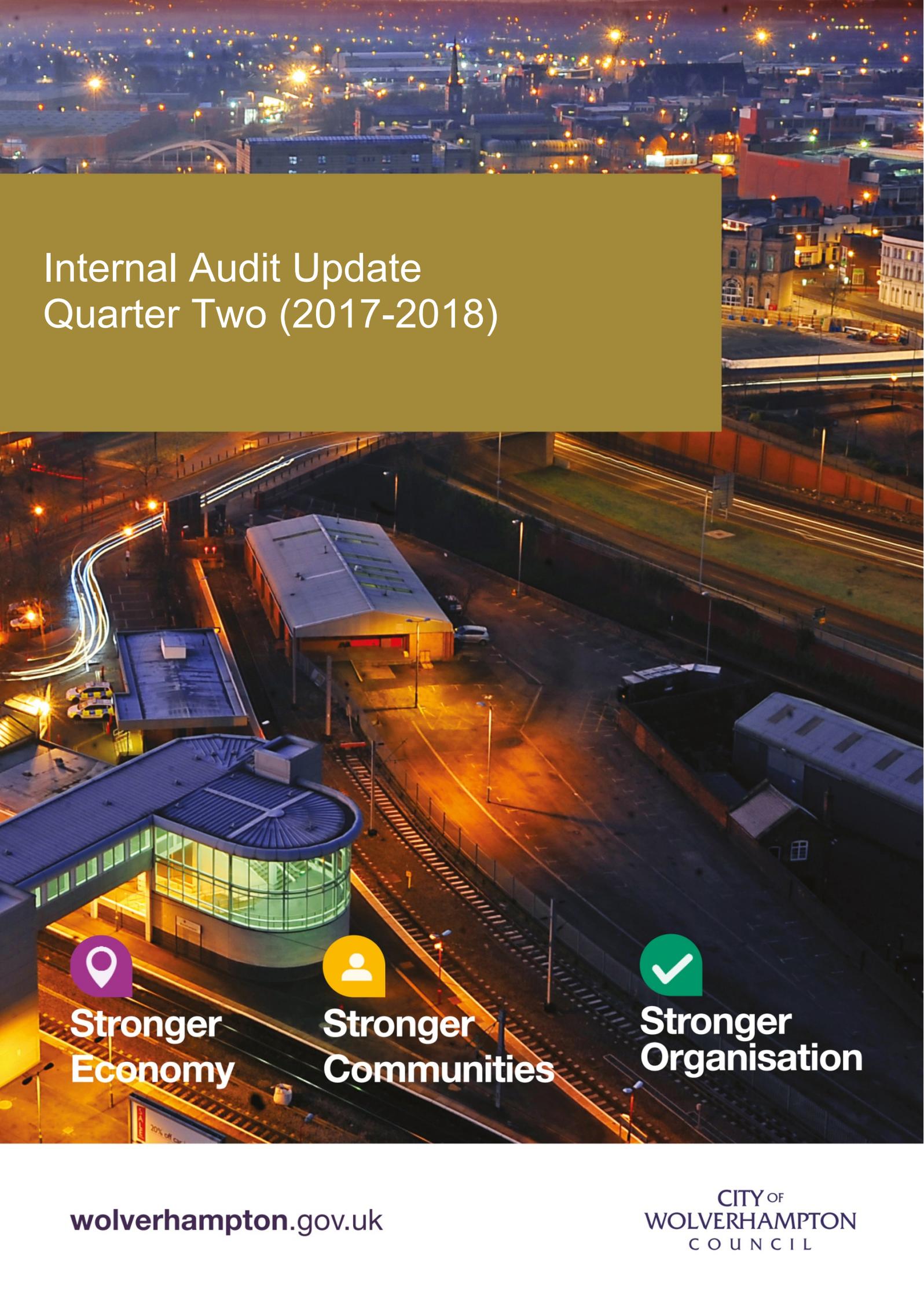
8.0 Human resources implications

- 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

A nighttime aerial photograph of Wolverhampton, showing illuminated buildings, streets, and a railway line. A semi-transparent olive-green box is overlaid on the top left portion of the image.

Internal Audit Update Quarter Two (2017-2018)



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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 2017-2018 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

20 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	2017/18 (@ Q2)	2016/17	2015/16
Substantial	5	19	13
Satisfactory	10	10	35
Limited	5	8	14

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	
Previously reported:							
Senior Officers Remuneration	High	-	-	-	-	-	N/A
WV Active Income Banking & E-turns	Medium	2	3	2	7	7	Limited
Management IR35 & Interims	Medium	-	4	4	8	8	Satisfactory
Use of Pharmaoutcomes	Medium	-	2	2	4	4	Limited
Bushbury Nursery	Medium	-	1	4	5	5	Substantial
Uplands Junior School	Medium	-	2	8	10	10	Satisfactory
Spring Vale Primary School	Medium	-	1	10	11	11	Substantial
Bushbury Hill Primary School	Medium	-	2	7	9	9	Satisfactory
Stow Heath Primary School (enhanced Service)	Medium	-	8	4	12	12	Satisfactory
Goldthorne Primary School	Medium	-	2	-	2	2	Satisfactory
St Patricks Primary School	Medium	7	24	2	33	33	Limited
Whitgreave Infants School	Medium	-	2	-	2	2	Substantial
Contract Management Arrangements - Transport Capital Programme	Medium	1	2	-	3	3	Limited
Reported this quarter for the first time:							
Human Resources – Policy Management	Medium	-	5	1	6	6	Satisfactory
Looked After Children	Medium	1	3	1	5	5	Limited
Payroll Overpayments	Medium	-	2	2	4	4	Satisfactory

Auditable area	AAN Rating	Recommendations					Level of assurance
		Red	Amber	Green	Total	Number accepted	
Financial Decision Making Processes	High	-	-	-	-	-	N/A**
Eastfield Primary School	Medium	-	1	3	4	4	Substantial
Fallings Park Primary School	Medium	-	2	6	8	8	Substantial
St. Luke's CE Primary School	Medium	-	5	6	11	11	Satisfactory
Lanesfield Primary School	Medium	-	8	11	19	19	Satisfactory
Off-Site School Visits	Medium	-	4	-	4	4	Satisfactory
Carbon Reduction Credits Scheme	High	-	-	-	-	-	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.
** This was done as a process review rather a traditional risk based audit review.

3 *On-going assurance where reports are not 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.

Pay Strategy

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 2017 and these will be reported upon in later update reports.

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

There was only one limited assurance report issued during quarter two details of which are provided below:

Looked After Children

The purpose of this review was to ensure that the controls for the payment of fees and allowances for Looked After Children were operating effectively and in accordance with agreed policies. We found that changes to policies and rates paid were not being effectively communicated outside the directorate. Also, the rates set up in the computer system Care First, differed from the rates approved by Cabinet. This led to routine manual interventions to ensure carers were paid correctly. Management accepted the recommendations we made and developed an action plan. This audit will be followed up as part of our future follow up plan.

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. During this quarter we have followed up recommendations in respect of the following reports:

- The Chartered Institute of Public Finance and Accountancy's (CIPFA's) Libraries Statistics
- Debt Recovery Arrangements
- D'Eyncourt Primary School
- St. Patricks School

A review of the recommendations in the debt recovery arrangements report identified that significant progress had been made to implement the three red and five amber recommendations in the report. Our follow-up review identified only one amber recommendation that had not yet been implemented which related to the promotion of direct debits as a payment method.

6 *Changes to the Audit Plan since those reported in quarter one*

Audit Area	Audit Plan as at the end of Quarter one	Audit changes during Quarter 2	Revised number of audits as at end Quarter 2
Corporate	13	-	13
Key Financial Systems / Grants	12	-	12
People	9	-	9
Education	20	-	20
Place	11	1	12
Housing	2	-	2
Total	67	1	68

The audit plan is re-profiled throughout the year as and when the risk profile of the Council changes, and in order to react to emerging issues and specific management requests. The following audit has been added since the last update was presented at the end of quarter one:

Outdoor Public Events

This audit was specifically requested due to a number of issues arising in this area.