

CITY OF
WOLVERHAMPTON
COUNCIL

Audit and Risk Committee

17 September 2018

Report title	Internal Audit Update – Quarter 1	
Accountable director	Claire Nye, Finance	
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:

1. 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 2018 - 2019 internal 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 2018 (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. (SR/31082018/B)

5.0 Legal implications

- 5.1 There are no legal implications arising from the recommendations in this report. (TS/28082018/R)

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.

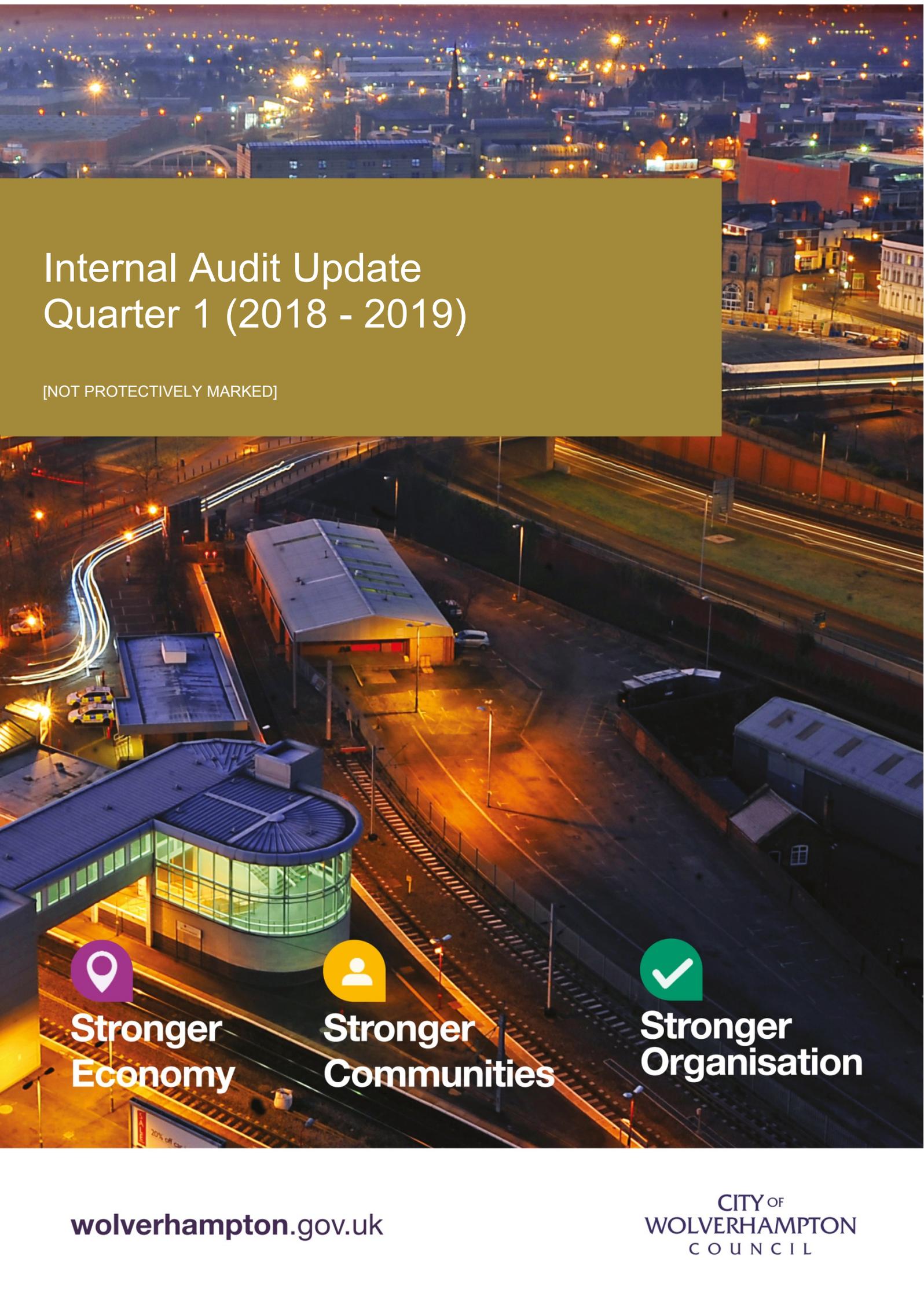
8.0 Human resources implications

- 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 1 (2018 - 2019)

[NOT PROTECTIVELY MARKED]



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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 2018 - 2019 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

9 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	2018/19 (@ Q1)	2017/18	2016/17
Substantial	6	17	19
Satisfactory	3	21	10
Limited	-	9	8

2 Summary of audit reviews completed

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

Auditable area	AAN Rating	Recommendations					Level of assurance
		Red	Amber	Green	Total	Number accepted	
2017/18 Audits Completed in this quarter:							
Fixed Assets	High	-	-	2	2	2	Substantial
Main Accounting (Budgetary Control & General Ledger)	High	-	-	5	5	5	Satisfactory
Reported this quarter for the first time:							
Compliance with GDPR Requirements	Medium	-	7	6	13	13	Satisfactory
Senior Officer Remuneration	N/A	-	-	-	-	-	N/A
Direct Payments	High	-	4	2	6	6	Satisfactory
Ashmore Park Nursery School	Medium	-	1	-	1	1	Substantial
Springdale Junior School	Medium	-	1	4	5	5	Substantial
St. Anthony's RC Primary School	Medium	-	1	4	5	5	Substantial
West Park Primary School	Medium	-	3	6	9	9	Substantial
Westacres Primary School	Medium	-	2	4	6	6	Substantial

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.

Please note a significant amount of time has been spent during quarter one in finalising the three capital project lessons learnt reports that were presented to the Council's Audit and Risk Committee on 25 June 2018. The issues arising from these reviews has led to additional support being provided to the respective programmes/projects and representation on the respective Boards.

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

A member of the team sits on the Council's Information Governance Board in the capacity of providing advice and support.

Commercial Business Improvement Programme (formerly Digital Transformation Programme)

A member of the team seats on the programme in a project assurance capacity. During the lifecycle of the programme on-going advice is provided on the governance of the programme and the management of associated risks.

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.

WV Active Improvement Programme

A member of the team is represented on the programme board. During the lifecycle of the programme on-going advice is provided on the governance of the programme and the management of associated risks.

Counter Fraud Activities

The Audit Service's team 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 June 2018 and these will be reported upon in later update reports.

5 *Any key issues arising from our work completed in Quarter 1*

There were no limited reports issued during quarter one.

General Data Protection Regulations

An audit of the arrangements in place for the implementation of General Data Protection Regulations (GDPR) was undertaken as part of the approved internal audit plan for 2018 - 2019. The review aimed to provide assurance that the Council has appropriate systems and controls in preparation for the introduction of GDPR legislation which came into effect on 25 May 2018. At the time of our review Information Governance sat as an amber risk on the Council's strategic risk register due to the demands of GDPR.

Our review was based upon the Council's GDPR arrangements as set against the Information Commissioner's '12 steps to take now' guidance document, and we noted that there were many areas of good practice already in place, including:

- Decision makers and employees had been made aware that the law was changing in respect of GDPR.
- A designated Data Protection Officer (DPO) had been appointed in accordance with GDPR regulations.
- A privacy impact assessment had been updated in line with GDPR to manage significant changes to the way in which personal data is handled including the implementation of new projects.
- A GDPR e learning module had been developed and made available on the learning hub.
- A privacy notice had been published on the Council's website in line with the new requirements under GDPR.
- The rights of individuals under GDPR had been set out in the Council's privacy notice with a link being provided to the Information Commissioner's Office for further details.
- Arrangements had been established to action data requests within the new timescales set out under GDPR.
- Contract terms with suppliers were being reviewed by Corporate Procurement to ensure these included the requirement for suppliers to process Council data in accordance with GDPR.

However, we did make recommendations in the following areas:

- All data held throughout the Council had not yet been captured and recorded in information asset registers.
- Only a limited number of action plan matrices which cover GDPR requirements had been updated by services and returned to the Information Governance Team.
- The main privacy notice had been published on the Council's website. However, at the time of review separate privacy notices for adults, children and young people, and for the potentially violent persons register were also required to be published on the Council's website.
- GDPR provides a lawful basis for processing personal data without consent, where processing is necessary for compliance with a legal obligation. However, feedback from training sessions provided by the Information Governance Team had identified that service areas had poor awareness of the legislative framework that they work to.
- The Council's existing incident management policy required review and approval in line with the new requirements of GDPR. It was acknowledged that at the time of our review that the policy was in the process of being reviewed and had been scheduled to be presented to the next Information Governance Board meeting.

6 *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 our WV Active E>Returns & Bankings report. We noted that a number of the recommendations in the original audit report, issued in July 2017, had not been implemented. Issues affecting the implementation of outstanding recommendations have been escalated to the Head of Business Management and the WV Active Manager to address. At the time this report was being produced a series of actions were in place to address the outstanding recommendations.

7 *Changes to the Audit Plan*

Audit Area	Audits on the Original Plan	Audits added or removed up to Quarter 1	Revised number of audits
Corporate	8	-	8
Key Financial Systems	12	-	12
People	15	-	15
Education	23	-	23
Place	13	-	13
Housing	3	-	3
Total	74	-	74

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. At the end of this quarter no amendments had been made to the plan.