

Audit and Risk Committee

27 September 2021

Report title	Internal Audit Update – Quarter 1	
Accountable director	Claire Nye, Finance	
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Report to be/has been considered by	Not applicable	

Recommendations for noting:

The Audit and Risk 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 2021-2022 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 2021 (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 recommendation in this report. [GE/13092021/O]

5.0 Legal implications

- 5.1 There are no legal implications arising from the recommendation in this report. [TC/17092021/F]

6.0 Equalities implications

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

7.0 All other implications

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

8.0 Schedule of background papers –

- 8.1 None

9.0 Schedule of appendices

- 9.1 None

Appendix 1 - Internal Audit Update Report 2021-2022

[NOT PROTECTIVELY MARKED]



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 2021-2022 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:

No Assurance	Limited	Satisfactory	Substantial
Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

2 Internal Audit Plan Update

Reports were presented to the Council's Audit and Risk Committee during the previous financial year, which updated the Committee on how Covid-19 had impacted the Council's internal audit plan. These reports explained how a proportion of the audit resources had been temporarily redeployed to other areas of the Council's business to provide assistance in a number of other areas including the food distribution hub, the various business support grants team, assisting Procurement with supplier due diligence checks regarding the supply of personal protective equipment (PPE) and other Covid-19 related grant assurance.

Since these reports were presented to the Committee, members of the team have continued to support areas of the business with existing grant schemes that are still live. Whilst the team continued to support the Council in these areas, a number of audits were completed during quarter one, details of which are included under section three of this report.

It should be further noted that during quarter one a number of audits carried over from the previous year were completed. The majority of which were included in the annual report presented to the Committee on 26 July 2021. From quarter 2 onwards, the audit cycle is now returning to more normal practice.

3 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	
2020-2021 Audits							
Adult Education External Funding	Medium	-	1	2	3	3	Satisfactory
ConnectED – Supervisory Compliance	Medium	-	2	5	7	7	Satisfactory
Reported this quarter for the first time:							
Co-ordination and Monitoring of School Financial Value Standard (SFVS) Returns	Medium	-	-	-	-	-	N/A
2020-2021 Senior Officer Remuneration	High	-	-	-	-	-	N/A
Early Years Grant Arrangements	Medium	-	1	5	6	6	Satisfactory
Children's Residential Homes – Employee Working Hours	Medium	3	3	1	7	7	Limited
2020-2021 Bad Debt Review	Medium	-	-	-	-	-	N/A

Key: AAN Assessment of assurance need.

4 *On-going assurance where reports are not issued*

It is a requirement of the Internal Audit Charter that Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a manner which facilitates impartial and effective professional judgements and recommendations. Objectivity is presumed to be impaired when individual auditors review any activity in which they have previously had operational responsibility. If individual auditors are extensively consulted during system, policy or procedure development, and independence could be seen as being compromised, or if they have had previous operational roles, they will be precluded from reviewing and making comments during routine or future audits, for the remainder of that financial year and for the following financial year after their involvement. Therefore, should any reviews be conducted on the below, then they will be led by another member of the audit team.

Project/Programme	Was this in the original plan?	Audit Service's Role
Pay Strategy	Yes	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	Yes	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.
Business Support Programme	Yes	A member of the team sits on the Board in the capacity of providing advice and support. The programme's main objective is the centralisation of administration within the Council.
City Learning Quarter Programme	Yes	Audit Services have been invited to provide an assurance role for the programme. This is a major capital investment project which has a reputational risk to the Council.
Agresso Board	Yes	A member of the team sits on this Board to oversee the on-going development of the Council's enterprise resource planning (ERP) solution.
Children's Transformation Board		A member of the team attends the Board and provides support and assurance on project management arrangements and specific audit issues. This also includes advice and support on the implementation of the new Eclipse management information system.

Project/Programme	Was this in the original plan?	Audit Service's Role
Transform Adult Social Care Programme	Yes	A member of the team attends the Board to provide support and assurance on project management arrangements and specific audit issues.
Strategic Transport Asset Group	Yes	A member of the team is involved in this group. The purpose of the group is to ensure that business cases submitted by business areas for vehicles and equipment replacement are reviewed and assessed prior to approval, as well as addressing future Council Fleet requirements and climate targets for a cleaner environment and reduction in carbon emissions, and future use of electric / hybrid vehicles.
Civic Halls Operational Board	Yes	A member of the team is a representative on this group. The purpose of the board is to oversee the operational delivery of the Civic Halls full refurbishment.
Infrastructure for Growth Board	Yes	The purpose of this group is to oversee the strategy of regeneration projects across the city to ensure there is a co-ordinated joined up approach. A member of the team is present on this board to provide support and assurance around governance.
Our Assets Board	Yes	A member of the team attends the Board to provide support and assurance on project management arrangements and any specific audit issues.
Local Fibre Network Programme Board	Yes	The purpose of this Board is to oversee the implementation and roll-out of a new fibre network across the city, which will enable superfast broadband. A member of the team attends the Board to provide support and assurance on project management arrangements and any specific audit issues.
Art Gallery Improvements Scheme Board	Yes	The purpose of this Board is to provide a strategic overview of the building improvements to the City's Art Gallery. A member of the team attends the Board to provide support and assurance on project management arrangements and any specific audit issues.
Adult Eclipse Project Board	Yes	A member of the team will attend the Board to provide support and assurance on project management arrangements for the new Eclipse management information system and any specific audit issues.
Business Improvement Programme Boards	Yes	The purpose of these boards is to drive through service improvements in selected areas of the Council. Audit's role on these boards is provide assurance around governance and risk, as well as addressing any particular audit issues.

5 *Counter Fraud Activities*

The Audit Service's team investigate all allegations of suspected fraudulent activity, during the year. Details of these 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.

6 *Audit reviews underway*

There were a number of reviews underway at the end of quarter 1 and these will be reported upon in future update reports.

7 *Summary of issues from Q1 reviews*

Children's Residential Homes – Employee Working Hours

The service area requested this review in order to ensure employees working in both the Council's children's residential accommodation establishments were complying with the working time regulations. Our review identified a number of areas of non-compliance in terms of employees working on average over 48 hours per week without obtaining the necessary opt-out agreements, insufficient rest periods being taken between shifts and scope for improving the monitoring records in place in order to aid managers in monitoring compliance with the regulations.

However, whilst these non-compliance issues were identified, it is important to stress that the resourcing of residential homes was impacted by staff absences during Covid-19 and that residential homes also need to be managed in accordance with the Children's Home Regulations (England) 2015, which restricts the ability to use agency staff to that of no more than 50% within residential home duties, while also ensuring that the care needs of the children were met.

As a result of our findings Audit Services are working with the service area to ensure they have the appropriate arrangements in place to manage the service in accordance with the working time regulations.

8 *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.

9 *Changes to the Audit Plan during the year*

Based on the current position there are no proposed changes to the plan that require reporting during this quarter.