

CITY OF  
WOLVERHAMPTON  
COUNCIL

# Audit and Risk Committee

6 December 2021

<b>Report title</b>	Internal Audit Update – Quarter 2	
<b>Accountable director</b>	Claire Nye, Finance	
<b>Accountable employee</b>	Peter Farrow Tel Email	Head of Audit 01902 554460 <a href="mailto:peter.farrow@wolverhampton.gov.uk">peter.farrow@wolverhampton.gov.uk</a>
<b>Report to be/has been considered by</b>	Not applicable	

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**Recommendation 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 two.

## **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 September 2021 (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 recommendation in this report. [GE/23112021/J]

## **5.0 Legal implications**

- 5.1 There are no legal implications arising from the recommendation in this report. [TC/26112021/H]

## **6.0 Equalities implications**

- 6.1 Equalities issues form part of the Audit Universe which is then used to help inform the Annual Internal Audit Plan. Equalities issues are also implicit in a number of audit related activities undertaken during each year.

## **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 There is no schedule of background papers.

# 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 significant proportion of the audit resources had been temporarily redeployed to other areas of the Council's business to provide assistance in a number of 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 continues to support the Council in these areas a small number of audits have been completed during quarter two, details of which are included under section three of this report.

### 3 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	
2020/21 Audits							
Adult Education External Funding	Medium	-	1	2	3	3	Satisfactory
ConnectED – CWC Supervisory Compliance	Medium	-	2	5	7	7	Satisfactory
2021/22 Audits							
Co-ordination and Monitoring of School Financial Value Standard (SFVS) Returns	Medium	-	-	-	-	-	N/A
2020/21 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
2020/21 Bad Debt Review	Medium	-	-	-	-	-	N/A
Reported this quarter for the first time:							
Elections – Postal Votes	Medium	-	-	5	5	5	Substantial
WMPF Payroll Contribution Statements	High	-	-	-	-	-	Substantial
2020 – 2021 Transport Grant Certifications	Medium	-	-	-	-	-	N/A
Graiseley Primary School	Medium	-	3	3	6	6	Satisfactory
Wilkinson Primary School	Medium	-	1	1	2	2	Substantial
Income Management	High	-	-	-	-	-	Substantial

**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 as at 30 September 2021 and these will be reported upon in future update reports.

## 7 *Summary of issues from Q2 reviews*

### **School Audit Programme**

As a result of Covid-19 our cycle of school audit visits was postponed throughout the 2020-2021 year. Our programme of visits has subsequently recommenced from September 2021. All visits to schools are carried out after prior agreement and consultation with Headteachers and adherence to any covid-19 precautions in schools. Schools also have the option to have a 'virtual audit' where they can provide the evidence required to the Audit Team remotely. However, the bulk of schools have to date opted for a 'physical' visit.

When carrying out school audits we review and test the following areas:

- Governance
- Protection of People and Assets
- Budget Planning and Control
- Payroll
- Procurement
- Income

Our school audit programme is continuously reviewed to ensure that we are looking at the key risk areas facing schools and we consult with and report our audit findings to the Council's newly established School Compliance Board. For example, the school audit programme has been updated to ensure that schools have a Covid-19 workplace risk assessment policy in place and that this has been published on the school website.

### **Key Financial Systems**

The team are in the process of commencing the auditing of the Council's key financial systems. These reviews involve the auditing of each financial system's core controls. The team have changed the way we undertake these reviews as we are now undertaking transactional testing throughout the year in order to minimise the impact on services at year end. The advantage of adopting this approach also means that we can identify issues earlier so that corrective measures can be put in place. A summary report of the year's findings will be produced towards the end of the year.



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.