

<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Audit and Risk Committee</b> 6 March 2023
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<b>Report title</b>	Internal Audit Update	
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<b>Report to be/has been considered by</b>	Not applicable	

**Recommendations for noting:**

The Audit and Risk Committee is asked to note:

1. The contents of the latest internal audit update.

## **1.0 Purpose**

- 1.1 The purpose of this report is to update the Committee on the progress made against the 2022-2023 internal audit plan and to provide information on recent work that has been completed.

## **2.0 Background**

- 2.1 The internal audit update report 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/23022023/L]

## **5.0 Legal implications**

- 5.1 There are no legal implications arising from the recommendation in this report. [TC/23022023/A]

## **6.0 Equalities implications**

- 6.1 Where appropriate, any relevant equality issues will be considered as part of individual reviews, and a review of the corporate approach to equalities forms part of the Audit Universe and will be subject to a separate review within a three-year cycle.

## **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 2022-2023

[NOT PROTECTIVELY MARKED]



[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 2022-2023 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 Summary of audit reviews completed

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

Auditable area	AAN Rating	Recommendations					Level of assurance
		Red	Amber	Green	Total	Number accepted	
<i>2021/22 Audits completed in quarter 1</i>							
Account Payable - Key Financial System Review	High	-	-	1	1	1	Substantial
Payroll - Key Financial Systems Review	High	-	-	1	1	1	Substantial
Payroll – KFS (HR specific findings)	High	-	2	-	2	2	Substantial
<i>2022/23 Audits completed and previously reported</i>							
Art Gallery – Kickstart Grant Certification	Medium	-	-	-	-	-	Not Applicable
Fixed Assets - Key Financial System Review	High	-	-	-	-	-	Substantial
2021/22 Senior Officer Emoluments	High	-	-	2	2	2	Not Applicable
Community Occupation Therapy Service	Medium	-	2	10	12	12	Satisfactory
WMPF 2021/2022 Contribution Statements	High	-	-	-	-	-	Not Applicable
Transport Related Grant Certifications	Medium	-	-	-	-	-	Not Applicable
Supporting Families 2022/2023 Grant Certifications	Medium	-	-	-	-	-	Not Applicable
Education Music Service	Medium	-	1	3	4	4	Satisfactory
Public Health Payment Uploads	Medium	-	1	2	3	3	Satisfactory
<i>Reported this quarter for the first time:</i>							
SEND and Post 16 Provision in Schools	Medium	2	9	1	12	12	Limited
Adoption Support Fund – Special Guardianship	Medium	-	1	4	5	5	Satisfactory
Payroll Payments – Collective Agreement Compliance	Medium	-	4	3	7	7	Satisfactory

Auditable area	AAN Rating	Recommendations					Level of assurance
		Red	Amber	Green	Total	Number accepted	
RIPA Compliance Review	Medium	-	-	-	-	-	Not Applicable
City of Wolverhampton Mayor's Charity Trust	Medium	-	-	-	-	-	Not Applicable
Council linked bodies – WV Living	Medium	-	-	-	-	-	Not Applicable
Democratic Services – Individual Executive Decision Notices	Medium	-	3	3	6	6	Satisfactory

**Key:** AAN Assessment of assurance need.

### School Establishment Visits

Auditable area	AAN Rating	Recommendations					Level of assurance
		Red	Amber	Green	Total	Number accepted	
Phoenix Nursery School	Medium	-	1	-	1	1	Substantial
Colton Hills Secondary	Medium	-	7	3	10	10	Satisfactory
Castlecroft Primary School	Medium	-	4	6	10	10	Satisfactory
Christ Church CE Junior School	Medium	-	-	7	7	7	Substantial
Holy Trinity RC Primary School	Medium	-	-	3	3	3	Substantial
St. Michael's CE Primary School	Medium	-	1	1	2	2	Substantial

### 3 *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 where appropriate.

Project/Programme	Audit Service's Role
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.
Business Support Programme	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	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	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.
Transform Adult Social Care Programme	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	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

Project/Programme	Audit Service's Role
	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.
Depot Relocation	A member of the team attends the Board to provide support and assurance on project management arrangements and specific audit issues.
Civic Halls Operational Board	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	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.
Adult Eclipse Project Board	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	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.
Regularity Services Debt Recovery Project	A member of the team is engaged to provide advice and consultancy as the Project develops new arrangements for the recovery of outstanding debts.
Fleet Replacement Programme	A member of the team is engaged within the Transport Asset Group that oversees delivery of the Fleet Replacement Programme including electrification of the Fleet, providing support and assurance on programme governance and management arrangements and specific audit issues.
Wolves At Work 18-24 Programme Board	The purpose of this board is to oversee and provide direction for the development and delivery of various Council initiatives, programmes and projects (in liaison with external partners) with the collective aim to improve employment opportunities in this age range, A member of the team is present on this board to provide support and assurance.
School Compliance Board	The Schools Compliance Board is responsible for providing assurance that all maintained schools in the city are meeting statutory requirements, and that the council is correctly discharging its responsibilities. Audit's role is to overview and challenge quality assurance aspects of the Board generally and to report issues to the Board arising from on-going audit assurance work which will be scheduled throughout the year.

#### 4 *Counter Fraud Activities*

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

#### 5 *Audit reviews underway*

There are also a number of other audit reviews currently underway and these will be reported upon in future update reports.

#### 6 *Summary of issues from our latest reviews*

### **SEND and Post 16 Provision in Schools**

Following the 2021 SEND Local Area inspection and the Written Statement of Action that followed, we undertook a review into two of the areas of weakness identified. These being around the completion of Educational Healthcare Plans and in the planning and support of transitions both within the statutory school age and from statutory school age to post-19 and post-25.

A new Service Manager for this area joined the Council in 2021 and had similarly identified a number of issues in these areas. They had subsequently started to introduce the improvements required. Our review and findings covered a similar historical timeframe of 2021-2022. Following our review we made a series of recommendations to, where appropriate, help enhance and build on the changes being made, all of which have been agreed. We also provided comments on the new processes from an audit perspective at the same time.

Therefore, it needs to be recognised that our findings relate to a time and process that has since been, and continues to be improved upon within the service area.

Our review noted that:

- Educational Healthcare Plans did not always explicitly focus on preparing for adulthood, or that the transition to adult care and support had been planned and integrated.
- They were not always fully completed and did not always demonstrate how the different services would be working together to meet the young person's needs.
- Insufficient evidence was available to demonstrate that the various finance processes had been followed.
- Individual Placement Agreements were not always available for certain placements.
- Difficulties in reconciling placements to the initiating requisitions and orders.
- The late placing of orders, after invoices had been received, and the impact this would have upon budget monitoring.

As indicated above, a number of improvements have already been made in these areas, including a specific action plan to address the audits recommendations, and we plan to revisit the implementation of our recommendations during 2023-2024. Following the inspection, the progress of the Written Statement of Action is also being overseen by the Strong Families, Children and Young People Scrutiny Panel and through regular meetings with the DfE, both who have indicated that they are happy with progress.

## **Payroll Payments – Collective Agreement Compliance**

A review of payments made to NJC employees was undertaken to ensure that they were being made in accordance with the Single Status Collective Agreement. Our review identified some areas of non-compliance, which included a limited number of cases of:

- Claiming of some overtime not in accordance with the collective agreement, this related to a small number of officers over grade 5 claiming overtime at either plain time or time and a quarter.
- Incorrect mileage rate being used resulting in some overpayments, this related to a small number of employees, following changes to the rate descriptions and increased communications this issue has now been addressed.
- Allowances being paid where there was the lack of clear supporting evidence on file
- Not always clear evidence to support a minimum point of advantage being applied for new starters

The report's findings were discussed and agreed with officers from the Council's HR team and an action plan was established to implement the report's recommendations.

## **Adoption Support Fund – Special Guardianship Awards**

A review of the application and claims process for financing from the Adoption Support Fund was undertaken, concentrating on 'Special Guardianship Order' families. The fund is available from the Department for Education (DoE) and provides additional finance to local authorities to pay for essential therapeutic services. Guidance and timeframes are provided by the DoE regarding the eligibility criteria which should be met to apply for funding.

We identified robust controls over the processing of claims. However, we noted that there was a potential underutilisation of the fund. Recommendations have been agreed with management to ensure fund usage is considered for all eligible children and appropriately monitored.

## **Democratic Services – Individual Executive Decision Notices**

A review of the delegated decision making and recording process made via Individual Executive Decision Notices (IEDNs) identified a limited number of issues where improvements could be made. These related to:

- Some delays in report authors publishing their IEDN decisions on the Council's Modern.gov system.
- Currently no specific reference in the Council's Constitution regarding the use and processing of IEDNs.
- IEDN's were not always produced in a timely manner.

The report's findings were discussed and agreed with management and an action plan was put in place to address the findings of the review.

## **Council Linked Bodies – WV Living**

A review of the Council's monitoring arrangements confirmed there the Council was suitably overseeing both the governance and financial activities of WV Living, in order to protect its interests in the company. This has been further enhanced by the codes of practice and monitoring framework which has been established by the Council's Chief Operating Officer.

### *7 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.

### *8 Changes to the Audit Plan during the year*

As a result of timing issues and other mitigating factors a small number of audits have been fed back into the audit universe and where appropriate will be completed and reported upon in the 2023-2024 year. This will not impact upon the ability to provide an end of year audit opinion on the adequacy and effectiveness of the Council's governance, risk management and control framework. These include City Events, Adult Services Commissioning, Housing Capital Programme, Wolves at Work and the Art Gallery Catering Operation. However, additional unplanned audit work has been undertaken, and this will also help inform our annual opinion.