



Audit Committee

9 March 2015

Time 2.00 pm **Public Meeting?** YES **Type of meeting** Executive
Venue Committee Room 3 - Civic Centre, St Peter's Square, Wolverhampton WV1 1SH

Membership

Chair Cllr Keith Inston (Lab)
Vice-chair Cllr Christine Mills (Con)

Labour	Conservative	Independent Member
Cllr Harbans Bagri Cllr Philip Bateman Cllr Alan Bolshaw Cllr Dr Michael Hardacre Cllr Jasbir Jaspal	Cllr Wendy Thompson	Mr Mike Ager Mr Terry Day

Quorum for this meeting is two Councillors.

Information for the Public

If you have any queries about this meeting, please contact the democratic support team:

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Some items are discussed in private because of their confidential or commercial nature. These reports are not available to the public.

Agenda

Part 1 – items open to the press and public

MEETING BUSINESS ITEMS

- | <i>Item No.</i> | <i>Title</i> |
|-----------------|---|
| 1 | Apologies for absence |
| 2 | Declaration of interests |
| 3 | Minutes of previous meetings (Pages 5 - 14)
(a) Audit Committee – 15 December 2014
[For approval]

(b) Audit (Monitoring of Audit Investigations) Sub-Committee – 2 February 2015
[For information] |
| 4 | Matters arising
[To consider any matters arising from the minutes] |
| 5 | Update on Work Programme 2014/15 (Pages 15 - 16)
[For information] |

EXTERNAL AUDIT REPORTS AND INSPECTION

- | | |
|---|--|
| 6 | External Audit Plan 2014/15 (Pages 17 - 54)
[To note the plan from the Council's external auditors] |
| 7 | Annual Certification Report 2013/14 (Pages 55 - 66)
[To provide an overview of PWC's certification work and fees for the year ended 31 March 2014] |

RISK MANAGEMENT - ASSURANCE ON CORPORATE RISKS

- | | |
|---|---|
| 8 | Strategic Risk Register and Strategic Assurance Map (Pages 67 - 90)
[To note the latest summary of the risk register and assurance map] |
|---|---|

INTERNAL AUDIT REPORTS

- | | |
|----|--|
| 9 | Internal Audit Update - Quarter Three (Pages 91 - 100)
[To note the latest update] |
| 10 | Internal Audit Plan 2015/16 (Pages 101 - 124)
[To review and approve the strategy] |

- 11 **Payment Transparency** (Pages 125 - 128)
[To note the Council's current position with regards to the publication of all its expenditure]

OTHER GOVERNANCE ISSUES:

- 12 **Secondary School Balances** (Pages 129 - 138)
[To note the position on school balances and the action taken with regard to schools with deficit budgets]
- 13 **2014/2015 Statement of Accounts Progress Update** (Pages 139 - 148)
[To note progress on planning and delivering the Statement of Accounts for 2014/2015]
- 14 **Appointment of External Auditor** (Pages 149 - 154)
[To note the appointment of Grant Thornton UK LLP to audit the accounts of the Council for two years from 2015/16]
- 15 **Audit Committee - Terms of Reference** (Pages 155 - 160)
[To review the current terms of reference of the Committee and the Audit Sub Committee]
- 16 **Audit Committee - Self Assessment of Good Practice and Effectiveness**
(Pages 161 - 166)
[To comment on an complete the self-assessment of good practice and effectiveness exercise]
- 17 **Exclusion of the press and public**
[To pass the following resolution:

That in accordance with Section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting for the following items of business as they involve the likely disclosure of exempt information on the grounds shown below.]

Part 2 - exempt items, closed to press and public

<i>Item</i>	<i>Title</i>	<i>Grounds for Exemption</i>
18	Procurement Cards - Briefing Note (Pages 167 - 170) [To note the briefing note]	Any action taken or to be taken in connection with the prevention, investigation or prosecution of crime. Para (7)

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Audit Committee

Minutes - 15 December 2014

Attendance

Members of the Audit Committee

Cllr Keith Inston (Chair)
Cllr Christine Mills (Vice-Chair)
Cllr Wendy Thompson
Cllr Harbans Bagri
Cllr Philip Bateman
Cllr Alan Bolshaw
Cllr Dr Michael Hardacre
Cllr Jasbir Jaspal
Mike Ager- Independent Member
Terry Day - Independent Member

Employees

Nick Alderman	Chief Accountant
Peter Farrow	Head of Audit
Dereck Francis	Democratic Support Officer
Richard Morgan	Senior Audit Manager
Kevin O'Keefe	Director of Governance

External Auditors

Richard Bacon	PricewaterhouseCoopers
Sophia Mouyis	PricewaterhouseCoopers

Part 1 – items open to the press and public

Item No. *Title*

- 1 Apologies for absence**
No apologies for absence were received.
- 2 Declaration of interests**
Cllr Mike Hardacre declared a personal interest in items of the agenda for the meeting in so far as they relate to the City of Wolverhampton College, the Central Learning Partnership Board and Wolverhampton Homes.

Cllrs Mike Hardacre and Alan Bolshaw and Mr Mike Ager, Independent Member all declared a personal interest in agenda item 8 (Internal Audit Update - Quarter Two), in so far as they are Governors of schools that had been subject to an audit review.

3 **Minutes of previous meetings**

(a) **Audit Committee – 22 September 2014**

Resolved:

That the minutes of previous meeting held on 22 September 2014 be approved as a correct record and signed by the Chair.

(b) **Audit (Monitoring of Audit Investigations) Sub-Committee – 3 November 2014**

Resolved:

That the minutes of the meeting of the Sub-Committee held on 3 November 2014 be noted.

4 **Matters arising**

There were no matters arising from the minutes of the previous meetings.

5 **Work Programme 2014/15**

The Committee received, for information, the work programme for the remainder of the 2014/15 municipal year.

6 **Annual Audit Letter**

Richard Bacon from the Council's auditors PricewaterhouseCoopers' (PwC) presented the annual audit letter which summarised the results of their 2013/14 audit.

Cllr Wendy Thompson asked PwC whether during the audit they had considered the transition with the introduction of the Agresso system; whether they had any concerns with it and how they viewed the system was progressing. She indicated that she had concerns that over 3000 invoices were outstanding and the impact this was having on those companies who were owed money. She sought an assurance that this issue of outstanding invoices would be picked up by PwC in their audit work with the Council. PwC confirmed that the Agresso system had featured in their audit work. The extent of payments recorded in April should be reflected in the Council's accounts. They had also carried out a high level review of the programme and concluded that it was progressing at a level that they would have expected for a programme of its size. Discussions had also taken place with the Council's senior management on how the programme was progressing. Regarding the backlog of invoices PwC reported that it was aware that Council employees were working hard to close the backlog. They would comment further during their audit for 2014/15.

Resolved:

That the Annual Audit Letter from PwC be noted.

7 **Corporate Risk Register and Corporate Assurance Map**

The Committee received an update report on the key risks the Council faces, and how it could gain assurance that the risks are being mitigated.

Members of the Committee welcomed the report as a considerable improvement on the level of information presented to it in previous years

Mr Mike Ager, Independent Member commented that there had been no downward movement on the corporate risks during the period August to November 2014. He

asked when the Committee could expect things to improve and would the targets be met. Peter Farrow, Head of Audit informed the Committee that there may be a level of cautiousness from the risk owners when scoring their risks and this would be discussed with them, however, these risks remain in key challenging areas.

Cllr Wendy Thompson noted that the Council was taking measures to mitigate the risks, however she stated that the Looked After Children (LAC) numbers were the highest in the Country and not common to other councils. She also commented on the 'skills for work' risk, indicating that the position was a sad indictment of what had gone on over the years. She also informed the Committee that she acknowledged that there was only a limited role Audit Services could play in this area, but it was important that the Council continued to monitor these areas.

Cllr Dr Mike Hardacre, commenting on the LAC risk reported that Councillors had to respect the professional judgement of its Social Workers. Steps were in place to make inroads into the LAC position but the Council had no control over the numbers. The Council had to deal with the effects of a child being in its care.

Resolved:

1. That the latest summary of the Council's corporate risk register be noted.
2. That the escalation of a risk in respect of employee management (risk 17), to the corporate risk register be noted.
3. That the main sources of assurance available to the Council against its corporate risks be noted.

8 **Internal Audit Update - Quarter Two**

Peter Farrow, Head of Audit presented the report on progress made as at 30 September 2014 (quarter two) against the 2014/15 audit plan and on recent work that had been completed. In doing so he informed the Committee that the extent of Audit service's role in the implementation of Agresso, would in all likelihood impact upon its ability to complete the number of planned audits within the current year. The service would continue to review its planned audit capacity in line with the changing risk profile of the Council and audit resources would continue to be targeted towards the high risk areas.

In response to Cllr Phil Bateman, it was reported that audit work at Coppice Performing Arts School related to advice and support the Service been asked to provide. The School accepted the actions suggested in the interim audit review. Audit would be revisiting the school to determine whether it had taken on board the advice and support offered. A full audit report would be produced and presented to the Audit Committee in due course.

In response to Cllr Wendy Thompson concerning a backlog of invoices, Kevin O'Keefe, Director of Governance reported on arrangements whereby he and the Director of Finance met daily to go through outstanding invoices and ensure that this information was cascaded down from Strategic Directors to heads of service for them to take appropriate action to ensure that invoices are moved along for payment. This process would continue until it becomes embedded within the organisation. He also undertook to ask the Director of Finance to contact Cllr Wendy Thompson direct to

give her the assurance that businesses are being paid and the backlog of unpaid invoices would not be repeated.

Following on from Cllr Phil Bateman's comments, Cllr Wendy Thompson requested a report to provide the Committee with an awareness of the financial picture of all secondary schools.

Cllr Dr Mike Hardacre reiterated comments he had made at previous Audit Committee meetings regarding the financial regimes for schools over which local authorities have no control and no right of access over schools finances and the failure of the Government funding agency in being unable to oversee what is happening in schools. If the local authority cannot gain access to its schools it would end up picking up the pieces of a fractured relationship schools have with national government.

Mr Terry Day, Independent Member referred to the 'Information governance protective marking compliance' audit area and asked whether there was confidence that the Council's employees are not emailing information that could put the Council at risk of being in breach of information governance requirements. The Head of Audit reported that while this could not be prevented at the moment if an employee chooses to do this, he was confident that following the training that all employees should have undertaken on information governance, they should be aware not to do so.

The Director of Governance informed the Committee that the Council was trialling a piece of software that, rather than an employee having to type in the protective marking classification, there would be a default of 'PROTECT' and the option for the employee to amend the classification. He anticipated that it would be in place within the next few months.

Mr Mike Ager, Independent Member also commented that he was concerned that there were four 'Limited' level assurance reports involving slack local controls. He also commented that the Audit team was pressed and the assurance map demonstrated that more work was required to show that risks are being mitigated. The Head of Audit informed the Committee that the assurance map had been based on the work that the Audit Team could deliver, which would be a good level of audit.

PwC added that the number of 'limited' assurance reports was something that they might review with the Council. In terms of the resourcing issue, PwC reported that it was vital for them that there is a realistic Audit service. If the Committee was not receiving enough assurance about the Council's audit work, that would be something that PwC would want to discuss.

Resolved:

1. That the contents of the latest internal audit update as at the end of quarter two be noted.
2. That a report be submitted to a future meeting to give the Committee an awareness of the finances of secondary schools within the city.

9 **Payment Transparency**

The Committee received an update report the current position with regards to the publication of all of the Council's expenditure.

Resolved:

That the current position with regards to the publication of all the Council's expenditure be noted.

10 **Review of Fraud Related Policies and Procedures**

The Committee received an update on a recent review of the Council's fraud related policies. No significant changes had been made since they were last received by the Committee in March 2014, with only minor alterations being made regarding contact details.

Peter Farrow, Head of Audit confirmed that reports on concerns raised under the Whistleblowing policy and procedure and their outcomes as necessary would be reported to the Audit (Monitoring of Audit Investigations) Sub Committee.

Resolved:

That the review of the undermentioned Council's fraud related policies and procedures be noted.

- Whistleblowing policy and procedure
- Anti-fraud and corruption policy and procedure
- Anti-money laundering policy and procedure
- Raising fraud awareness guide

11 **Benefits Fraud Sanctions 2013/14**

The Committee received a report on the number of benefit fraud sanctions undertaken during 2013/14.

Resolved:

That the final position as at 31 March 2014 of the sanction results for the Benefit Fraud Investigation Team be noted.

12 **Budget Update and Review**

The Committee received an update report on the Council's finances that referenced reports approved by Cabinet and Cabinet (Resources) Panel on the Council's budget and medium term financial strategy and revenue budget monitoring 2014/15 as at the end of quarter two.

Resolved:

That the report be noted.

13 **Annual Governance Statement Update**

The Committee received a report on progress made in addressing key improvement areas identified in the 2013/14 Annual Governance Statement action plan.

Referring to the key improvement area, 'schools improvement', Cllr Alan Bolshaw asked what percentage of the 28 schools that did not attend a working session to review the School Improvement and Governance Strategy, were academies. He also

commented that the level of non-attendance at the session reflected the risks referred to in other reports on the agenda for the meeting. He also asked how the Council could engage with those schools who did not attend the session. Kevin O'Keefe, Director of Governance reported that this would be something that the new Director of Education would be concentrating on. He also informed the Committee of work taking place to re-launch the trading services offer to schools in February 2015. This would be one way of getting 'buy in' from schools, including academies, for what the Council is trying to achieve in terms of school improvement.

Resolved:

1. That the progress made in addressing the key improvement areas identified in the 2013/14 Annual Governance Statement action plan be noted.
2. That the Director of Education be requested to attend a meeting of the Committee on 9 March 2015 to discuss progress with the issues raised by the Committee in relation to schools, and school engagement and risk.



Audit (Monitoring of Audit Investigations) Sub-Committee

Minutes - 2 February 2015

Attendance

Members of the Sub-Committee

Cllr Keith Inston (Vice-Chair in the Chair)
Cllr Dr Michael Hardacre
Cllr Wendy Thompson
Mike Ager, Independent Member

Employees

Peter Farrow	Head of Audit
Dereck Francis	Democratic Support Officer
Katy Morgan	Client Lead Auditor
Richard Morgan	Senior Audit Manager
Kevin O'Keefe	Director of Governance
Mark Wilkes	Client Lead Auditor

Part 1 – items open to the press and public

Item No. *Title*

- 1 Apologies for absence**
Apologies for absence were received on behalf of Cllr Christine Mills.

The Sub Committee extended its sincerest condolences to Cllr Christine Mills and her family at the sudden death of Mr Stuart Mills.
- 2 Declarations of interests**
No declarations of interests were made.
- 3 Minutes of the previous meeting (3 November 2014)**
Resolved:
That the minutes of the previous meeting held on 3 November 2014 be approved as a correct record and signed by the Chair.
- 4 Matters arising**
There were no matters arising from the minutes of the previous meeting.
- 5 Audit Services - Counter Fraud Report: January 2015**
Mark Wilkes, Client Lead Auditor presented a report which updated the Sub Committee on the current counter fraud activities undertaken by the Counter Fraud Unit within Audit Services.

Referring to the successful prosecution of a now former Housing Benefit Assessor for fraud, the Chair asked whether the Council was satisfied with the outcome of a 20 month prison sentence suspended for two years. Kevin O’Keefe, Director of Governance outlined why he believed that a two year custodial sentence would have been appropriate in this case. With the agreement of the Leader of the Council and the Managing Director, an application would be made on behalf of the Council to review the sentence.

Peter Farrow, Head of Audit reported on the anticipated transfer of employees in the Council’s relatively small Benefits Fraud Investigations team to the Department for Work and Pensions who were creating a Single Fraud Investigation Service (SFIS). The resource of the council’s benefits investigators, their combined local knowledge and skills would be lost to the Council. He advised that there would be a shift in fraud resources initially whilst the Council learned the implications of the transfer and what it would need following the transfer.

The Director of Governance informed the Sub Committee that the Council would be recruiting former senior police officers and investigators to a pool that the Council could call on to undertake investigation activity when there is a need.

Mike Ager, Independent Member welcomed the reassurance given by the Director of Governance. He asked whether the Sub Committee would continue to receive reports on benefit fraud in the future. The Head of Audit reported that the DWP’s Single Fraud Investigation Service would be dealing directly with a certain type of benefit fraud investigation so the Sub Committee would not receive details of these, but it would continue to receive reports that still give a representative picture of how the Council is preventing and detecting the fraud it remains responsible for, which would still cover many areas as identified both locally and nationally.

Members of the Sub Committee felt that the transfer of the local authority benefit fraud investigators to the DWP was a retrograde step and the benefits of local knowledge and efficiencies of working in a small team would be a loss to the city.

Resolved:

That the report be noted.

6 **Internal Audit Report - Performance Appraisal Scheme**

The Sub Committee received a further update on work to improve the performance around the uptake of appraisals following the recent internal audit review.

Kevin O’Keefe, Director of Governance reported that a piece of work had been completed to ensure 100% accuracy of the data being presented to the Sub Committee. He reported that there would be a ‘three line whip’ requiring managers who have carried out appraisal appointments to log the appraisal on the learning Hub quickly thereafter.

The Sub Committee expressed the view that where carrying out appraisals is part of a manager’s job description and they fail to carry out that duty, they should be made aware that disciplinary or capability action would follow if the appraisals are not completed. The Sub Committee also indicated that the responses to actions 3.3 and 3.4 from the internal audit review were weak. The Sub Committee contrasted the

take up of appraisals in the West Midlands Pension Fund with that for the rest of the Council and queried why the Pensions Service was performing better and why the Council was finding it difficult managing its appraisals process.

The Sub Committee asked the Director of Governance to take on board the comment that it would want action to be taken against managers who fail to carry out appraisal appointments when they are required to do so.

Resolved:

That the on-going progress the organisation is making in implementing the agreed actions from the internal audit report on the Council's performance appraisal scheme be noted.

7 **Exclusion of press and public**

Resolved:

That in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item(s) of business as they involve the likely disclosure of exempt information falling within the paragraphs of Schedule 12A of the Act set out below

<i>Item no.</i>	<i>Title</i>	<i>Applicable paragraph</i>
8	Audit Investigations Update	1, 2 and 3

8 **Audit Investigations Update**

The Sub Committee received updates on current audit investigations.

Referring to the investigation into the misuse of a procurement card (P-card), the Sub Committee questioned the need for the number of P-cards that had been issued to employees, particularly given the requisitioning and contract arrangements within the Council. In response the Sub Committee was informed of the process for the issue and monitoring as to the use of P-cards. The Sub Committee was also informed that with the Council changing its banker, a new P-card scheme would be introduced. Therefore now was the opportune time to review the whole P-card scheme.

The Sub Committee also queried why the Council issued P-cards to schools when schools are responsible for their own finances. The Sub Committee was of the view that before a new scheme for P-cards is introduced there should be an examination of their use and whether they are necessary for the Council. Peter Farrow, Head of Audit undertook to speak to the Director of Finance.

Resolved:

1. That the current position with regard to the audit investigations be noted.
2. That a report be submitted to the next or special meeting of the Sub Committee on the use of P-cards within the Council and the business case for their issue within the organisation.

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Audit Committee Work Programme 2014/15

Agenda Item: 5

Committee Meeting Date All at 2.00pm	Final Accounts / Annual Governance Statement	Internal Audit Reports	Risk Management	External Audit Reports and Inspection	Other Governance Issues
22 September 2014 Page 15	2013/14 Audited Statement of Accounts	Internal Audit Update Payment Transparency Internal Audit Staffing Internal Audit Charter Review CIPFA Audit Committee Update	Corporate Risk Register and Assurance Map	Annual Report to those charged with Governance (ISA 260)	Sub-Committee: Minutes and Matters Arising The Introduction of Agresso Independent Review of the Medium Term Financial Strategy Budget Update and Review
15 December 2014	Annual Governance Statement Update	Internal Audit Update Payment Transparency Review of Fraud Related Policies	Corporate Risk Register and Assurance Map	Annual Audit Letter	Sub-Committee: Minutes and Matters Arising Benefits Fraud Sanctions Report 2013/14 Budget Update and Review
9 March 2015	2014/2015 Statement of Accounts Progress update	Internal Audit Update Payment Transparency Internal Audit Plan 2015/16 Review of Fraud Related Policies	Corporate Risk Register and Assurance Map	External Audit Plan 2015/16	Sub-Committee: Minutes and Matters Arising Audit Committee Self-Assessment Workshop Audit Committee Terms of Reference Review

[NOT PROTECTIVELY MARKED]

**Monitoring of Audit Investigations
Sub-Committee Work Programme 2014/15**

Sub-Committee Meeting Date All at 3pm	Monitoring of Audit Investigations: to include details of completed investigations, implementation of recommendations, fraud risk register, pro-active testing, NFI updates, raising fraud awareness events, benchmarking and other fraud related activities
3 November 2014	Counter Fraud Report Audit Issues Update
2 February 2015	Counter Fraud Report Audit Issues Update Employee Appraisal scheme
27 April 2015	Counter Fraud Report Audit Issues Update

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Wolverhampton City Council

External Audit Plan 2014/15

Government and
Public Sector
March 2015
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Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies

In April 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and of audited bodies'. It is available from the Chief Executive [or Managing Director] of each audited body. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

Executive summary

Background

This audit plan informs the Audit Committee of Wolverhampton City Council (the 'Authority') about our responsibilities as external auditors and how we plan to discharge them for the audit of the financial year ending 31 March 2015.

We will prepare a separate audit plan for our work on the West Midlands Pension Fund Annual Report and Accounts. This and other matters relating to the pension fund audit will be presented to those charged with governance for the pension fund, as well as to the officers and Councillors of this committee.

Framework for our audit

We are appointed as your auditors by the Audit Commission as part of a national framework contract and consequently we are required to incorporate the requirements of the Audit Commission Act 1998 and the Code of Audit Practice 2010 for local government bodies (the 'Audit Code') as well as the requirements of International Standards on Auditing (UK & Ireland) ('ISAs').

The remainder of this document sets out how we will discharge these responsibilities and we welcome any feedback or comments that you may have on our approach.

We look forward to discussing our report with you on 9 March 2015.

Our Responsibilities

Our responsibilities are as follows:

Perform an audit of the accounts and pension fund accounting statements in accordance with the Auditing Practice Board's International Standards on Auditing (ISAs (UK&I)).

Report to the National Audit Office on the accuracy of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts.

Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources.

Consider the completeness of disclosures in the Authority's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with CIPFA / SOLACE guidance.

Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.

Determine whether any other action should be taken in relation to our other responsibilities under the Audit Commission Act.

Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.

Our audit engagement begins with an evaluation of the Authority on our 'acceptance & continuance database' which highlights an overall engagement risk score and highlights areas of heightened risk.

Audit approach

Our audit is risk based which means that we focus on the areas that matter. We have carried out a risk assessment for 2014/15 prior to considering the impact of controls, as required by auditing standards, which also draws on our understanding of your business.

We determine if risks are significant, elevated or normal and whether we are concerned with fraud, error or judgement as this helps to drive the design of our testing procedures:

● Significant	Those risks with the highest potential for material misstatement due to a combination of their size, nature and likelihood and which, in our judgement, require specific audit consideration.
● Elevated	Although not considered significant, the nature of the balance/area requires specific consideration.
● Normal	We perform standard audit procedures to address normal risks in all other material financial statement line items.

The table below highlights all risks which we consider to be either significant or elevated in relation to our audit for the year ended 31 March 2015.

Auditing Standards require us to consider two fraud risks as significant:

- Management override of controls:

“Management is in a unique position to perpetrate fraud because of management’s ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk.” ISA 240 paragraph 31; and

- Revenue recognition (there is a rebuttable presumption that this is a significant risk):

“When identifying and assessing the risks of material misstatement due to fraud, the auditor shall, based on a presumption that there are risks of fraud in revenue recognition, evaluate which types of revenue, revenue transactions or assertions given rise to such risks.” ISA 240 paragraph 26.

Both these fraud related risks are included in our risk assessment.

A summary of the significant and elevated audit risks identified for 2014/15 is set out below, split by the element of our audit opinion (Accounts or Value for Money opinion) to which each risk relates.

Our risk assessment is informed by our accumulated understanding of your business, from our discussions with management, and from our wider sector knowledge.

Further information along with our planned audit response is provided on the following pages.

Risk arising	Potential impact upon PwC work		Categorisation for accounts risks
	Accounts true and fair opinion	Value for money conclusion	
Management override of controls	◆		● Significant
Risk of fraud in revenue and expenditure recognition	◆		● Significant
Valuation of Property, Plant and Equipment	◆		● Significant
Minimum Revenue Provision calculation	◆		● Significant
Implementation of Agresso	◆		● Elevated
Provision for Equal Pay	◆		● Elevated
The Medium Term Financial Strategy and savings requirements		◆	N/A

Financial Statements Risks

Risk	Categorisation	Audit approach
<p data-bbox="607 376 1077 408">Management override of controls</p> <p data-bbox="607 456 1189 727">ISA (UK&I) 240 requires that we plan our audit work to consider the risk of fraud, which is presumed to be a significant risk in any audit. In every organisation, management may be in a position to override the routine day to day financial controls in order to manipulate the financial statements. Accordingly, for all of our audits, we consider this risk and adapt our audit procedures accordingly.</p>	<p data-bbox="1256 376 1429 408">Significant ●</p>	<p data-bbox="1496 376 2074 616">As part of our assessment of your control environment we will consider those areas where management could use discretion outside of the financial controls in place to misstate the financial statements. We will consider the level of assurance provided by Internal Audit regarding management's ability to override controls.</p> <p data-bbox="1496 647 1872 679">We will perform procedures to:</p> <ul data-bbox="1496 679 2085 1342" style="list-style-type: none"> <li data-bbox="1496 679 2051 807">• Review the appropriateness of accounting policies and estimation bases, focusing on any changes not driven by amendments to reporting standards; <li data-bbox="1496 807 2085 935">• Test the appropriateness of journal entries and other year-end adjustments, targeting higher risk items such as those that affect the reported deficit/surplus; <li data-bbox="1496 935 2051 1094">• Review accounting estimates for bias and evaluate whether judgment and estimates used are reasonable (for example pension assumptions, valuation and impairment assumptions); <li data-bbox="1496 1094 2051 1206">• Evaluate the business rationale underlying significant transactions outside the normal course of business; <li data-bbox="1496 1206 2051 1270">• Test exceptional and unusual items arising from bank and other reconciliations; and <li data-bbox="1496 1270 2085 1342">• Perform 'unpredictable' procedures targeted on fraud risks. <p data-bbox="1496 1358 2007 1422">We may perform other audit procedures if necessary.</p>

Risk	Categorisation	Audit approach
<p data-bbox="613 316 1189 379">Risk of fraud in revenue and expenditure recognition</p> <p data-bbox="613 427 1167 515">Under ISA (UK&I) 240 there is a presumption that there are risks of fraud in revenue recognition.</p> <p data-bbox="613 547 1200 611">We extend this presumption to the recognition of expenditure in local government.</p> <p data-bbox="613 643 1205 794">There is a risk that the Authority could adopt accounting policies or treat income and expenditure transactions in such a way as to lead to material misstatement in the reported revenue and expenditure position.</p>	<p data-bbox="1261 316 1429 347">Significant ●</p>	<p data-bbox="1496 316 2078 443">We will obtain an understanding of revenue and expenditure controls and will seek to place reliance on internal audit work, where most efficient to do so.</p> <p data-bbox="1496 475 2063 627">We will evaluate and test the accounting policy for income and expenditure recognition to ensure that this is consistent with the requirements of the Code of Practice on Local Authority Accounting.</p> <p data-bbox="1496 659 2085 778">We will also perform detailed testing of revenue and expenditure transactions, focussing on the areas we consider to be of greatest risk including procedures in relation to:</p> <ul data-bbox="1518 786 2078 994" style="list-style-type: none"> <li data-bbox="1518 786 2078 850">• The appropriateness of journal entries and other adjustments; <li data-bbox="1518 858 2078 890">• Income and expenditure ‘cut off’; and <li data-bbox="1518 898 2078 994">• Accounting estimates and judgements made for income and expenditure (e.g.: accruals, deferred income and provisions).

Risk	Categorisation	Audit approach
<p>Property, Plant and Equipment Valuation</p> <p>Property, Plant and Equipment is the largest figure on your Balance Sheet.</p> <p>You value your properties at fair value using a range of assumptions and the advice of internal and external experts.</p> <p>During the 2013/14 audit process we identified that out-of-date or unsupported base data had been used in the valuation of some assets, specifically gross internal floor areas and land acreage. You were tasked with obtaining new measured surveys for a number of assets to support your records.</p> <p>Specific areas of risk for 2014/15 therefore include:</p> <ul style="list-style-type: none"> • asset valuation base data may be inaccurate or incomplete; • valuation assumptions used may not be appropriate; and • asset fair values may fluctuate materially between the revaluation date and the financial year end and may not be appropriately reflected in the accounts. 	<p>Significant ●</p>	<p>We will review the basis of any asset revaluations undertaken and in doing so consider:</p> <ul style="list-style-type: none"> • the judgements, assumptions and data used; • the reasonableness of any estimation techniques applied; and • the expertise of your valuation experts. <p>We will consider the Authority's response to control recommendations made in the previous year and will validate base data to underlying records.</p> <p>Where assets are not re-valued in year we will understand the steps taken to ensure that your balance sheet is materially accurate at the year end. In particular, it is noted that the Code of Practice has been expanded and now explicitly states that <i>'where assets are re-valued (i.e. the carrying amount is based on fair value), revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period.'</i></p>
<p>Minimum Revenue Provision</p> <p>Councils are required to make provision through the revenue account for the repayment of long-term external borrowing and credit arrangements.</p> <p>The Statutory Guidance - <i>'Capital Finance Guidance on Minimum Revenue Provision</i></p>	<p>Significant ●</p>	<p>At the time of drafting this report our work on both amendments is ongoing.</p> <p>We have understood and reviewed the change from straight line to annuity method and concluded that the policy appears reasonable in principle and is not inconsistent with The Guidance. The policy has been approved by Full</p>

Risk	Categorisation	Audit approach
<p><i>(MRP)</i> (“<i>The Guidance</i>”) – requires a local authority to ‘<i>determine for the current financial year an amount of minimum revenue provision which it considers to be prudent</i>’. Since 2008 the Council has adopted one of the ready-made options from <i>The Guidance</i>: the ‘straight line method’.</p> <p>During 2014/15 the Council has made two changes to that approach and, in February 2015, presented a new MRP Policy to Cabinet for adoption during 2014/15 and 2015/16. The revised policy will be presented to Full Council in March 2015 for approval.</p> <p>The new policy comprises two in-year changes:</p> <ol style="list-style-type: none"> 1) A switch from the ‘straight line method’ as adapted by the Council to the ‘annuity method’ - another of the options in <i>The Guidance</i> - as adapted by the Council. The Director of Finance (Section 151 Officer) considers this method to be both more prudent and fairer than the previous method. 2) Having concluded that the new method is more prudent and fairer than the previous method, the Council has identified that adopting the old policy has led to MRP charges that were overly prudent during the period from 1 April 2008 to 31 March 2014 which has resulted in a cumulative charge at 31 March 2014 that is in excess of what the Council considers prudent and fair under the new method. The Council proposes an 		<p>Council during the year and will apply from 1 April 2014.</p> <p>We have understood and reviewed the Council’s proposals to introduce an adjustment within the MRP policy for 2014/15 and subsequent years to recognise the over-prudent sum of around £37 million. We have reviewed the legal opinion that has been obtained from Leading Counsel and have consulted with our regulator on the legality and appropriateness of the proposals. Before the year-end we will determine whether the proposals represent a breach of the Council’s statutory obligations or whether the subsequent accounting entries are likely to result in a materially inaccurate provision.</p> <p>During our fieldwork we will audit the resulting accounting entries in the 2014/15 Statement of Accounts.</p> <p>We will report all findings to the Audit Committee on a timely basis.</p>

Risk	Categorisation	Audit approach
<p>adjustment within the MRP policy for 2014/15 and subsequent years to recognise the over-prudent sum of around £37 million. Under the proposals MRP will continue to be calculated on an annuity basis, but as if the annuity basis had been applied from 1 April 2008, so that it will be reduced by the adjustment, anticipated to cover a period of four to five financial years. MRP using the annuity method is in the order of £7 million in 2014/15 and is projected to increase in subsequent years due to the Council's capital expenditure plans.</p> <p>Given the significance of the values involved and the statutory nature of the requirement to determine a prudent provision there is an inherent risk that the Council sets a provision that is non-compliant with the statutory guidance or is materially wrong</p>		

Risk	Categorisation	Audit approach
<p>Implementation of Agresso</p> <p>From 1 April 2014 the Finance, Procurement and elements of HR system went live on Agresso. Payroll and the remaining elements of HR went live later in the year.</p> <p>Agresso is integrated to 18 systems including Northgate Revenues and Benefits and Housing amongst others. 43 system interfaces have also been implemented.</p> <p>2014/15 will be the first year the Statement of Accounts will be prepared from Agresso.</p> <p>As a result of these changes, both the way in which we will obtain audit evidence and the ability to rely on your automated processes and controls will be impacted.</p> <p>We are also aware that there have been some challenges faced during the implementation including payroll and creditor payments. This has included:</p> <ul style="list-style-type: none"> - The dual running of payroll on both the pre-existing Mainframe system and Agresso for several months, and - A backlog of payments. <p>In response to these challenges we will perform additional audit procedures over payroll and creditors.</p>	<p>Elevated ●</p>	<p>We will obtain a comprehensive understanding of the automated processes and controls within Agresso to aid the development of our testing approach.</p> <p>We will understand and test the reliability of reports generated from Agresso that we plan to use for the audit.</p> <p>We will understand, evaluate and validate that controls within Agresso are operating effectively in the following domains:</p> <ul style="list-style-type: none"> • Data transfer from the old to new ledger system; • Access control; • Computer operations; and • Change management. <p>We will review the payroll reconciliation between the Mainframe and Agresso systems to check that all payroll data has been accounted for completely and correctly throughout the year.</p> <p>We will review the aged creditors listing and consider the financial implication of the backlog of creditor payments. We will perform additional work over the year end creditors balance, in particular the completeness and accuracy of accruals.</p>

Risk	Categorisation	Audit approach
<p>Provision for Equal Pay</p> <p>As in previous years, the Authority is expected to include a provision in the accounts to reflect its liability for Equal Pay and back pay claims.</p> <p>Over the last six years the Authority has received notification of employment tribunal claims against the Authority alleging breach of Equal Pay legislation. The Authority has engaged Solicitors to provide legal advice and conduct proceedings on behalf of the Authority in relation to these claims.</p> <p>On the basis of the advice provided and the information available the Authority concluded on what it felt was the most probable liability as at 31 March 2014. That provision figure reflected known claims as well as other potential claims. We will consider the adequacy of any equivalent provision as at 31 March 2015 and review payments made during the year.</p>	<p>Elevated ●</p>	<p>We will evaluate the accounting policies for recognising associated expenditure and liabilities.</p> <p>We will test whether payments, journal entries and other adjustments in the financial statements relating to Equal Pay are materially accurate and whether they meet relevant financial reporting standards.</p> <p>We will seek confirmation on these matters from the Authority's legal advisors.</p> <p>We will review and challenge assumptions made by the Authority regarding relevant case law and the associated implications for the Authority's provision.</p>

Other Audit Code Responsibilities Risks

Risk

The Medium Term Financial Strategy (MTFS) and savings requirements

The Authority's February 2015 MTFS sets out the significant financial challenge being faced over the next five years. Key points noted include:

- The outstanding projected budget challenge stands at £46.3m over the period to 2018/19 and there is an assumed budget deficit of £14.8 million for 2016/17.
- £46m of savings are required to be identified for the period 2018/09, of which £20m is the target for 2016/17.
- All figures above assume the successful achievement of prior year savings proposals amounting to £36 million over the four year period to 2018/19.
- The budget pressure has increased by £5.7 million since the previous budget report to Cabinet as a result of demand pressures relating to Looked After Children and Children's Social Workers.

All figures above already incorporate the introduction of changes to the Council's Minimum Revenue Provision (MRP) Policy which would generate significant budget savings from 2014/15 through to 2017/18. The audit risk associated with this policy change is set out in more detail above.

It is acknowledged that the financial challenge must be addressed as a matter of urgency.

There are a number of significant risks associated with the MTFS including:

- The uncertainty about how much funding will be received from Government;
- Identified savings options may not be achieved;

Audit approach

We will review your updated MTFS and its key assumptions. We will benchmark your inflation, growth and efficiency projections as well as your reserve balances. We will consider your financial resources and your assumptions around future income streams. We will feedback our findings to the Section 151 Officer and the Audit Committee.

We will meet regularly with the Section 151 Officer and the Managing Director to discuss the Authority's financial position and plans. We are aware that the Section 151 Officer has highlighted to Councillors the significance of the requirements of Section 114 of the Local Government Finance Act 1988 and we will consider how he is satisfied that issuing a report under that Act is not required.

We will review in-year finance reports and cashflow and reserves forecasts to identify key issues and consider their impact on budgets and plans.

We will consider the proposed amendments to the calculation of your Minimum Revenue Provision.

We will consider the findings of our detailed testing on the Authority's estimates, provisions and journals undertaken as part of our final accounts audit work. If any of these findings have a significant impact upon the Authority's financial plans we will feedback our findings to you.

The robustness of savings plans and response to the projected funding gap will significantly factor

Risk

- Further efficiency savings may not be identified;
- Spending may exceed budgets and/or income may fall short of budgets;
- The impact of the current economic climate, including increased inflationary pressures and interest rate changes;
- Demand for services may exceed estimates; and
- Future finance settlements may vary from current assumptions.

Effectively managing these risks is critical to the Authority's future financial resilience. Consideration of this area will therefore form a key part of our assessment on your arrangements for securing economy, efficiency and effectiveness in the use of Authority resources.

We need to be satisfied that the Authority can demonstrate financial resilience over the medium term as well as ensuring that planned expenditure of the Authority in a financial year is not likely to exceed the resources (including sums borrowed) available to it. This looks particularly challenging for 2016/17.

Audit approach

into our assessment of whether the Authority is able to demonstrate financial resilience. We will test a sample of savings plans to consider whether they are reasonable.

If our assessment results in the view that the Authority is unable to demonstrate financial resilience this will directly impact on our value for money opinion.

Additional reporting may be required under the Local Government Finance Act 1988 which requires an auditor to issue 'an advisory notice' if he has reason to believe that the body or an officer of the body is about to take or has begun to take a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency.

**Group Overall Materiality:
£19.17m**

**Council Overall Materiality:
£17.25m**

Group Triviality: £960k

Council Triviality: £860k

Intelligent scoping Group Materiality

	£m
Overall Group materiality	19.17
Clearly trivial reporting de minimis (Group)	0.96

We set overall materiality to assist our planning of the overall audit strategy and to assess the impact of any adjustments identified.

Overall materiality has been set at 2% of total gross service expenditure for the year ended 31 March 2014. We will update this assessment as necessary in light of the Authority's 31 March 2015 actual results.

ISA (UK&I) 450 (revised) requires that we record all misstatements identified except those which are "clearly trivial" i.e. those which we do expect not to have a material effect on the financial statements even if accumulated.

For the Group we calculate this reporting threshold as £960,000, based on 5% of overall materiality.

Note that the thresholds seen above relate to the Authority's group accounts. We perform our work on the Authority's single-entity accounts to different thresholds, calculated using an allocation of overall group materiality.

For the 2014/15 financial year, we expect these benchmarks to be as follows:

Authority materiality

	£m
Overall materiality	17.25
Clearly trivial reporting de minimis	0.86

Robust Testing

Where we do our work

As set out above our audit is risk based which means we focus our work on those areas which, in our judgement, are most likely to lead to a material misstatement. In summary, we will:

- Consider the key risks arising from internal developments and external factors such as policy, regulatory or accounting changes;
- Consider the robustness of the control environment, including the governance structure, the operating environment, the information systems and processes and the financial reporting procedures in operation;
- Understand the control activities operating over key financial cycles which affect the production of the year-end financial statements;
- Validate key controls relevant to the audit approach; and
- Perform substantive testing on transactions and balances as required.

When we do our work

Our audit is designed to quickly consider and evaluate the impact of issues arising to ensure that we deliver a no surprises audit at year-end. This involves early testing at an interim stage and open and timely communication with management to ensure that we meet all statutory reporting deadlines. We engage early, enabling us to debate issues with you. We have summarised our formal communications plan in Appendix B.

Value for Money Work

Our value for money code responsibility requires us to carry out sufficient and relevant work in order to conclude on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

The Audit Commission guidance includes two criteria:

- The organisation has proper arrangements in place for securing financial resilience; and
- The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

We determine a local programme of audit work based on our audit risk assessment, informed by these criteria and our statutory responsibilities.

Annual Governance Statement

Local Authorities are required to produce an Annual Governance Statement (AGS), which is consistent with guidance issued by CIPFA / SOLACE: “Delivering Good Governance in Local Government”. The AGS is required to be presented by the Authority with the Statement of Accounts.

We will review the AGS to consider whether it complies with the CIPFA / SOLACE “Delivering Good Governance in Local Government” framework and whether it is misleading or inconsistent with other information known to us from our audit work.

Whole of Government Accounts

We are required to examine the Whole of Government Accounts schedules submitted to the Department for Communities and Local Government and issue an opinion stating in our view if they are consistent or inconsistent with the Statement of Accounts.

Meaningful conclusions

We believe fundamentally in the value of the audit and that audits need to be designed to be valuable to our clients to properly fulfil our role as auditors.

In designing the audit, our primary objective is to form an independent audit opinion on the financial statements; however, we also aim to provide insight.

Audit value comes from the same source as audit quality so the work that we do in support of our audit opinion also means that we should be giving you value through our observations, recommendations and insights. We will share

insights and observations with you in our audit reports throughout the year.

We have also developed a Local Government Centre of Excellence which supports your audit team in all aspects of the audit, including sharing insight and observations gained from audit teams across the country.

Risk of fraud

International Standards on Auditing (UK&I) state that we, as auditors, are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. The respective responsibilities of auditors, management and those charged with governance are summarised below:

Auditors' responsibility	Management's responsibility	Responsibility of the Audit Committee
<p>Our objectives are:</p> <ul style="list-style-type: none"> • To identify and assess the risks of material misstatement of the financial statements due to fraud; • To obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and • To respond appropriately to fraud or suspected fraud identified during the audit. 	<p>Management's responsibilities in relation to fraud are:</p> <ul style="list-style-type: none"> • To design and implement programmes and controls to prevent, deter and detect fraud; • To ensure that the entity's culture and environment promote ethical behaviour; and • To perform a risk assessment that specifically includes the risk of fraud addressing incentives and pressures, opportunities, and attitudes and rationalisation. 	<p>Your responsibility as part of your governance role is:</p> <ul style="list-style-type: none"> • To evaluate management's identification of fraud risk, implementation of anti-fraud measures and creation of appropriate 'tone at the top'; and • To ensure any alleged or suspected instances of fraud brought to your attention are investigated appropriately.

Conditions under which fraud may occur

Management or other employees have an incentive or are under pressure

Incentive pressure



Why commit fraud?

Rationalisation / attitude

Culture or environment enables management to rationalise committing fraud – attribute or values of those involved, or pressure that enables them rationalise committing a dishonest act



Opportunity

Circumstances exist that provide opportunity – ineffective or absent control, or management ability to override controls



Your views on fraud

We enquire of the Audit Committee:

- Whether you have knowledge of fraud, either actual, suspected or alleged, including those involving management?
- What fraud detection or prevention measures (e.g. whistleblower lines) are in place in the entity?
- What role you have in relation to fraud?
- What protocols / procedures have been established between those charged with governance and management to keep you informed of instances of fraud, either actual, suspected or alleged?

Protecting the Public Purse

The 2014 version of the annual Audit Commission report *Protecting the Public Purse (PPP)* was published on 23 October 2014. That report highlighted current and emerging fraud risks in local government. The report also provided summary information on fraud detection activities, based on the Audit Commission's annual detected fraud and corruption survey.

Submission of the survey is a mandatory requirement under Section 48 of the Audit Commission Act 1998. All local government bodies submitted the required information. Their respective external auditors provided confirmation that the submissions made fairly reflected the auditors' knowledge of fraud detection activities at those authorities.

Your PwC team

The individuals in your PwC team have been selected to bring you extensive audit experience from working with Local Authorities, the wider public sector and the commercial sector.

We also recognise that continuity in the audit team is important to you and the senior members of our team are committed to developing longer term relationships with you.

The core members of your audit team are:

Audit Team

Responsibilities

Engagement Leader

Richard Bacon

6th year on the audit - *Audit Commission approval has been received allowing Richard to continue as engagement leader for a sixth year.*

0121 232 2598

richard.f.bacon@uk.pwc.com

Responsible for independently delivering the audit in line with the Audit Code (including agreeing the Audit Plan, ISA 260 Report to Those Charged with Governance and the Annual Audit Letter), quality of outputs and signing of opinions and conclusions.

Engagement Senior Manager

Richard Vialard

9th year on the audit

07809 755 784

richard.vialard@uk.pwc.com

Responsible for overall control of the audit engagement, ensuring delivery to timetable, delivery and management of targeted work and overall review of audit outputs. Completion of the Audit Plan, ISA 260 report and Annual Audit Letter.

Engagement Manager

Sophia Mouyis

3rd year on the audit

07515 541 313

sophia.mouyis@uk.pwc.com

Responsible for managing our accounts work, including audit of the statement of accounts and governance aspects of the Value for Money work.

Senior Team Leader

Liam Gough

3rd year on the audit

07701 295 919

maya.e.price@uk.pwc.com

Responsible for leading the audit team on site and liaising with finance staff on the scope and timing of our work.

Team Leader

Maya Price

3rd year on the audit

07715 035 145

maya.e.price@uk.pwc.com

Your audit fees

The Audit Commission has provided indicative scale fees for Local Authorities for the year ended 31 March 2015.

Our indicative 2014/15 audit fee, compared to the actual fee for 2013/14 is as follows:

Audit fee	Actual fee 2013/14 £	Indicative fee 2014/15 £
Audit work performed under the Code of Audit Practice		
- Statement of Accounts		
- Conclusion on the ability of the organisation to secure proper arrangements for the economy, efficiency and effectiveness in its use of resources	251,100	252,570*
- Whole of Government Accounts		
Pension Fund	48,618	48,618
Certification of Claims and Returns (proposed final fee)	34,261	21,940
Sub - Total Audit Code work	333,979	323,128
Additional local risk based audit work (Note 1)	40,011	51,000
Sub – Total Audit Fees	373,990	373,128
Planned non-audit work (Note 2)	90,875	20,190
Total fees (audit and non-audit work)	464,865	393,318

*The Audit Commission have added a supplemental fee of £1,470 to the scale fee to cover the additional audit procedures we are now required to carry out on business rates balances and disclosures due to the localisation of business rates in the prior year.

Note 1 - As we have reported to you previously, we are required to obtain approval from the Audit Commission for any variation from its published scale fee.

The initially proposed fee for the work on these additional risks was £40,000 for 2013/14, as discussed and agreed with you. The final approved fee for this work was £40,011.

As part of our 2014/15 audit planning process we have tailored a programme of audit work in response to the additional local audit risks relevant to this Authority for the period in question.

Our current analysis of these local considerations, which have been discussed with Senior Officers, is set out in the table below. We will seek approval from the Audit Commission for these fees.

Analysis of local additional audit work

Additional risk based audit work:	2013/14 Actual	2014/15 Plan
Property, Plant and Equipment Valuation	11,919	10,000
Equal Pay and Single Status	8,016	8,000
Savings Plans	12,024	12,000**
System changes and redesign	8,052	15,000
Minimum Revenue Provision	0	6,000
Total local risk based audit work	40,011	51,000

** Given our comments in the 'Audit Approach' section above the extent of our work and reporting in this area is still uncertain. This fee covers only the work we can currently forecast.

Note 2 – The non-audit work relates to:

Description of work	Amount (£)
Agreed upon procedures undertaken on the 2013/14 Decent Homes Backlog Funding Grant – although this relates to the 2013/14 financial year, the work was not requested and delivered until the 2014/15 financial year	6,500
Teachers' Pensions EOYCa Return for 2013/14 – as above, although this relates to the 2013/14 financial year, the work was not requested and delivered until the 2014/15 financial year	8,540
Assurance report in respect of the Regional Growth Fund grant (February 2015)	5,150

Note 3 - We have based the fee level on the following assumptions:

- Officers meeting the timetable and content of deliverables, which we will agree in writing;
- We are able to place reliance, as planned, upon the work of internal audit and we are able to draw comfort from your management controls;
- No significant changes being made by the Audit Commission to the use of resources criteria on which our conclusion will be based;
- Sufficient staff are available throughout the course of our work to respond to our queries on a timely basis;

- There is no significant departure from our pre-agreed timetable;
- We receive only two sets of accounts to audit; being a draft and a final set with all changes tracked;
- An early draft of the Annual Governance Statement being available for us to review prior to the final audit;
- Our value for money conclusion and accounts opinion being unqualified;
- We are able to resolve any accounting matters without recourse to third party advice;
- There are no significant changes to core financial systems in year (that we have not already been made aware of); and
- You have satisfactorily addressed the issues we have raised in the prior year.

If these prove to be unfounded, we will seek a variation order to the agreed fee, to be discussed and agreed in advance with you and the Audit Commission.

Appendices

Appendix A: Independence threats and safeguards

At the beginning of our audit process we are required to assess our independence as your external auditor. We have made enquiries of all PwC teams providing services to you and of those responsible in the UK Firm for compliance matters and there are no matters which we perceive may impact our independence and objectivity of the audit team.

Other services

At the time of drafting this plan the non-audit services being provided, and the associated threats and safeguards, are set out below:

Support provided by PwC	Value	Threats to independence and safeguards in place
Certification of claims and returns	£34,621	<p>Self Review Threat: The audit team will conduct the grant certification and this has arisen due to our appointment as external auditors. There is no self review threat as we are certifying management completed grant returns and claims.</p> <p>Self Interest Threat: As a firm, we have no financial or other interest in the results of the Authority. We have concluded that this work does not pose a self interest threat.</p> <p>Management Threat: PwC is not required to take any decisions on behalf of management as part of this work.</p> <p>Advocacy Threat: We will not be acting for, or alongside, management and we have therefore concluded that this work does not pose an advocacy threat.</p> <p>Familiarity Threat: Work complements our external audit appointment and does not present a familiarity threat.</p> <p>Intimidation Threat: We have concluded that this work does not pose an intimidation threat as all officers and Councillors have conducted themselves with utmost integrity and professionalism.</p>
Decent Homes Backlog Grant 2013/14 – Agreed Upon Procedures	£6,500	<p>Self Review Threat: There is no self review threat. We performed this work subsequent to the 13/14 accounts audit.</p> <p>Self Interest Threat: As a firm, we have no financial or other interest in the results of the Authority. We have concluded that this work does not pose a self interest threat.</p> <p>Management Threat: PwC is not required to take any decisions on</p>

Teachers' Pensions EOYCa Return for 2013/14	£8,540	<p>behalf of management as part of this work.</p> <p>Advocacy Threat: We will not be acting for, or alongside, management and we have therefore concluded that this work does not pose an advocacy threat.</p> <p>Familiarity Threat: We consider the familiarity threat to be sufficiently low on the basis that our role as external auditors requires us to maintain independence and objectivity at all times which is extended to all work we perform for the Authority.</p> <p>Intimidation Threat: We have concluded that this work does not pose an intimidation threat as all officers and Councillors have conducted themselves with utmost integrity and professionalism.</p>
Assurance report in respect of the Regional Growth Fund grant	£5,150	<p>Self Review Threat: There is no self review threat. We performed this work subsequent to the 13/14 accounts audit.</p> <p>Self Interest Threat: As a firm, we have no financial or other interest in the results of the Authority. We have concluded that this work does not pose a self interest threat.</p> <p>Management Threat: PwC is not required to take any decisions on behalf of management as part of this work.</p> <p>Advocacy Threat: We will not be acting for, or alongside, management and we have therefore concluded that this work does not pose an advocacy threat.</p> <p>Familiarity Threat: We consider the familiarity threat to be sufficiently low on the basis that our role as external auditors requires us to maintain independence and objectivity at all times which is extended to all work we perform for the Authority.</p> <p>Intimidation Threat: We have concluded that this work does not pose an intimidation threat as all officers and Councillors have conducted themselves with utmost integrity and professionalism.</p> <p>Self Review Threat: There is no self review threat as we would not place any reliance on this work. The total value of the grant is below our materiality thresholds.</p> <p>Self Interest Threat: As a firm, we have no financial or other interest in the results of the Authority. We have concluded that this work does not pose a self interest threat.</p> <p>Management Threat: PwC is not required to take any decisions on behalf of management as part of this work.</p> <p>Advocacy Threat: We will not be acting for, or alongside, management and we have therefore concluded that this work does not pose an advocacy threat.</p> <p>Familiarity Threat: We consider the familiarity threat to be sufficiently low on the basis that our role as external auditors requires us to maintain independence and objectivity at all times which is extended to all work we perform for the Authority.</p> <p>Intimidation Threat: We have concluded that this work does not pose an intimidation threat as all officers and Councillors have</p>

conducted themselves with utmost integrity and professionalism.

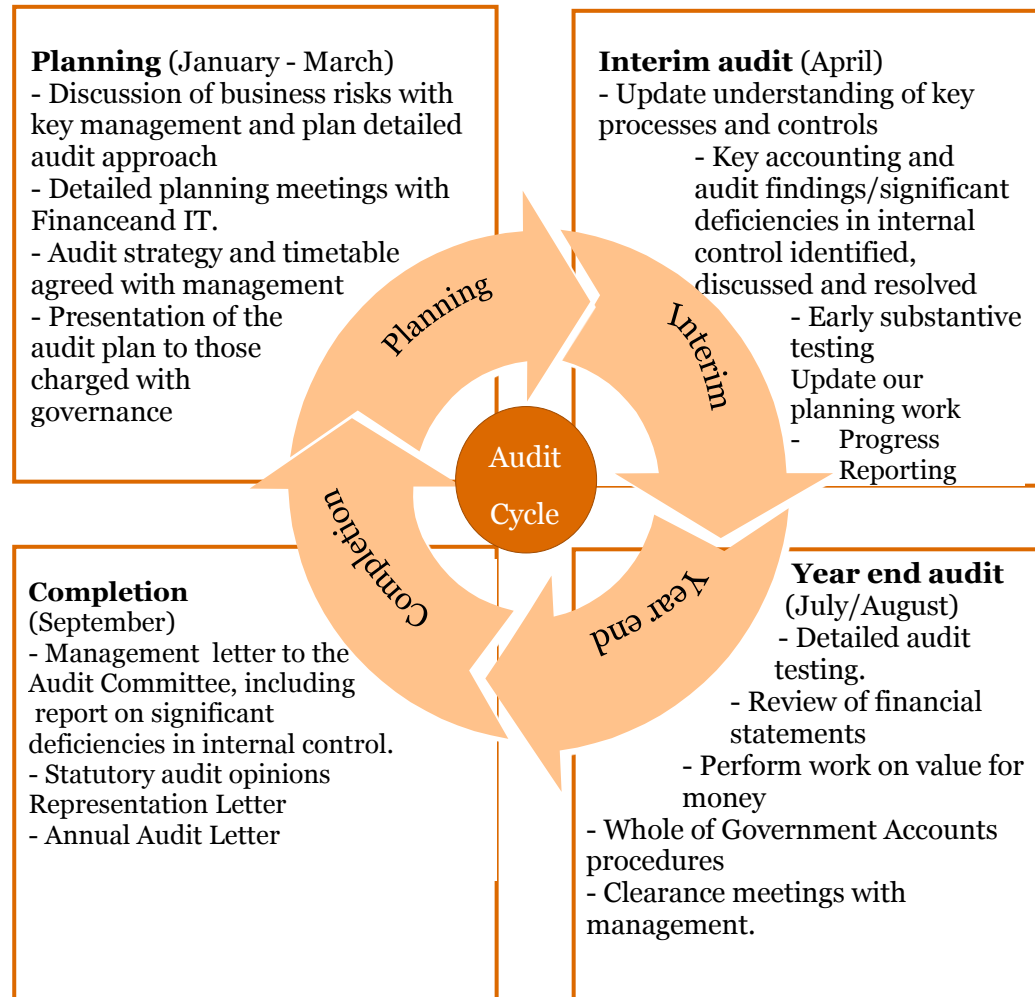
Note: A senior manager from PwC's Advisory practice has been seconded on a short term pro-bono basis to assist the development of the West Midlands Combined Authority. Because of the nature of the support (project management support for the creation of an Authority distinct from the Council) and because of the timing of the work (the Authority and any associated accounting arrangements will not materialise until after the period of our audit), we have satisfied ourselves that no additional safeguards are required.

Relationships and Investments

Senior officers should not seek or receive personal financial or tax advice from PwC. Non-executives who receive such advice from us (perhaps in connection with employment by a client of the firm) or who also act as director for another audit or advisory client of the firm should notify us, so that we can put appropriate conflict management arrangements in place.

Therefore at the date of this plan we confirm that in our professional judgement, we are independent accountants with respect to the Authority, within the meaning of UK regulatory and professional requirements and that the objectivity of the audit team is not impaired.

Appendix B: Communications Plan



Continuous Communication

- Continuous proactive discussion of issues as and when they arise; 'no surprises'
- Continuous evaluation and improvement of the audit
- Bringing you experience of sector and best practice

Appendix C: Audit quality

Quality is built into every aspect of the way that we deliver the audit. We take great pride in being your auditors and in the value of assurance that the audit opinion provides. A timely, independent and rigorous audit is fundamental. This in turn necessitates getting the basics right – clarity on audit risks, scope, resource, timetables, deliverables and areas of judgement – which is supported by our team that has extensive experience and relevant training.

The table below sets out some of the key ways in which we ensure we deliver a high quality audit.

Procedure	Description
People	Quality begins with our people. To ensure that every engagement team provides quality, we use carefully designed protocols for recruiting, training, promoting, assigning responsibility and managing and overseeing the work of our people. We invest significant amounts of time and money for the training and development of our audit professionals. Every new team member is carefully selected to ensure they have the right blend of technical expertise and industry experience to support the audit.
Client acceptance and retention	Our client acceptance and retention standards and procedures are designed to identify risks of a client or prospective client to determine whether the risks are manageable.
Audit methodology	The same audit methodology is used for all Local Authority audit engagements, thereby ensuring uniformity and consistency in approach. Compliance with this methodology is regularly reviewed and evaluated. Comprehensive policies and procedures governing our accounting and auditing practice – covering professional and regulatory standards as well as implementation issues – are constantly updated for new professional developments and emerging issues, needs and concerns of the practice.
Technical consultation	Consultations by engagement teams, typically with senior technical partners unaffiliated with the audit engagement, are required in particular circumstances involving auditing, accounting or reporting matters including matters such as going concern and clinical quality issues. In addition, we regularly consult with our industry specialists in the Local Government Centre of Excellence and our accounting technical experts that sit on the Audit Commission Auditors' Group.

Procedure	Description
Technical updates	<p>PwC prepares numerous publications to keep both PwC staff and our clients abreast of the latest technical guidance.</p> <p>These include:</p> <ul style="list-style-type: none"> • A weekly publication covering the week's accounting and business developments; • A periodic publication providing in-depth analysis of significant accounting developments; and • A publication issued shortly after meetings of standard setters, including IFRIC and the EITF, to provide timely feedback on issues discussed at the meeting. <p>We also provide Local Government specific technical updates through regular publications issued by our Local Government Centre of Excellence and weekly conference calls for all Local Authority engagement teams during the final audit period. We will share our technical updates with you throughout the year.</p>
Independence standards	<p>PwC has policies and systems designed to comply with relevant independence and client retention standards. Before a piece of non-audit work can begin for the Authority, it must first be authorised by the engagement leader who evaluates the project against our own internal policies and safeguards and against your policy on non-audit services. Above a certain fee threshold, we then seek approval from the Audit Commission before proceeding with any work.</p>
Ethics	<p>Our Ethics and Business Conduct Programme includes confidential communication channels to voice questions and concerns 24 hours a day, seven days a week. Confidentiality helps us to ensure that we receive the candid information and that we respond with the appropriate technical and risk management resources.</p>
Independent review	<p>Our audits are subject to ongoing review and evaluation by review teams within PwC and also by the Audit Quality Review Team (AQRT, formerly the Audit Inspection Unit). The most recent report on PwC was issued in May 2014 and although there are some areas for development identified the general theme was that audit quality has continued to improve. The firm has developed action plans for all areas for development identified by the AQRT.</p> <p>As auditors appointed by the Audit Commission we are also required to comply with their annual Regulatory Compliance and Quality Review programme. The results for our 2013/14 audits are expected in 2015 and will be publicly available on the Audit Commission's website should you wish to take a look.</p>

Smart People

We deploy quality people on your audit, supported by a substantial investment in training and in our industry programme. The members of staff deployed on your audit have been primarily taken from our dedicated Government and Public Sector team. These staff members have a wide and deep knowledge both of the Authority and the local government sector.

Key members of the audit team including the Engagement Leader, Senior Manager, Manager and Team Leader have been involved in the audit of the Authority for a number of years. This ensures continuity which is beneficial both for our people and your audit through ensuring that accumulated knowledge remains within the audit team, improving the quality of the audit we deliver.

We use dedicated IT specialists on the audit and share their insight and experience of best practices with you.

Smart Approach

Data auditing

We use technology-enabled audit techniques to drive quality, efficiency and insight.

In 2014/15 we anticipate the work will include:

- Testing journals using data analytics, ensuring we consider the complete population of journals and target our detailed testing on the items with the highest inherent risk.
- The production of a journals 'insight report' which shows the comparable use of journals across the organisation and explores some of the root causes. We will use the data gathered as part of our journals testing to share our findings and observations with management.

Centre of Excellence

We have a Centre of Excellence in the UK for Local Government which is a dedicated team of specialists which advises, assists and shares best practice with our audit teams in more complex areas of the audit.

Our team has been working side by side with the Centre of Excellence to ensure we are executing the best possible audit approach.

Delivery centres

We use dedicated delivery centres to deliver parts of our audit work that are routine and can be done by teams dedicated to specific tasks; for example these include confirmation procedures, preliminary independence checks and consistency and casting checks of the financial statements.

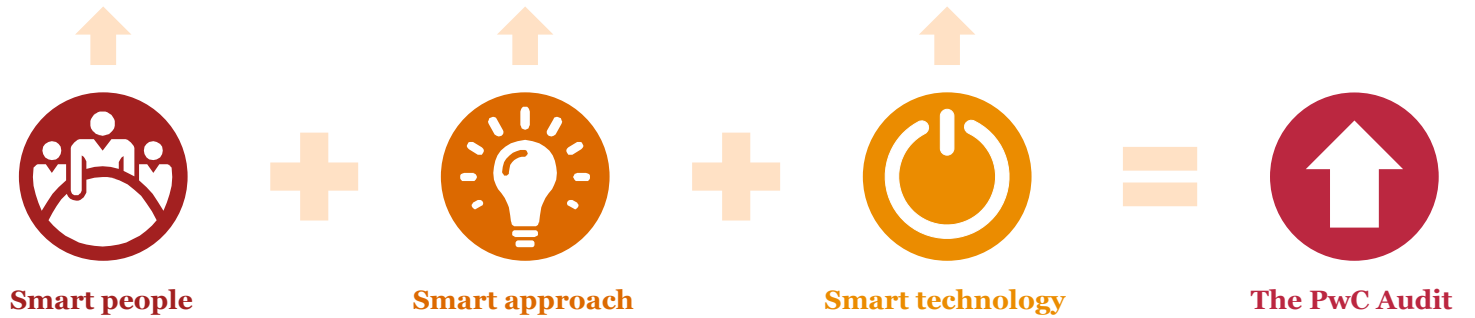
The use of our delivery centres frees up your audit team to focus on other areas of the audit.

We have agreed a process with the Audit Commission, under which data can be off-shored to PwC Service delivery Centres in India and Poland for the facilitation of basic audit tasks, as highlighted earlier. We have also agreed with the Audit Commission how this will be regulated, together with their independent review of our internal processes to ensure compliance, with the Audit Commission requirements for off-shoring.

Smart Technology

We have designed processes that automate and simplify audit activity wherever possible. Central to this is PwC's Aura software, which has set the standard for audit technology. It is a powerful tool, enabling us to direct and oversee audit activities.

Aura's risk-based approach and workflow technology results in a higher quality, more effective audit and the tailored testing libraries allow us to build standard work programmes for key Authority audit cycles.



Our 'smart' approach underpins your audit

Client Connect

PwC is committed to using technology smartly to make our audit experience better for our clients. We use Client Connect to help make the audit run more smoothly and securely.

Client Connect is a web-based online workroom that facilitates the secure exchange of requested audit documents between you and us.

Each user of Client Connect has a personalised page, showing the status of any tasks that they're responsible for. This makes it much easier for your team to administer the requests, reducing the time spent on managing the audit process at your end. It also reduces the likelihood of delays to the audit process and associated audit overruns.

The use of templates within Client Connect requests make it clear what format the requested information needs to be in. This helps ensure requests are right first time, reducing the cost of re-work.

Appendix D: Other engagement information

The Audit Commission appoint us as auditors to Wolverhampton City Council and the terms of our appointment are governed by:

- The Code of Audit Practice; and
- The Standing Guidance for Auditors.

There are further matters which are not currently included within the guidance, but which our firm's practice requires that we raise with you.

Electronic communication

During the engagement we may from time to time communicate electronically with each other. However, the electronic transmission of information cannot be guaranteed to be secure, virus or error free and such information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete or otherwise be adversely affected or unsafe to use.

PwC partners and staff may also need to access PwC electronic information and resources during the engagement. You agree that there are benefits to each of us in their being able to access the PwC network via your internet connection and that they may do this by connecting their PwC laptop computers to your network. We each understand that there are risks to each of us associated with such access, including in relation to security and the transmission of viruses.

We each recognise that systems and procedures cannot be a guarantee that transmissions, our respective networks and the devices connected to these networks will be unaffected by risks such as those identified in the previous two paragraphs. We each agree to accept the risks of and authorise (a) electronic communications between us and (b) the use of your network and internet connection as set out above. We each agree to use commercially reasonable procedures (i) to check for the then most commonly known viruses before either of us sends information electronically or we connect to your network and (ii) to prevent unauthorised access to each other's systems.

We shall each be responsible for protecting our own systems and interests and you and PwC (in each case including our respective directors, members, partners, employees, agents or servants) shall have no liability to each other on any basis, whether in contract, tort (including negligence) or otherwise, in respect of any error, damage, loss or omission arising from or in connection with the electronic communication of information between us and our reliance on such information or our use of your network and internet connection.

The exclusion of liability in the previous paragraph shall not apply to the extent that such liability cannot by law be excluded.

Access to audit working papers

We may be required to give access to our audit working papers to the Audit Commission or the National Audit Office for quality assurance purposes.

Overseas processing of information

Recently, as with other firms, we have agreed a process with the Audit Commission, under which data can be off-shored to PwC Service Delivery Centres in India and Poland for the facilitation of basic audit tasks. The types of tasks we may off-shore includes:

- Request for confirmations (Receivables, Bank or Payables);
- Verification/vouching of information to source documentation (e.g. agreeing a payable balance to invoice);
- Financial statements review;
- Mathematical accuracy checks of data;
- Research; and
- Preparation of lead schedules.

We confirm that:

- When work is off-shored the firm delivering the audit remains entirely responsible for the conduct of the audit. As such the data will be subject to similar data quality control procedures as if the work had not been off-shored, maintaining the security of your data.
- All firms within the PricewaterhouseCoopers network, including the PwC Service Delivery Centres, have signed an intra-group data protection agreement which includes data protection obligations equivalent to those set out in the EU model contract for the transfer of personal data to data processors outside of the European Economic Area.
- We shall comply at all times with the seventh principle in Part 1 of Schedule 1 to the Data Protection Act 1998.
- Your audit team members will remain your key audit contacts, you will not need to communicate with our overseas delivery teams.
- The audit team members are responsible for reviewing all of the work performed by the overseas delivery teams.

- We already successfully use a UK based delivery centre for financial statements quality checks and that this service will remain in the UK.

If you have any questions regarding this process or if you require further information then please contact Richard Vialard.

Quality arrangements

We want to provide you at all times with a high quality service to meet your needs. If at any time you would like to discuss with us how our service could be improved or if you are dissatisfied with any aspect of our services, please raise the matter immediately with the partner responsible for that aspect of our services to you. If, for any reason, you would prefer to discuss these matters with someone other than that partner, please contact Richard Bacon, our Government & Public Sector Assurance Lead Partner at our office at Cornwall Court, Birmingham, B3 2DT, or James Chalmers, UK Head of Assurance, at our office at 1 Embankment Place, London, WC2N 6NN. In this way we can ensure that your concerns are dealt with carefully and promptly. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. This will not affect your right to complain to the Institute of Chartered Accountants in England and Wales or to the Audit Commission.

Events arising between signature of accounts and their publication

ISA (UK&I) 560 places a number of requirements on us in the event of material events arising between the signing of the accounts and their publication. You need to inform us of any such matters that arise so we can fulfil our responsibilities.

If you have any queries on the above, please let us know before approving the Audit Plan or, if arising subsequently, at any point during the year.



In the event that, pursuant to a request which Wolverhampton City Council has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this report, it will notify PwC promptly and consult with PwC prior to disclosing such report. Wolverhampton City Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and Wolverhampton City Council shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, Wolverhampton City Council discloses this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

This document has been prepared only for Wolverhampton City Council and solely for the purpose and on the terms agreed through our contract with the Audit Commission. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

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Annual Certification Report 2013/14 Wolverhampton City Council

*Government and
Public Sector – Annual
Certification Report to
those charged with
governance.*

February 2015



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The Members of the Audit Committee

Wolverhampton City Council
Civic Centre
St Peters Square
Wolverhampton
West Midlands
WV1 1SH

09 February 2015

Our Reference: WCC/1314/Cert

Ladies and Gentleman

Annual Certification Report (2013/14)

This report gives you an overview of our certification work and fees for the year ended 31 March 2014.

We certified four claims and returns worth a net total of over £130m. Of these two were amended, but none required a qualification letter. There are no issues to report about the Authority's arrangements for claims and return preparation arising from our work.

We reviewed progress with the matters we raised from the 2012/3 work, and found that they had either been resolved or were no longer relevant.

Going forward, with changes in the Audit Commission structure, only the Housing Benefit Subsidy claim will be subject to certification under the existing regime. All other requests for auditor assurance work for claims and returns will operate outside of these engagement arrangements.

Yours faithfully,

PricewaterhouseCoopers LLP

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Introduction

Scope of Work

Each year some grant-paying bodies may request certification by an appropriately qualified auditor, of claims and financial returns submitted to them by local authorities. Certification arrangements are made by the Audit Commission under Section 28 of the Audit Commission Act 1998 and is one way for a grant-paying body to obtain assurance about an authority's entitlement to grant or subsidy or about information provided within a return.

Certification work is not an audit but a different type of assurance engagement which reaches a conclusion but does not express an opinion. This involves applying prescribed tests, as set out within Certification Instructions (CIs) issued to us by the Audit Commission; these are designed to provide reasonable assurance, for example, that claims and returns are fairly stated and in accordance with specified terms and conditions. The precise nature of work will vary according to the claim or return.

Our role is to act as 'agent' of the Audit Commission when undertaking certification work. We are required to carry out work and complete an auditor certificate in accordance with the arrangements and requirements set by the Audit Commission.

We also consider the results of certification work when performing other Code of Audit Practice work at the Authority, including our conclusions on the financial statements and value for money.

International Standards on Auditing UK and Ireland (ISAs), the Auditing Practices Board's Practice Note 10 (Revised) and the Audit Commission's Code of Audit Practice do not apply to certification work.

Statement of Responsibilities

The Audit Commission publishes a 'Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns' this is available from the Audit Commission website. It summarises the Commission's framework for making certification arrangements and highlights the different responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns.

Results of Certification Work

Claims and Returns certified

A summary of the claims and returns certified for financial year 1 April 2013 to 31 March 2014 is set out in the table below. The Audit Commission require that all matters arising are either amended for (where appropriate) or reported within a qualification letter.

No qualification letter was required for either claim. Both of the claims were amended following the certification work undertaken, however both changes were not significant.

All deadlines for authority submission of the claims and returns were met. All deadlines for auditor certification were met.

Fee information for the claims and returns is summarised on page 7.

Summary:

CI Reference	Scheme Title	Form	Original Value £	Final Value £	Amendment	Qualification
BEN01	Housing Benefit Subsidy	MPF720A	118,157,031	118,157,031	Yes*	No
CFB06	Pooling of Housing Capital Receipts	2013Po6 (on LOGASnet)	8,008,805.91	8,008,805.91	No	No
TRA11	Local Transport Plan: major project – Wolverhampton Centre Access & Interchange	S31 AUD Form 13-14	197,578	197,578	No	No
TRA11	Local Transport Plan: major project – West Midlands UTC	S31 AUD Form 13-14	4,875,115	4,874,817	Yes	No

* Amendments have no impact on the overall value of the claim or return.

Certification Fees

The fees for certification of each claim and return are set out below:-

Claim/Return	2013/14 Indicative Fee	2013/14 Proposed Final Fee*	2012/13 Billed Fee	Comment
	£	£	£	
BEN01 Housing Benefit Subsidy	25,504	25,504	24,927	Council Tax subsidy ceased in 13/14 resulting in no requirement for auditor testing.
CFB06 Pooling of Housing Capital Receipts	1,774	1,774	3,613	
TRA11 Local Transport plan: major projects – West Midlands Red Routes Package 1	0	0		Certification was not required in 2013/14 - below the minimum level.
TRA11 Local Transport plan: major projects – Wolverhampton Centre Access & Interchange	6,983	6,983	8,187	
TRA11 Local Transport plan: major projects – West Midlands UTC				
PEN05 Teachers Pensions return	0	0	6,725	This scheme was removed from Audit Commission arrangements for 2013/14
LAO1 National Non Domestic Rates	0	0	2,438	This scheme was removed from Audit Commission arrangements for 2013/14
Total	34,261	34,261	45,890	

* The Proposed final fee is subject to change based on the reduction in the level of work required in 2013/14.

These fees reflect the Council's current performance and arrangements for certification.

Matters Arising

BEN01 Housing Benefit Subsidy Claim

No significant issues were identified.

CFB06 Pooling of Housing Capital Receipts

No significant issues were identified.

TRA11 Local Transport plan: major projects – Wolverhampton Centre Access & Interchange

No significant issues were identified.

TRA11 Local Transport plan: major projects – West Midlands UTC

No significant issues were identified.

Prior year recommendations

We have reviewed the progress made by the Authority in implementing the certification action plan for 2012/13; details can be found in Appendix B.

Appendix A

Management Action Plan: Prior year issues (2012/13)

For 2013/14 under Audit Commission certification arrangements, the following schemes did not apply:

- LA01 National Non Domestic Rates
- PEN05 Teachers Pensions Return

Alternative arrangements may have been entered into directly between the grant paying bodies and assurance practitioners, however for the purposes of this report, which is focused on Audit Commission certification work, these schemes have been excluded; on this basis where issues arose in prior year these are now excluded from the action plan.

BEN01 Housing Benefit Subsidy Claim

Issue	Prior year Recommendation	2012/13 Management response	Recommendation Status 2013/14
<p>Non-compliance with regulations / terms and conditions.</p> <p>The number of errors identified during 2012/13 represents an increase from 2011/12 in terms of the number of case fails; however, the financial impact has reduced substantially.</p> <p>In total 124 failed cases were identified during the course of BEN01 certification work, out of a total sample population of 405 cases tested (31%).</p> <p>116 failed cases had either no financial impact or resulted in amendments to the original claim form, thus were not included within the qualification letter.</p> <p>8 failed cases were reported in our qualification letter dated 26 November 2013.</p> <p>In summary, the errors identified during 2012/13 related to:</p> <ul style="list-style-type: none"> • Incorrect application of child tax credits on council tax benefits claims; • Incorrect application of working tax credits and 	<p>The error types identified each relate to more complex areas, these being application of tax credits and application of extended payments. The Authority should focus training, support and specifically in year review of claims around these error types.</p> <p>The Authority should conduct its own checks and control process throughout the year to ensure that its final subsidy claim (deadline 30th April) submitted to both DWP and auditors and certified by the Section 151 officer is fairly stated and in accordance with terms and conditions of the scheme at their date of signature; rather than retrospectively.</p>	<p>As reported in the management response last year, steps have been taken to address the issue of application of child tax / working tax / pension credits through automated input directly from DWP notification.</p> <p>This was completed in January 2013 as per the commitment in the management response however as that was part way through the year it was always likely that this issue would be present to some extent during 2012/13.</p> <p>In respect of minimum wage and extended payment calculations, these form part of a documented checking regime which is designed to address any issues at the earliest opportunity. This process has been backed up by a series of workshops for staff.</p> <p>In summary whilst still with room for further</p>	<p>Similar issues were not identified in the 2013/14 testing performed.</p>

<p>child tax credits on housing benefits claims;</p> <ul style="list-style-type: none"> • Incorrect application of extended payment period and subsequent income; • Missed increases applicable to the national minimum wage rate; and <p>Incorrect application of pension credit income.</p>		<p>improvement the findings show a significantly improved position over last year as evidenced by there being no amendment to the value of the claim and the cost of external audit time was significantly reduced from 2011/12.</p>	
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(Due to the removal of Council Tax subsidy from the 2013/14 claim form, any issues noted in 2012/13 in relation to this particular benefit type have been excluded.)

TRA11 Local Transport Plan: Major Projects - West Midlands Red Routes Package 1

Issue	Prior year Recommendation	2012/13 Management response	Recommendation Status 2013/14
<p>Non-compliance with regulations / terms and conditions.</p> <p><u>Inclusion of 2011/12 expenditure</u> The Authority advised in a covering letter dated 17 September 2013, an estimated total value of £39,000 for 2011/12 expenditure being included within the 2012/13 claim; this letter, with the Authority’s consent, was sent to the DfT with our qualification letter.</p> <p>The Authority has provided us with a breakdown of expenditure, in which it identified a total value of £37,984 expenditure incurred in 2011/12 and included within the 12/13 claim. We identified no further 2011/12 balances within our sample testing and through agreement to prime documents.</p> <p>This was reported in the qualification letter dated 20 December 2013. Similar matters were reported in prior years.</p> <p><u>Payments to third parties</u> We also reported that for a sample of 10 transactions, four of these related to a partner authority. Prime evidence to support reimbursement</p>	<p><u>Risk:-</u> The Authority could be penalised for improper completion of the claim with delayed or withheld payments for earlier periods.</p> <p><u>Recommendation:-</u> The claim should be compiled in line with guidance and reviewed to ensure that all expenditure claimed for is eligible and relates to the relevant financial period.</p> <p>The Authority deadline for submission to the DfT and auditors is not until September after the year end. The Authority should review the invoices received to ensure that they are assigned to the correct claim period.</p> <p><u>Risk:-</u> Payments are made to Partner Authorities for which prime documentation cannot be obtained to support payments made.</p> <p><u>Recommendation:-</u></p>	<p>Recommendations noted.</p> <p>We continue to liaise with partners in order to obtain supporting evidence for the inclusion of accruals in year- end claims. This information will then be reviewed at the time of preparing the next claim and audit statement.</p> <p>Partners are made aware of the claw back risks associated with these costs before they are included in the claim</p>	<p>This project did not require certification as the threshold was below minimum level.</p> <p>Inclusion of prior year expenditure was no longer an issue because Department for Transport permitted the authority to claim prior year expenditure.</p>

<p>payments made to the partner by the Authority had not been obtained at the time of payment. The Authority obtained invoices to support transactions from the third party at our request, and in one case invoice evidence was not available.</p>	<p>The Authority should request that prime documents are provided by Partner Authorities to support claims made. These should be retained by the Authority in order to retain an audit trail of all payments made and expenditure claimed.</p>		
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TRA11 Local Transport Plan: Major Projects - West Midlands UTC

Issue	Prior year Recommendation	2012/13 Management response	Recommendation Status 2013/14
<p>Non-compliance with regulations / terms and conditions.</p> <p>Sample testing identified the 2012/13 claim included 2011/12 eligible expenditure of £115,604 which had not been included in the 2011/12 claim. The values related to invoices dated late March 2012 or April 2012.</p> <p>The Authority acknowledge with a covering letter to PwC dated 17 September 2013, that 2011/12 expenditure was included in the claim, an estimate of the total value was not provided; this was sent to the DfT with our qualification letter with the Authority consent.</p> <p>This was reported in the qualification letter dated 20 December 2013. Similar matters were reported in prior years.</p>	<p><u>Risk:-</u> The Authority could be penalised for improper completion of the claim with delayed or withheld payments for earlier periods.</p> <p><u>Recommendation:-</u> The claim should be compiled in line with guidance and reviewed to ensure that all expenditure claimed for is eligible and relates to the relevant financial period.</p> <p>The Authority deadline for submission to the DfT and auditors is not until September after the year end. The Authority should review the invoices received to ensure that they are assigned to the correct claim period.</p>	<p>Recommendation noted.</p> <p>We continue to liaise with partners to improve the process for identifying accruals and collecting supporting evidence for these entries. This information will then be reviewed at the time of preparing the next claim and audit statement.</p>	<p>Inclusion of prior year expenditure was no longer an issue because Department for Transport permitted the authority to claim prior year expenditure.</p>

Glossary

2013/14 Schemes applicable to the Authority under the Audit Commission Certification arrangements

BEN01 Housing Benefit Subsidy Claim

Local authorities responsible for administering statutory housing benefit (HB) of rent rebates to tenants of a local authority and rent allowances to private tenants; claim subsidy from the Department for Work and Pensions (DWP). With the exception of certain areas of benefit spending where authorities have the most scope to monitor and control costs, subsidy is paid at the full rate of 100 per cent of expenditure incurred.

CFB06 Pooling of Housing Capital Receipts Return

Since 2004/05, local authorities pay part of a housing capital receipt into a national pool run by the Department of Communities and Local Government (DCLG). Pooling applies to all authorities, including those with closed HRAs who typically receive housing receipts in the form of mortgage principal and Right to Buy (RTB) discount repayments.

TRA11 Local Transport Plan: Major Projects

The Department for Transport (DfT) pays grants under section 31 of the Local Government Act 2003, to local transport authorities in England. The grant supports major projects such as large public transport infrastructure or road construction schemes.

Audit Commission Definitions for Certification work

Abbreviations used in certification work are:-

'appointed auditor' is the auditor appointed by the Audit Commission under section 3 of the Audit Commission Act 1998 to audit an authority's accounts who, for the purpose of certifying claims and returns under section 28 of the Act, acts as an agent of the Commission. In this capacity, whilst qualified to act as an independent external auditor, the appointed auditor acts as a professional accountant undertaking an assurance engagement governed by the Commission's certification instruction arrangements;

'claims' includes claims for grant or subsidies and for contractual payments due under agency agreements, co-financing schemes or otherwise;

'assurance engagement' is an engagement performed by a professional accountant in which a subject matter that is the responsibility of another party is evaluated or measured against identified suitable criteria, with the objective of expressing a conclusion that provides the intended user with reasonable assurance about that subject matter;

'Commission' refers to either the Audit Commission or the Grants Team of the Audit Policy and Regulation Directorate of the Commission which is responsible for making certification arrangements and for all liaison with grant-paying bodies and auditors on certification issues;

'auditor' is a person carrying out the detailed checking of claims and returns on behalf of the appointed auditor, in accordance with the Commission's and appointed auditor's scheme of delegation;

'grant-paying bodies' includes government departments, public authorities, directorates and related agencies, requiring authorities to complete claims and returns;

'authorities' means all bodies whose auditors are appointed under the Audit Commission Act 1998, which have requested the certification of claims and returns under section 28(1) of that Act;

'returns' are either:

- returns in respect of grant which do not constitute a claim, for example, statements of expenditure from which the grant-paying body may determine grant entitlement; or
- returns other than those in respect of grant, which must or may be certified by the appointed auditor, or under arrangements made by the Commission;

'certification instructions' ('CIs') are written instructions from the Commission to appointed auditors on the certification of claims and returns;

'Statement' is the *Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns*, available from www.audit-commission.gov.uk;

'certify' means the completion of the certificate on a claim or return by the appointed auditor in accordance with arrangements made by the Commission;

'underlying records' are the accounts, data and other working papers supporting entries on a claim or return.

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Audit Committee

9 March 2015

Report title	Strategic Risk Register and Strategic Assurance Map	
Cabinet member with lead responsibility	Councillor Andrew Johnson Resources	
Accountable director	Mark Taylor, Finance	
Originating service	Audit	
Accountable employee(s)	Peter Farrow	Head of Audit
	Tel	01902 554460
	Email	peter.farrow@wolverhampton.gov.uk
	Narinder Phagura	Strategic Risk Manager
	Tel	01902 554580
	Email	narinder.phagura@wolverhampton.gov.uk
Report has been considered by	Strategic Executive Board	17 February 2015

Recommendations for noting:

The Committee is asked to note:

1. The latest summary of the Council's strategic risk register.
2. The identification of two new strategic risks in respect of the 2015 elections (risk 18) and a Combined Authority (risk 19).
3. The reduction in the assessments of risks 3 and 7- Information Governance and Safeguarding respectively.
4. The reduction in the assessment of risk 5- FutureWorks and the ending of this risk which will result in it being removed from the strategic risk register.
5. The main sources of assurance available to the Council against its strategic risks.

1.0 Purpose

- 1.1 To keep members of the Audit Committee aware of the key risks the Council faces, and how it can gain assurance that these risks are being mitigated.

2.0 Background

- 2.1 The Council is no different to any organisation, and will always face risks in achieving its objectives. Sound risk management can be seen as the clear identification and management of such risks to an acceptable level.
- 2.2 The strategic risk register report was last presented to the Committee in December 2014. Since this time we have met with the risk owners in order to review and update the risks and risk management action plans.
- 2.3 The strategic risk register does not include all of the risks that the Council faces. It represents the most significant risks that could potentially impact on the achievement of the corporate priorities. Other risks are captured within operational, programme, project or partnership risk registers in line with the Council's corporate risk management framework and strategy.
- 2.4 A summary of the strategic risk register is included at Appendix A of this report which sets out the status of the risks as at February 2015. These risks are reviewed on an ongoing basis and can be influenced by both external and internal factors and as such, may fluctuate over time.
- 2.5 Appendix B provides a summary of the Council's strategic assurance map which follows the three lines of defence model (shown below). The assurance map details where the Committee can gain assurance against the strategic risks. This too is a live document and is updated alongside the monitoring and reviewing of the strategic risk register.

The three lines of defence model:

First line	Second line	Third line
The first level of the control environment is the business operations which perform day to day risk management activity	Oversight functions such as Finance, HR and Risk Management set directions, define policy and provide assurance	Internal and external audit are the third line of defence, offering independent challenge to the levels of assurance provided by business operations and oversight functions

3.0 Progress, options, discussion

- 3.1 The strategic risk register will be updated as required, and presented at approximately quarterly intervals to the Committee. The Committee will also be given the opportunity to 'call in' individual risks for further review.

4.0 Financial implications

- 4.1 There are no financial implications associated with the recommendations in this report as Councillors are only requested to note the strategic risk register summary. Financial implications may arise from the implementation of strategies employed to mitigate individual corporate risks, but these will be evaluated and reported separately if required.
[GE/23022015/U]

5.0 Legal implications

- 5.1 Although there may be some legal implications arising from the implementation of the strategies employed to mitigate individual strategic risks, there are no direct legal implications arising from this report.
[TS/24022015/R]

6.0 Equalities implications

- 6.1 Although there may be equalities implications arising from the implementation of the strategies employed to mitigate individual strategic risks, there are no direct equalities implications arising from this report.

7.0 Environmental implications

- 7.1 Although there may be some environmental implications arising from the implementation of the strategies employed to mitigate individual strategic risks, there are no direct environmental implications arising from this report.

8.0 Human resources implications

- 8.1 Although there may be some human resource implications arising from the implementation of the strategies employed to mitigate individual strategic risks, there are no direct human resource implications arising from this report.

9.0 Corporate landlord implications

- 9.1 There are no corporate landlord implications arising from the recommendations made in this report.

10.0 Schedule of background papers

- 10.1 None

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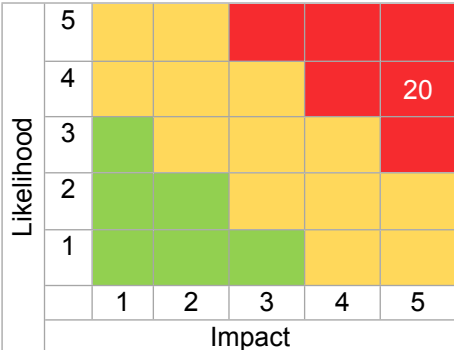

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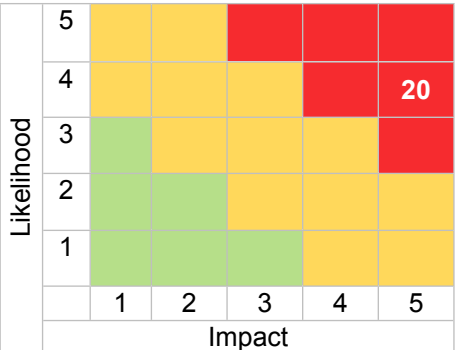

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Summary Strategic Risk Register @ February 2015

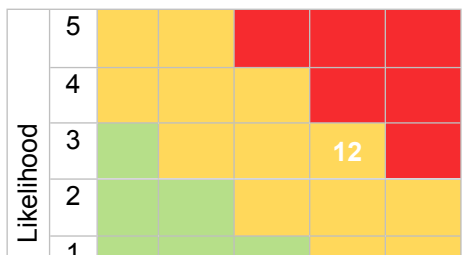
Corporate priorities	<ul style="list-style-type: none"> Encouraging new business 	<ul style="list-style-type: none"> Empowering People and Communities 	<ul style="list-style-type: none"> Re-Invigorating the City 	<ul style="list-style-type: none"> Confident, Capable Council
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The following are / were the **red** strategic risks the Council faces in delivering its corporate priorities

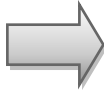
Risk ref	Risk title and description	Previous score (Nov 2014)	Direction of travel	Current score (Feb 2015)	Target score and date	Comment
1 01/14 Page 71	<p>Looked After Children (LAC) If the number of LAC is not reduced this may result in an increase in costs, budget overspends and an increased demand on children's services.</p> <p>Risk owner: Linda Sanders (previously Sarah Norman) Cabinet Member: Cllr Val Gibson</p> 	20 Red		20 Red	15 Red From April 2015 to March 2016	<p>The risk continues to be managed through the multi-agency strategic Families r First programme, with the principles of supporting children to live safely with their families, where possible. The objective of the programme is to reduce the cost of LAC by reducing the numbers of LAC to 765 by March 2015 in the first instance, with further reductions thereafter. Over recent months the numbers of LAC have reduced slightly to 785. However despite this, the service continues to show a forecast overspend of £3.9 million as at the end of January 2015.</p> <p>Since last reported, actions to mitigate the risk include:</p> <ul style="list-style-type: none"> Monthly progress meetings are taking place with the Director of Finance, to discuss the programme and enable financial oversight of the budget. Workshops have been undertaken with social work managers to embed a culture of managing risk which will assist the managers in supporting front line staff and other professionals in keeping children at home, where this is appropriate. The work links into the overall cultural change that is being implemented across the service which includes auditing cases and reviewing caseloads. Through care panel reviews, the Council has reviewed the high cost placements, and work is being carried out in revisiting the cost of these placements with providers. A range of newsletters, presentations, radio campaigns, email marketing and media adverts promoting fostering have been undertaken in November and December 2014 in order to increase the number of internal foster carers and reduce reliance on more

Risk ref	Risk title and description	Previous score (Nov 2014)	Direction of travel	Current score (Feb 2015)	Target score and date	Comment
						expensive external placements. As a result of the continuing high numbers and cost of LAC, the risk remains red. The target date has been amended to take account of a reduced and re-profiled budget savings challenge for the service, which is being proposed to Cabinet in February 2015, which nevertheless will remain significantly challenging to achieve.
2 01/14	<p>Skills for Work</p> <p>If the city residents do not have the appropriate skills that employers require then they will be unable to access the jobs and opportunities available resulting in high rates of unemployment and increased demand on Council services.</p> <p>Risk owner: Tim Johnson Cabinet Member: Cllr Phil Page</p> 	20 Red		20 Red	15 Red March 2015	<p>Progress made in the management of this risk continues to be overseen by the Wolverhampton Skills and Employment Board which is represented by partners from the college, university, Council and major employers in the City.</p> <p>The review by the Enterprise and Business Scrutiny Panel, into “employability and skills in Wolverhampton” which was previously reported has now been completed. A report has been prepared setting out the review’s conclusions and recommendations and is being reported to Cabinet on 11 March 2015. The review has found that a significant amount of good work is already being delivered across the city and the challenge for the Council is to ensure that the initiatives in place are appropriately targeted, coordinated and supported.</p> <p>The review identified a series of headline recommendations which the Council and its partners should focus on which fall under the themes of:</p> <ul style="list-style-type: none"> • Partnership working • Skills and pathways • Business and enterprise • Resources <p>The findings of the review have also informed the work of the Wolverhampton Skills and Employment Commission, which has been tasked with finding solutions aimed at improving the city’s prospects for sustainable, long-term economic growth and prosperity.</p> <p>The Commission is expected to discuss its interim findings with the City Board in March 2015 after which an action plan will be developed and shared with stakeholders by June 2015, which will be monitored by the City Board.</p>


Risk ref	Risk title and description	Previous score (Nov 2014)	Direction of travel	Current score (Feb 2015)	Target score and date	Comment
3 01/14	<p>Information Governance (IG)</p> <p>If the Council does not put in place appropriate policies, procedures and technologies to ensure:</p> <ul style="list-style-type: none"> that the handling and protection of its data is undertaken in a secure manner and consistent with the provision of the Data Protection Act 1998; compliance with the Freedom of Information Act and Environmental Information Regulations <p>then it may be subject to regulatory action, financial penalties, reputational damage and the loss of confidential information.</p> <p>Risk owner: Kevin O' Keefe (previously) Keith Ireland Cabinet Member: Cllr Paul Sweet</p>	16 Red		12 Amber	8 Amber March 2016	<p>This risk continues to be monitored by the Information Governance Board. Since last reported, the following actions have been taken in the mitigation of this risk:</p> <ul style="list-style-type: none"> The membership of the Board has been amended to reflect changes in the senior management restructure. It now includes membership from the risk, audit and cyber security teams. The roll out of an automated IT solution for protective marking documents has been agreed and a communications plan is being developed to ensure the process is clearly understood and implemented. Assurances are also being obtained that all new employees complete the protective marking training. A draft information risk register has been developed and will be considered by the Board at its next meeting in March 2015. The Board will have responsibility for overseeing the implementation of the mitigating actions and the management of these risks. Performance in responding to Freedom of Information requests continues to be high, and as a result of the temporary resources employed to deal with Subject Access Requests, there has been an improvement in the performance of this area too. The draft self- assessment against the requirements of the Information Governance Toolkit has been completed and submitted to the Department of Health in January 2015, with a view to achieving the toolkit by March 2015. A reply from the Department is now awaited and once achieved, this will allow the Council to securely access and share data held on NHS systems which will be essential to implement the Better Care Fund. The Procurement Team have confirmed that all Council contracts include suitable clauses on data protection and Freedom of Information. The Council is now considering how assurance is obtained on the information management aspects of these contracts. <p>The reduction in the risk score reflects the measures and processes that have been established to manage this risk over the previous 12 months. The assessment also recognises that further work is required to fully embed processes and obtain assurances on the effectiveness of the processes introduced.</p>

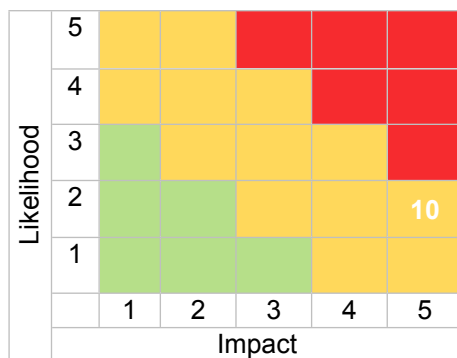



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Risk ref	Risk title and description	Previous score (Nov 2014)	Direction of travel	Current score (Feb 2015)	Target score and date	Comment																																												
4 01/14	<p>Medium Term Financial Strategy</p> <p>If the Council is unable to agree and operate within its medium term financial strategy (MTFS) this may exhaust reserves, result in the potential loss of democratic control and the inability of the Council to deliver essential services and discharge its statutory duties.</p> <p>Risk owner: Keith Ireland Cabinet Member: Cllr Andrew Johnson</p> <table border="1"> <tr> <td rowspan="6" style="writing-mode: vertical-rl; transform: rotate(180deg);">Likelihood</td> <td>5</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>4</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>3</td> <td></td> <td></td> <td></td> <td></td> <td>15</td> </tr> <tr> <td>2</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>1</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td colspan="7" style="text-align: center;">Impact</td> </tr> </table>	Likelihood	5						4						3					15	2						1							1	2	3	4	5	Impact							15 Red		15 Red	15 Red	<p>Since last reported, the following is noted: The results of the 2015/16 budget consultation, the updated position of the MTFS and a summary of the risk register were presented to Cabinet on 25 February 2015. The MTFS shows that</p> <ul style="list-style-type: none"> Recasting the projected budget challenge to include pressures that we have become aware of during the last year has resulted in the budget challenge increasing from £123 million to £134 million over the period 2014/15 to 2018/19. Having identified £87.8 million of savings, a forecast budget challenge of £46.3 million remains for the four year period from 2015/16 to 2018/19. The increase is largely due to the rising costs of Looked After Children, pay and pension costs, and continuing Government grant cuts. The 2014/15 outturn shows a projected outturn for the General Fund with a net £5 million overspend, which is largely attributable to Looked After Children. <p>As a result of the above, steps to manage this risk include:</p> <ul style="list-style-type: none"> Work to identify additional savings to address the projected 2016/17 deficit of £14.8 million will commence as soon as the 2015/16 budget has been set. A new Social Care Savings Board, chaired by the Director of Finance has been established to monitor the delivery of savings previously identified. Expenditure since October 2014 continues to be tightly controlled in order to minimise any overspend. Assumptions over the MTFS continue to be adjusted based upon the most up to date information available. An internal audit review of the assumptions made in compiling the MTFS is taking place, as part of the recommendations made in the independent report on the Strategy which was carried out in 2014. <p>The assessment for the medium term remains red as there continues to be significant financial challenge, uncertainty and risk for the Council.</p>
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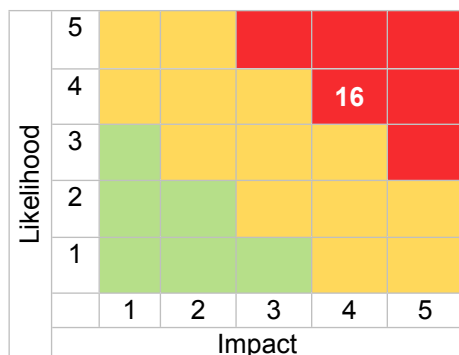
Risk ref	Risk title and description	Previous score (Nov 2014)	Direction of travel	Current score (Feb 2015)	Target score and date	Comment
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7 01/14	<p>Safeguarding</p> <p>If the Council's safeguarding procedures and quality assurance processes are not consistently and effectively implemented then it will fail to safeguard children and vulnerable adults and lead to reputational damage.</p> <p>Risk owner: Linda Sanders (previously Sarah Norman) Cabinet Member: Cllr Val Gibson</p>	15 Red		10 Amber	8 Amber Next Ofsted inspection	<p>This risk continues to be overseen by the children's and adult's local safeguarding boards.</p> <p>The improvement plans from the 2013 safeguarding peer reviews continue to be monitored by the "People" leadership team. The last update in January 2015, reported good progress had been made against all of the themes within the action plan. Other key actions resulting in the reduction in the assessment of this risk include:</p> <ul style="list-style-type: none"> • The delivery of safeguarding training to Councillors. • The introduction of quarterly safeguarding challenge meetings involving the Leader of the Council, Managing Director, Strategic Director, the service director and the Head of Safeguarding Service. • The roll out of a mandatory programme of training across the Council's workforce to increase awareness of safeguarding and prevailing issues such as child sexual exploitation (CSE). • The Section 11 (of the Children's Act 2004) online audit noted there were no areas of significant weakness. • The introduction of safeguarding case file audits. <p>The Quality Assurance Frameworks (which has been developed for children's services and is being piloted for adult services) provide a platform to quality assure the actions implemented and establish whether the changes are being effectively embedded and contribute to service improvement.</p> <p>In terms of CSE, the strategy was updated and re-launched by the Safeguarding Board in November 2014. Multi agency sexual exploitation meetings continue to be held with children and their families, with agreed care plans put in place, where a risk of exploitation has been identified.</p> <p>In terms of the Council's role in ensuring safeguarding in schools, the appointment of a school's safeguarding officer has been approved and once appointed, will provide assurance on compliance with s175 and "Keeping Children Safe in Education". In January 2015, the Director of Education wrote to schools, requesting them to submit their s175 annual return. These returns are being monitored by the Council's Head of Safeguarding Service.</p>
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
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8 01/14	<p>Business Continuity Management (BCM)</p> <p>Failure to develop, exercise and review plans and capabilities that seek to maintain the continuity of critical functions in the event of an emergency that disrupts the delivery of Council services.</p> <p>Risk owner: Ros Jervis Cabinet Member: Cllr Andrew Johnson</p> <table border="1"> <tr> <td rowspan="6" style="writing-mode: vertical-rl; transform: rotate(180deg);">Likelihood</td> <td>5</td> <td style="background-color: yellow;"></td> <td style="background-color: yellow;"></td> <td style="background-color: red;"></td> <td style="background-color: red;"></td> <td style="background-color: red;"></td> </tr> <tr> <td>4</td> <td style="background-color: yellow;"></td> <td style="background-color: yellow;"></td> <td style="background-color: yellow;"></td> <td style="background-color: red;"></td> <td style="background-color: red;"></td> </tr> <tr> <td>3</td> <td style="background-color: lightgreen;"></td> <td style="background-color: yellow;"></td> <td style="background-color: yellow;"></td> <td style="background-color: yellow;"></td> <td style="background-color: red; text-align: center;">15</td> </tr> <tr> <td>2</td> <td style="background-color: lightgreen;"></td> <td style="background-color: lightgreen;"></td> <td style="background-color: yellow;"></td> <td style="background-color: yellow;"></td> <td style="background-color: yellow;"></td> </tr> <tr> <td>1</td> <td style="background-color: lightgreen;"></td> <td style="background-color: lightgreen;"></td> <td style="background-color: lightgreen;"></td> <td style="background-color: yellow;"></td> <td style="background-color: yellow;"></td> </tr> <tr> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td colspan="5" style="text-align: center;">Impact</td> </tr> </table>	Likelihood	5						4						3					15	2						1							1	2	3	4	5		Impact					15 Red		15 Red	10 Amber March 2015	<p>This risk continues to be managed and monitored by the Wolverhampton Resilience Board.</p> <p>Since last reported the following has taken place:</p> <ul style="list-style-type: none"> The business continuity policy has been signed off and approved by the Strategic Executive Board in December 2014. Once the corporate plan has been published, the policy will be updated and the Council will then be compliant with the business continuity duty under the Civil Contingencies Act. The major incident control room has been established which would allow the Council to respond to a no notice disruptive incident. An unplanned disruption arising from the recent fire at St Alban's Church of England Primary School has provided some assurance over the resilience arrangements in place with schools. The incident response is being led by the Council working in partnership with the school, to make alternative arrangements for pupils' education. The "priority one" services have been approved by the Strategic Executive Board. The user acceptance testing of the new electronic planning tool highlighted some improvements that were required to the tool and these have been passed onto the IT department for resolution. Once resolved, work will commence to develop continuity plans for the priority one services in the first instance. <p>The plans will be developed using an IT based tool which in due course will be linked into the Council's new Agresso system and will allow automatic alerts to be flagged up to service leads to review and update their plans each time there is a relevant change to employee details (for example, leavers, restructures) or to the Council's property portfolio.</p>
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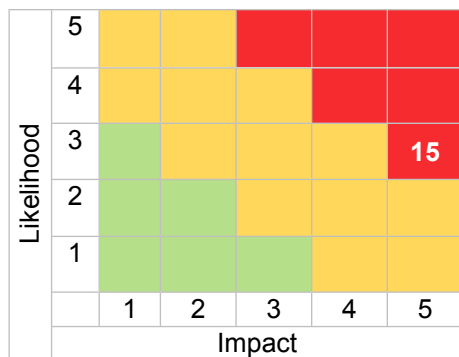
Risk ref	Risk title and description	Previous score (Nov 2014)	Direction of travel	Current score (Feb 2015)	Target score and date	Comment
10 01/14	<p>Economic Inclusion</p> <p>If the Council and its partners do not work effectively together to promote and enable growth then the risk of economic exclusion will materialise and demand for Council services will continue to increase.</p> <p>Risk owner: Keren Jones Cabinet Member: Cllr Peter Bilson, Cllr Phil Page and Cllr Elias Mattu</p>	16 Red		16 Red	12 Amber June 2015	<p>The measures in place to manage this risk as reported previously continue to be in place. This includes:</p> <ul style="list-style-type: none"> The City Conference, which took place between 29 September and 6 October. The business links that were established during the Conference have been followed up and an evaluation of the event has also been conducted. The findings, which have been reported to the City Board at its meeting in December 2014 concluded that the event has been successful and performed well against the four objectives that were set for the event. The evaluation also provided some improvements/ recommendations to be considered for future conferences and the 2015 business week. A March 2015 Conference Week is being planned under the direction of the Inclusion Board. The focus of this week will be to draw together all of the support that exists across the City, to assist local people to obtain training and work. Activity currently taking place as part of the projects within the Black Country Growth Deal will soon begin to deliver, help businesses expand and grow the regional economy. In addition to this, the recent announcement of additional Growth Deal funding for the region and in particular the strategic development of Wolverhampton City College will contribute to the management of this risk too. The Wolverhampton City Centre Business Improvement District business plan will contribute to economic growth in the City over the coming years. The hosting of the Midlands Aerospace Alliance Conference in Wolverhampton in March 2015 highlights the importance of the sector to the City, and how it has successfully worked with the aerospace companies in the region. The continuation of strategies employed by the Council to attract key companies and businesses to the area e.g. Wiggle.




Risk ref	Risk title and description	Previous score (Nov 2014)	Direction of travel	Current score (Feb 2015)	Target score and date	Comment																																																	
11 01/14	<p>The Care Act</p> <p>If the Council does not have robust plans in place to implement the Care Act including:</p> <ul style="list-style-type: none"> • appropriate governance arrangements, • appropriate project management arrangements • sufficient financial resources • sufficient workforce capability and capacity • effective information systems <p>then it will fail to meet its new responsibilities and discharge its statutory obligations.</p> <p>Risk owner: Tony Ivko Cabinet Member: Cllr Steve Evans</p> <table border="1"> <tr> <td></td> <td>5</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>4</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>3</td> <td></td> <td></td> <td></td> <td></td> <td>15</td> </tr> <tr> <td></td> <td>2</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>1</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Likelihood</td> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td></td> <td colspan="5">Impact</td> </tr> </table>		5							4							3					15		2							1						Likelihood		1	2	3	4	5			Impact					15 Red		15 Red	10 Amber April 2015	<p>Since last reported, the Council has continued to consider and assess the impact of the final statutory guidance and Care Act guidelines that were published by the Department of Health in 23 October 2014.</p> <p>The January update provided by the Council to the Local Government Association (Care Act Stocktake 3) on the progress made, reported that the Council is on track with its plans to deliver the necessary changes arising from the Care Act in both 2015/16 and in 2016/17. It also confirmed that Members and the Health and Well Being Board are very aware about the challenges and risks associated with complying with the requirements of the Act</p> <p>The programme risk register which captures the risks associated with the successful implementation of the Act, continues to show key risks in the areas of finance and the capacity of staffing resources.</p> <p>In terms of finance, until the final funding formula is announced by the Department of Health the risk will continue to be assessed as red.</p> <p>As a result of the early indications of the reductions in the workforce numbers that are required to meet the Council's 2015/16 savings target, the programme risk around the staffing capacity to carry out the required level of assessments is becoming increasingly significant. There is a funding allocation in 2015/16 for carrying out early assessments resulting from the care cap and to meet carers' assessment demand. At present however, this funding has not been ring fenced to assist with the mitigation of this risk.</p>
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Risk ref	Risk title and description	Previous score (Nov 2014)	Direction of travel	Current score (Feb 2015)	Target score and date	Comment
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12 01/14	<p>Better Care Fund (BCF)</p> <p>If the Council and its partners fail to deliver the improved outcomes required by the Better Care Fund, demand on acute services will not be reduced, the reward money will not be received and the Council will not receive the additional resources promised by the Better Care Fund.</p> <p>Risk owner: Linda Sanders (previously Sarah Norman) Cabinet Member: Cllr Sandra Samuels and Cllr Steve Evans</p>	15 Red		15 Red	10 Amber October 2015	<p>The Better Care Fund programme continues to be managed by the jointly appointed programme manager and is overseen by the Health and Well Being Board.</p> <p>Since last reported, the following actions have taken place to manage this risk:</p> <ul style="list-style-type: none"> Following the submission of further evidence and information and the resubmission of the Better Care Plan, the Department of Health announced Wolverhampton's Plan as "Fully Approved" (previously Approved with Support) on 22 December 2014. Work stream service plans have been developed. The development of programme and work stream risk registers is being monitored by the Quality and Risk Group. The Section 75 pooled budget agreement is currently in draft and work is underway with the Council's and Clinical Commissioning Group's legal and finance teams to finalise the governance, risk sharing and performance management details of the agreement for submission to the Cabinet for approval prior to 1 April 2015. The Council is being proposed to be the host of the pooled fund with the Health and Well Being Board overseeing the performance of both organisations for the performance of the Fund against the objectives set out in the Better Care Plan and the Health and Wellbeing strategy. <p>The risk will continue to be assessed as red until implementation of the programme is underway and assurances received over the achievement of successful outcomes for the residents of Wolverhampton.</p>
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


This report is Public (Not Protectively Marked)


Risk ref	Risk title and description	Previous score (Nov 2014)	Direction of travel	Current score (Feb 2015)	Target score and date	Comment																																											
14 01/14	<p>School Improvement</p> <p>If the Council does not provide effective support, challenge and appropriate intervention to raise standards in schools, then the Council and these schools are at risk of underperforming, receiving inadequate Ofsted judgements and a potential loss of control and influence.</p> <p>Risk owner: Jim McElligott (previously Tim Johnson) Cabinet Member: Cllr Phil Page</p> <table border="1"> <tr> <td rowspan="6">Likelihood</td> <td>5</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>4</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>3</td> <td></td> <td></td> <td></td> <td></td> <td>15</td> </tr> <tr> <td>2</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>1</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td colspan="5">Impact</td> </tr> </table>	Likelihood	5						4						3					15	2						1							1	2	3	4	5		Impact					15 Red		15 Red	10 Amber April 2015	<p>The risk continues to be managed by the Head of Standards and Vulnerable Pupils appointed in September 2014.</p> <p>Since last reported, the following actions have been taken to assist in the mitigation of this risk:</p> <ul style="list-style-type: none"> A report has been presented to the Children and Young People's Scrutiny Panel in November 2014. The report summarised the outcomes of recent Ofsted inspections and also considered the actions taken by the Council in response to some of the poor performing schools. The Wolverhampton 2014 School Improvement Strategy has been amended to reflect arrangements with special schools and nursery schools. The strategy has now been finalised. The non-statutory clerking service provided by the Council, which has been operating at a deficit this year is being made redundant from 31 March 2015. To assist in the improvement of school governance, a School's Workforce and Governance Development Coordinator and a Statutory Functions Clerk have been appointed. These posts will assist with the effective training and development of governors; support the work of school improvement boards and interim executive boards; monitor the effectiveness of Governing Bodies and will also organise and hold governors' forums and an annual governors' conference. From 2015/16 the Council's Local Education Partnership Board-Inspire have agreed to fund the development of a new accredited programme of training and support that transforms the leadership of Wolverhampton schools. The programme will run parallel to the Council's new School Improvement and Governance Strategy for three years providing positive outcomes can be demonstrated and evidenced after the first year of the programme. <p>In addition to Ofsted reviews, assurance on the effectiveness of the above strategies is provided through audits and reviews carried out by school support advisors, who report their findings to the school's Improvement Board and where appropriate escalate issues to the Assistant Director, Education and Enterprise. At present, there are a significant number of schools that are categorised as B1 and are awaiting an Ofsted inspection in order to confirm that a category A status can be awarded (denoting the school as "providing a good or</p>
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Risk ref	Risk title and description	Previous score (Nov 2014)	Direction of travel	Current score (Feb 2015)	Target score and date	Comment
						<p>better level of education”) in line with the Schools Improvement Strategy.</p> <p>In terms of the performance of Academies in the City, the Council has continued with its programme of carrying out desk top analysis and where concerns are identified these are escalated to the Local Schools Commissioner and the Secretary of State.</p>

The following are/ were the **amber** strategic risks the Council faces in delivering its corporate priorities.

Risk ref	Risk title and description	Previous score (November 2014)	Direction of travel	Current score (February 2015)	Target score and date
5 01/14	<p>FutureWorks</p> <p>If the Agresso system does not perform as expected then there will be a prolonged need to maintain the old system resulting in inefficiencies in service delivery; unplanned maintenance costs and delays in planned savings materialising.</p> <p>Risk owner: Keith Ireland Cabinet Member: Cllr Paul Sweet</p>	10 Amber		Ended Green	Green Achieved
Page 82 1/14	<p>Compliance with Public Services Network (PSN)</p> <p>If the Council fails to achieve the required technology controls required for connection to PSN, and other similar information security regimes, then it will experience significant interruption to the delivery of its services.</p> <p>Risk owner: Charlotte Johns (previously Keith Ireland) Cabinet Member: Cllr Andrew Johnson</p>	5 Amber		5 Amber	1 Green July 2015

Risk ref	Risk title and description	Previous score (November 2014)	Direction of travel	Current score (February 2015)	Target score and date
9 01/14	<p>City Centre Regeneration</p> <p>If the city centre regeneration programme is not effectively managed in terms of project timings, costs and scope, then it will be unable to maximise opportunities including:</p> <ul style="list-style-type: none"> the attraction of private sector investment the creation of space to accommodate new businesses and economic growth the enhancement and creation of visitor attractions the creation of well paid employment retention of skilled workers the creation of residential opportunities a functioning city centre offer that serves the residents of the City increased prosperity and a reduced demand on Council services <p>Risk owner: Tim Johnson Cabinet Member: Cllr Peter Bilson</p>	8 Amber		8 Amber	8 Amber
15 01/14	<p>Emergency Planning</p> <p>Failure to develop, exercise and review plans and capabilities for preventing, reducing, controlling or mitigating the effects of emergencies in both the response and recovery phases of major a incident.</p> <p>Risk owner: Ros Jervis Cabinet Member: Cllr Andrew Johnson</p>	9 Amber		9 Amber	6 Amber From April to June 2015
16 01/14	<p>Equal Pay</p> <p>Significant equal pay liabilities have been dealt with over recent years. However, equal pay will remain a potentially significant risk until:</p> <ul style="list-style-type: none"> the second generation claims, from trade union members, have been dealt with. six years after the implementation of single status, until that time "Abdulla" type claims can still be brought. <p>Risk owner: Mark Taylor (previously Keith Ireland) Cabinet Member: Cllr Paul Sweet</p>	12 Amber		12 Amber	8 Amber March 2016

Risk ref	Risk title and description	Previous score (November 2014)	Direction of travel	Current score (February 2015)	Target score and date
17 10/14	<p>Employee Management</p> <p>If policies dealing with employee management and in particular appraisals are not effectively implemented and complied with then:</p> <ul style="list-style-type: none"> employees may not be fully aware of the Council's objectives and their contribution to the achievement of them, and employees may not have the appropriate training and support to achieve high standards of performance the Council may not have the required capability to deliver its objectives. <p>Risk owner: Kevin O' Keefe (previously Keith Ireland) Cabinet Member: Cllr Paul Sweet</p>	8 Amber		8 Amber	1 Green May 2015
18 2/15	<p>Elections</p> <p>The Council is required to provide the Returning Officer with the resources to run elections, as a result of which the Council needs to plan and prepare for the elections, putting in place the appropriate policies, protocols and procedures. Failure to comply with these policies, protocols and procedures may result in the Council not being able to maintain the integrity of the election and the Returning Officer not being able to effectively discharge his statutory responsibilities.</p>	-	-	8 Amber	1 Green 8 May 2015
19 02/15	<p>Combined Authority</p> <p>If the Council does not effectively engage with partners in the consideration of the formation of a Combined Authority, ensuring sufficient and appropriate resources are assigned to progress, manage and provide assurances to partners on the programme and any work streams, then the Council's objectives in respect of growth in the regional economy, employment and skills, business investment and regeneration may not be fully realised.</p> <p>Risk owner: Keith Ireland Cabinet Member: Cllr Roger Lawrence</p>	-	-	12 Amber	8 Amber November 2015

Strategic Assurance Map – February 2015

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Risk Ref	Risk Title and Description	Current Score	Types of Assurance			Comments/Gaps in Assurance/Risk Exposure
			External/ Independent (Third Line of Defence)	Risk and Compliance (Second Line of Defence)	Operational and Management (First Line of Defence)	
1	<p>Looked After Children (LAC) If the number of LAC is not reduced this may result in an increase in costs, budget overspends and an increased demand on children's services.</p>	20 Red	<p>Performance indicator- number of LAC per 10,000 population</p> <p>Audit by Dartington Research Unit into LAC 2013</p> <p>Internal audit review 2015/16 - Placements and LAC</p>	<p>Update to Children's Trust Board- September 2014</p> <p>Care panel reviews of placement costs</p> <p>Report to Cabinet (Performance Management Panel) September 2014</p> <p>Scrutiny review of LAC February 2014</p> <p>Monthly programme reports to Corporate Programme Office</p>	<p>Reports to LAC Budget Monitoring Group (every two months)</p> <p>Controls Assurance Statement</p>	<p>Present sources and will continue to provide assurance regarding the changes in number of LAC and progress made against the Families r First programme. However, assurances regarding the cost of LAC need to be continually provided to ensure effective management of the budgetary pressures associated with this risk.</p>
2	<p>Skills for Work If the city residents do not have the appropriate skills that employers require then they will be unable to access the jobs and opportunities available resulting in high rates of unemployment and increased demand on council services.</p>	20 Red	<p>Wolverhampton Skills Commission Review – November 2014 to April 2015</p> <p>Internal audit review - Employment Opportunities 2013/14</p> <p>Black Country performance management framework</p> <p>Internal audit review – City of Wolverhampton College- Learners with learning difficulties post 16, December 2014</p>	<p>Enterprise and Business Scrutiny Panel review of "employability and skills in Wolverhampton" report to Cabinet 11 March 2015</p> <p>Enterprise and Business Scrutiny Panel review of "employability and skills" September 2014</p> <p>Performance indicator - % of residents with no qualification</p> <p>Performance indicator - number of work experience/ volunteering/ apprenticeships opportunities provided</p> <p>Monthly unemployment briefings</p>	<p>Reports to the Wolverhampton Skills and Employment Board</p> <p>Controls Assurance Statement</p>	<p>In addition to the performance indicators in place, the review currently being undertaken by the Wolverhampton Skills Commission will provide assurance over the effectiveness of the various measures and initiatives in place to manage this long term risk.</p>
3	<p>Information Governance If the council does not put in place appropriate policies, procedures and technologies to ensure:</p> <ul style="list-style-type: none"> that the handling and protection of its data is undertaken in a secure manner and consistent with the provision of the Data Protection Act 1998; compliance with the Freedom of Information Act and Environmental Information risk Act <p>then it may be subject to regulatory action, financial penalties, reputational damage and the loss of confidential information.</p>	12 Amber	<p>Internal audit review 2013/14 - Management of information sharing agreements Satisfactory assurance</p> <p>Internal audit review– Protective marking compliance, September 2014 (Limited assurance)</p> <p>Internal audit review 2014/15 – Information sharing agreements</p> <p>Internal audit advice and support</p> <p>Information Commissioner audit (October 2011, July 2012)</p>	<p>Information risk register and reports to Information Governance Board</p> <p>Update reports to Cabinet, Scrutiny Board and SEB</p> <p>Performance indicators reported to Cabinet- Number of data breaches</p> <p>Performance indicator - % of Freedom of Information (FOI) requests met within timescales</p> <p>Performance indicator- % of Subject Access Requests (SAR) met within timescales</p>	<p>Senior Risk Information Officer briefings to Strategic Executive Board</p> <p>Controls Assurance Statements</p>	<p>Ongoing audits, performance against FOI and SAR requests and information incidence logs will continue to provide assurance over this risk.</p>

Risk Ref	Risk Title and Description	Current Score	Types of Assurance			Comments/Gaps in Assurance/Risk Exposure
			External/ Independent (Third Line of Defence)	Risk and Compliance (Second Line of Defence)	Operational and Management (First Line of Defence)	
4	<p>Medium Term Financial Strategy</p> <p>If the council is unable to agree and operate within its medium term financial strategy (MTFS) this may result in insufficient reserves to remain solvent, the potential loss of democratic control and the inability of the council to deliver essential services and discharge its statutory duties.</p>	15 Red	<p>PwC report: Report to those charged with governance (ISA 260) September 2014</p> <p>Independent review of process for MTFS and budget- E Sullivan, May 2014</p> <p>Internal audit review - 2014 Assumptions of the MTFS</p> <p>Internal audit review Budgetary Control - 2014/15</p>	<p>MTFS risk register</p> <p>Reports to Budget Working Party</p> <p>Reports to Cabinet February 2015, October 2014 and June 2014.</p>	<p>Management accounts</p> <p>Controls Assurance Statements</p>	Ongoing internal and external reviews will continue to provide assurances over the achievement of efficiency savings and the resilience of the MTFS.
5	<p>FutureWorks</p> <p>If the Agresso system does not perform as expected then there will be a prolonged need to maintain the old system resulting in inefficiencies in service delivery; unplanned maintenance costs and delays in planned savings materialising.</p>	1 Green	<p>Internal audit payroll verification September - November 2014</p> <p>Internal audit review 2014/15 – Post implementation review</p> <p>Audit Committee review - September 2014</p> <p>Internal audit update reports to Programme Board and Audit Committee</p> <p>Internal audit review - Benefits Realisation, November 2014</p>	<p>Programme risk register</p> <p>Weekly reports to Programme Board</p>	<p>Progress reports to SEB July 2014</p> <p>Controls Assurance Statement</p>	<p>This programme and risk has now ended and will be removed from the strategic risk register.</p> <p>Assurances over the effective functioning of the Agresso system will be provided by internal audit reviews of the key financial systems/ managed audits.</p>
6	<p>Compliance with Public Sector Network (PSN)</p> <p>If the council fails to achieve the required technology controls required for connection to PSN, and other similar information security regimes, then it will experience significant interruption to the delivery of its services.</p>	5 Amber	<p>PSN healthcheck by CLAS Consultancy at Cabinet Office 2014</p>	<p>Reports to Information Governance Board</p>	<p>Controls Assurance Statement</p> <p>Briefings to SEB</p>	No further assurances required at present.
	<p>Safeguarding</p> <p>If the Council's safeguarding procedures and quality assurance processes are not consistently and effectively implemented then it will fail to safeguard children and vulnerable adults and lead to reputational damage.</p>	10 Amber	<p>West Midlands Association of Directors of Adult Social Services peer review – Adult safeguarding September 2014</p> <p>West Midlands Association of Directors of Children's Services peer review- children's safeguarding September 2014</p> <p>Ofsted inspection safeguarding services- June 2011</p> <p>Peer review – Local safeguarding Children's board 2013</p> <p>LGA peer review - Local safeguarding adults board November 2013</p> <p>Internal audit review 2015/16 – Safeguarding in schools</p>	<p>Reports to safeguarding boards</p> <p>Annual reports from adults and children's local safeguarding boards</p> <p>'Our Story' report to Cabinet Member for Children and Families.</p> <p>National and local Wolverhampton performance indicators in relation to social care</p> <p>Report to Wolverhampton Safeguarding Children's Board- December 2014 - Schools Safeguarding</p> <p>Self- audits confirmation by schools of s175 compliance</p>	<p>Children's safeguarding self - assessment- September 2014</p> <p>Adults safeguarding self- assessment – September 2014</p> <p>Quality Assurance Framework and assessments</p> <p>Controls Assurance Statement</p>	<p>Up to date assurance from Ofsted is required to confirm risk is being effectively managed.</p> <p>In addition, further assurances continue to be sought in respect of the adequacy and effectiveness of the safeguarding arrangements in schools.</p> <p>Assurances will also be required in future on the Council's compliance with the statutory framework in respect of adults safeguarding which becomes effective from April 2015.</p>

Risk Ref	Risk Title and Description	Current Score	Types of Assurance			Comments/Gaps in Assurance/Risk Exposure
			External/ Independent (Third Line of Defence)	Risk and Compliance (Second Line of Defence)	Operational and Management (First Line of Defence)	
8	<p>Business Continuity Management</p> <p>Failure to develop, exercise and review plans and capabilities that seek to maintain the continuity of critical functions in the event of an emergency that disrupts the delivery of Council services.</p>	15 Red	<p>Internal audit review August 2013 - Resilience management and BCP</p> <p>Follow up of internal audit recommendations - January 2014</p>	<p>Reports from Wolverhampton Resilience Board to SEB</p>	<p>Incident management: St Alban's Church of England School February 2015</p> <p>Incident management : i.e. industrial action July 2014</p> <p>Reports to Wolverhampton Resilience Board</p> <p>Controls Assurance Statement</p>	<p>The exercise and testing programme once developed and implemented will provide further assurances on the management of this risk.</p> <p>Given the continual reductions in the Council's workforce, ongoing testing will be required to provide assurance over the resilience of the provision of Council services.</p>
9	<p>City Centre Regeneration</p> <p>If the city centre regeneration programme is not effectively managed in terms of project timings, costs and scope, then it will be unable to maximise opportunities including:</p> <ul style="list-style-type: none"> • creation of well paid employment • retention of skilled workers • sector and economic growth • increased prosperity and • reduced demand on council services 	8 Amber	<p>Internal audit review 2015/16- City centre development</p>	<p>Programme and project risk registers</p> <p>Project reports to Cabinet and Scrutiny</p> <p>Monthly reporting to the City Centre Regeneration Programme Board</p> <p>Monthly programme reports to Corporate Programme Office</p>	<p>Reports to Programme Board from project managers</p> <p>Controls Assurance Statement</p>	<p>Regular update reports to the Programme Board and Cabinet continue to provide assurance on the management of this risk.</p>
10	<p>Economic Inclusion</p> <p>If the Council and its partners do not work effectively together to promote and enable growth then the risk of economic exclusion will materialise and demand for Council services will continue to increase.</p>	16 Red	<p>Reports to the Black Country Local Enterprise Partnership and City Board</p> <p>National performance indicators e.g. % residents unemployed, child deprivation, skills profile, etc.</p> <p>Wolverhampton Skills Commission Review – November 2014 to April 2015</p>	<p>Report to SEB – City Board – December 2014</p> <p>Monthly unemployment briefings</p> <p>Report to Cabinet - Welfare Reform, December 2014</p>	<p>Controls Assurance Statement</p>	<p>National indicators will demonstrate the effectiveness of the measures in place to manage this long term risk.</p>
11	<p>The Care Act</p> <p>If the Council does not have robust plans in place to implement the Care Act it will fail to meet its statutory obligations.</p>	15 Red	<p>Internal audit review 2015/16</p>	<p>Care Act Stocktake 3 self - assessment</p> <p>Regular reports to Care Act Implementation Programme Board</p> <p>Programme risk register</p> <p>Report to Adults and Community Scrutiny Panel November 2014</p>	<p>Monthly programme management reports to CPO</p> <p>Controls Assurance Statement</p>	<p>Assurances on the management of this risk will continue to be provided through the Corporate Programme Office and Programme Board.</p>
12	<p>Better Care Fund</p> <p>If the Council and its partners fail to deliver the improved outcomes required by the Better Care Fund, demand on acute services will not be reduced, the reward money will not be received and the Council will not receive the additional resources promised by the Better Care Fund.</p>	15 Red	<p>Revised plan submission to Department of Health and full approval received - December 2014</p>	<p>Reports to the Health and Well Being Board (HWBB) March, July and November 2014</p> <p>Programme risk register</p> <p>Reports to the Quality and risk sub group</p> <p>Better Care Plan performance indicators</p>	<p>Monthly project reports</p> <p>Controls Assurance Statement</p>	<p>The approvals received from the Department of Health on the Better Care Plan continue to provide the necessary assurance, until the Plan is implemented in April 2015. After this time, assurance on the management of the programme will be provided by the HWBB, and the measure of key outcome based performance indicators.</p>

Risk Ref	Risk Title and Description	Current Score	Types of Assurance			Comments/Gaps in Assurance/Risk Exposure
			External/ Independent (Third Line of Defence)	Risk and Compliance (Second Line of Defence)	Operational and Management (First Line of Defence)	
14	<p>School Improvement</p> <p>If the Council does not provide effective support, challenge and appropriate intervention to raise standards in schools, then the Council and these schools are at risk of underperforming, receiving inadequate Ofsted judgements and a potential loss of control and influence.</p>	15 Red	<p>Ofsted annual report – Schools 2013/14, December 2014</p> <p>Ofsted inspections 2014/15</p> <p>School internal audit reviews 2013/14 and 2014/15</p>	<p>Performance indicator – gaps in educational performance</p> <p>Performance indicator – end of key stage outcomes</p> <p>Report to Children and Young People Scrutiny Panel- Ofsted inspection outcomes April to September 2014, November 2014</p> <p>Audits carried out by School Support Advisors and External Governance reviews</p>	<p>Reports to Cabinet</p> <p>Controls Assurance Statement</p>	<p>The Ofsted inspections continue to be the primary source of assurance for this risk.</p> <p>A review on the effectiveness of the School Improvement Strategy in 2015 will provide further assurance on the measures in place to manage this risk.</p>
15	<p>Emergency Planning</p> <p>Failure to develop, exercise and review plans and capabilities for preventing, reducing, controlling or mitigating the effects of emergencies in both the response and recovery phases of major a incident.</p>	9 Amber	<p>Internal audit review - Resilience management and BCP, August 2013</p> <p>Follow up of internal audit recommendations, January 2014</p>	<p>Reports to Wolverhampton Resilience Board (WRB)</p> <p>Regular reports from WRB to SEB and C3 Scrutiny Panel</p>	<p>Incident management, e.g. weather incidences 2014, Public disorders Summer 2012, Hickman Avenue fire September 2014</p> <p>Test exercise “Exercise Chillout” August 2014</p> <p>Debrief report to SEB on mosque incident – 24 July 2013</p> <p>Winter debrief report to WRB – June 2014</p> <p>Controls Assurance Statement</p>	<p>The exercise and testing programme once developed and implemented will provide further assurances on the management of this risk. In the meantime, unplanned incidences and the lessons learned from these exercises continue to provide some level of assurance over this risk.</p>
16	<p>Equal Pay</p> <p>If schools do not comply with the Collective agreement and agree local pay scales and conditions then there is a potential for significant equal pay claims to materialise.</p>	12 Amber	<p>Internal audit review - Equal pay claims, September 2014 (Substantial assurance)</p>	<p>Reports to Equal Pay Project Board</p>	<p>Controls Assurance Statement</p>	<p>Ongoing review by management of the level of claims continues to provide assurance on this risk, over which the Council has little control.</p>
17	<p>Employee Management</p> <p>If policies dealing with employee management and in particular appraisals are not effectively implemented and complied with then:</p> <ul style="list-style-type: none"> employees may not be fully aware of the Council’s objectives and their contribution to the achievement of them, and employees may not have the appropriate training and support to achieve high standards of performance <p>the Council may not have the required capability to deliver its objectives.</p>	8 Amber	<p>Internal audit review – Performance appraisal scheme, September 2014 (Limited assurance)</p> <p>Update report to Audit Sub Committee- February 2015</p>	<p>Corporate performance indicator- re: appraisals completed</p>	<p>Controls Assurance Statement</p>	<p>Ongoing review of the corporate performance indicator by management will continue to provide assurance over the management of this risk.</p>

Risk Ref	Risk Title and Description	Current Score	Types of Assurance			Comments/Gaps in Assurance/Risk Exposure
			External/ Independent (Third Line of Defence)	Risk and Compliance (Second Line of Defence)	Operational and Management (First Line of Defence)	
18	<p>Elections</p> <p>The Council is required to provide the Returning Officer with the resources to run elections, as a result of which the Council needs to plan and prepare for the elections, putting in place the appropriate policies, protocols and procedures. Failure to comply with these policies, protocols and procedures may result in the Council not being able to maintain the integrity of the election and the Returning Officer not being able to effectively discharge his statutory responsibilities.</p>	<p>8</p> <p>Amber</p>	<p>Internal audit review- Elections account 2015/16</p>	<p>Elections risk register</p> <p>Report to SEB, January 2015- Preparing for the 2015 elections, pre- election period</p>		<p>The running of previous elections together with the communications and protocols in place provide further assurances on the management of this risk.</p>
19	<p>Combined Authority</p> <p>If the Council does not effectively engage with partners in the consideration of the formation of a Combined Authority, ensuring sufficient and appropriate resources are assigned to progress, manage and provide assurances to partners on the programme and any work streams, then the Council's objectives in respect of growth in the regional economy, employment and skills, business investment and regeneration may not be fully realised.</p>	<p>12</p> <p>Amber</p>		<p>Updates to joint Chief Executives' meetings</p> <p>Programme risk register</p>		<p>An update on the assurances in place for this newly identified risk will be provided to the Audit Committee at its next meeting.</p>

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Audit Committee

9 March 2015

Report title	Internal Audit Update – Quarter Three	
Cabinet member with lead responsibility	Councillor Andrew Johnson Resources	
Accountable director	Mark Taylor, Finance	
Originating service	Audit	
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:

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

1.0 Purpose

1.1 The purpose of this report is to update the Committee on the progress made against the 2014/15 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 31 December 2014 (quarter three) 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. (CN/20022015/R)

5.0 Legal implications

5.1 There are no legal implications arising from the recommendations in this report. (TS/16022015/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

Wolverhampton

City Council



Internal Audit Progress Report: Q3 Audit Committee: 9 March 2015

Contents:

1. Introduction
2. Summary of work completed
3. Key issues arising



1 Introduction

The purpose of this report is to bring the Audit Committee up to date with the progress made against the delivery of the 2014/15 internal audit plan.

The Audit 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 Councillors 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:

Substantial	<ul style="list-style-type: none">• a robust framework of controls which ensures that objectives are likely to be achieved and controls are applied continuously or with only minor lapses
Satisfactory	<ul style="list-style-type: none">• a sufficient framework of key controls for objectives to be achieved but the control framework could be stronger or the application of controls could be more consistent
Limited	<ul style="list-style-type: none">• a risk of objectives not being achieved due to the absence of key internal controls or a significant breakdown in the application of controls

2 Summary of work completed

The following audit reviews were completed within the first two quarters of the current year.

Key: AAN = Assessment of Assurance Need

Auditable Area	AAN Rating	Recommendations				Total	Number accepted	Level of Assurance
		Red	Amber	Green				
Reported previously								
Bert Williams Leisure Centre – Income	Medium	-	5	2	7	7	Satisfactory	
Coppice Performing Arts School – Initial Review	NA*	-	-	-	-	-	NA *	
Legal Services Recharges	NA*	-	4	-	4	4	NA *	
Adoption Reform Grant Certification	NA*	-	-	-	-	-	NA *	
Parkfield Primary School	Medium	-	1	7	8	8	Satisfactory	
Oxley Primary School	Medium	-	1	1	2	2	Substantial	
St Luke’s CE Primary School	Medium	-	1	3	4	4	Satisfactory	
St Andrew’s CE Primary School	Medium	-	4	4	8	8	Satisfactory	
Grove Primary School – Mini Review	NA *	-	-	-	6	6	NA *	
New Park Special School – Healthcheck	NA *	-	-	-	19	-	NA *	
Woodthorne Primary School	Medium	-	4	7	11	11	Satisfactory	
Stow Heath Primary School	Medium	-	2	16	18	18	Satisfactory	
Automated Biometric Systems	Medium	-	1	2	3	3	Satisfactory	
Adults and Community – Complaints Procedures	Medium	-	-	2	2	2	Substantial	
Pensions Gratuities	Medium	-	4	1	5	5	Satisfactory	
Equal Pay Claims	High	-	2	-	2	2	Substantial	
Information Governance Protective Marking	High	2	2	-	4	4	Limited	

Auditable Area	AAN Rating	Recommendations					Level of Assurance
		Red	Amber	Green	Total	Number accepted	
Single Status - Collective Agreement Compliance	High	-	-	1	1	1	Substantial
Budgetary Control Managed Audit	High	-	-	4	4	4	Substantial
General Ledger Managed Audit	High	-	-	2	2	2	Substantial
Senior Officers Emoluments	NA*	-	-	-	-	-	NA **
Senior Officers Salaries > £50K Check	NA*	-	-	-	-	-	NA **
CRC – Annual Assurance Review	High	-	2	-	2	2	Satisfactory
CRC – Assurance Statement	High	-	-	-	-	-	NA **
Adult Education Service – HR Issues	NA *	-	-	-	4	-	NA **
Project Costing and Billing System	NA *	-	-	-	5	-	NA **
Rakegate Primary School – After School Club	NA *	-	-	5	5	5	Satisfactory
Petty Cash Procedures – Locality Teams	NA *	-	7	-	7	7	Limited
Very Sheltered Housing Contract Arrangements	Medium	1	5	3	9	9	Limited
Treatment of VAT on Certificate Payments	NA *	-	3	-	3	3	Limited
Performance Appraisal Scheme	High	1	4	2	7	7	Limited
Reported for the first time							
Bantock Primary School	Medium	-	1	2	3	3	Substantial
Oak Meadow Primary School	Medium	-	3	7	10	10	Satisfactory
Kingston Centre Pupil Referral Unit	Medium	-	8	3	11	11	Satisfactory
Dovecotes Primary School	Medium	-	-	8	8	8	Satisfactory
Wood End Primary School	Medium	-	-	8	8	8	Satisfactory

Auditable Area	AAN Rating	Recommendations				Total	Number accepted	Level of Assurance
		Red	Amber	Green				
Contract Management Arrangements (Community)	High	2	6	-	8	8	Limited	
Compliance with Learners with Learning Difficulties and/or Disabilities Post 16 SLA	Medium	2	3	1	6	6	Limited	

Notes

* One-off pieces of work undertaken by request (outside of the Audit Plan).

** Certification/non-risk based reviews etc. – therefore no audit opinion provided.

There were a number of other reviews underway as at 31 December 2014, and these will be reported back in later update reports.

Year on year comparison

28 pieces of planned audit work have been completed so far in the current year, where an audit opinion has been provided. A summary of the planned audit opinions given, with a comparison over previous years, is set out below:

Opinion	2014/15 (Quarter 2)	2013/14	2012/13
Substantial	7	18	22
Satisfactory	14	51	44
Limited	7	9	6

3 Key issues arising from our work completed in quarter 3

Contract Management Arrangements

We undertook an high level review of the care contract management arrangements in place in what was at the time, the Community Directorate. The contract register maintained within Procurement indicates that the annual current estimated contract value is around £22 million. Our review identified a number of areas for improvement, including:

- Contract ownership and associated roles and responsibilities for contract management were not always clearly defined and assigned for each contract. In addition, suitable governance arrangements and lines of reporting were not explicitly established.
- Key stakeholders (including operational officers) were not always clearly identified and actively engaged at the procurement stage and / or subsequently during the life of the contract.
- Operational officers in contract and performance management were not always being involved in order to make effective use of their operational knowledge regarding contract delivery.
- Robust risk management was not being undertaken for contracts in order to identify, assess and suitably control service / contract / provider risks.
- Effective planning of contract management activities was not always undertaken at the procurement stage.
- An assessment was not undertaken of the level of contract management activities required for each contract, taking into account proportionality and justification regarding cost and benefits that could be delivered through effective contract management.
- Contract monitoring and reporting arrangements (financial and non-financial) were not explicitly established for each contract, or being undertaken (with the availability of timely and appropriately detailed financial and non-financial information being a particular issue).
- Management of timetables for making key decisions and taking appropriate action for key trigger points in the contract life was not always being effectively undertaken.
- Contract documentation was not always made available to relevant key stakeholders including operational service areas at the outset of the contract.

Compliance with Learners with Learning Difficulties and / or Disabilities Post 16 SLA

In accordance with the Service Level Agreement between the Council and the City of Wolverhampton College, a sample of approximately 10% of students with learning difficulties and/or disabilities Post 16/High Needs Specialist Provision receiving top up funding provided by the Council and undertaking their education and learning at the College during 2013/14, was checked for compliance with the SLA requirements. This identified a number of individual anomalies and errors, including:

- Two students receiving funding from the Council were not resident within the City, and therefore, costs will need to be recovered from the next contract value.
- Assessment of student needs could not be located for four students and consequently costs and provision could not be confirmed as being in accordance with assessed need.
- We were unable to locate the cost calculations for the students in our sample, in order to verify them.
- Costs relating to a residential course which did not take place had been incorrectly allocated to students. Subsequently the Council agreed that the College can use this funding to offset transport costs;
- Documentation provided by the College in terms of the review / monitoring of student progress was not comprehensive and did not indicate the effectiveness of the funding received.
- Parental / guardian consent to share data was not evident in a number of instances.
- Documentation required within the terms of the SLA was not being provided with the termly invoices.

Agresso

The implementation of Agresso continued to be one of the major focusses of our work during the year, and in the third quarter we undertook the following activities:

- On-going representation on the FutureWorks Board until its dissolution in December 2014 - providing assurance to the Board and the Audit Committee at various stages of the programme.
- Working with the Payroll team to undertake and review payroll reconciliations in support of the payment of the Council and Wolverhampton Homes payrolls from Agresso.
- Continuing to provide significant internal audit resources to assist the Hub in clearing the backlog of invoices for payment.
- Focusing particular attention on the payments processes, specifically where arrangements have been made to facilitate payments outside normal processes and in monitoring duplicate payments.
- Undertaking a piece of work designed to provide assurance in respect of the benefits realisation process.
- Providing extensive and on-going general advice and support in respect of the project.

In addition to the above, we are currently undertaking full end to end audit reviews of all key systems, in order to provide assurance on the implementation of Agresso.

The extent of the role we have played in the implementation of Agresso has inevitably impacted upon our ability to complete a number of the planned audits within the current year. However, we will continue to review our planned audit capacity in line with the changing risk profile of the Council, and audit resource will continue to be targeted towards high risk areas.

Managed Audits

Managed audits are the work we do on the Council's key financial systems and incorporate the requirements of the external auditors (PwC), in order that they can place reliance on our work and thereby reduce their own year-end testing accordingly. The 2014/15 programme of managed audits has now commenced and will be completed in the coming months.

The follow up of previous recommendations

In quarter 4 we intend to commence our follow up work on key recommendations made as part of the limited assurance reports we issued in 2013/14. Progress on this will be reported at future Audit Committee meetings.

Counter Fraud Activities

We have continued to investigate all allegations of suspected fraudulent activity, during the year. Details of these have been presented to, and monitored through the work of the Audit Committee's Investigations Sub-Committee, along with details of a number of new initiatives put in place in order to tackle fraud across the Council.

Wolverhampton Homes

In November we successfully bid for the Internal Audit Contract for Wolverhampton Homes for a period of three years commencing 1 April 2015 (with an option to extend up to 12 months). We believe this represents a good achievement for the service in the face of well-established private sector competition.



Audit Committee

9 March 2015

Report title	Internal Audit Plan - 2015/16	
Cabinet member with lead responsibility	Councillor Andrew Johnson Resources	
Accountable director	Mark Taylor, Finance	
Originating service	Audit	
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	

Recommendation(s) for action or decision:

The Committee is recommended to:

Review, assess and approve the risk based internal audit plan for 2015/16.

1.0 Purpose

- 1.1 The purpose of internal audit is to provide the Council with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving the Council's agreed objectives.
- 1.2 The purpose of this document is to provide the Council with a risk-based internal audit plan, incorporating a strategic statement for internal audit, and based upon an assessment of assurance needs. The assessment of assurance needs exercise is undertaken to identify the systems of control and determine the frequency of audit coverage. The assessment will be used to direct internal audit resources to those aspects of the Council which are assessed as generating the greatest risk to the achievement of its objectives.

2.0 Background

- 2.1 Internal audit is a statutory requirement for all Local Authorities. The audit service provided to the Council is in accordance with the Local Government Act (1972), the Accounts and Audit Regulations Act and the Public Sector Internal Audit Standards.

3.0 Progress, options, discussion, etc.

- 3.1 Progress against the delivery of the internal audit plan will be reported back to the Audit Committee on a quarterly basis.

4.0 Financial implications

- 4.1 There are no financial implications arising from the recommendations in this report. The audit plan detailed will be implemented using current budgeted internal audit resources. [GE/23022015/U]

5.0 Legal implications

- 5.1 There are no legal implications arising from the recommendations in this report. (TS/16022015/D)

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

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Internal Audit Plan 2015/16

Image courtesy of the Express and Star



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A quick guide to the audit and assurance planning process

Step 1- Audit universe/auditable areas

Identify the audit universe (i.e. a list of themes and areas within them that may require assurance) using a variety of methods:

- Areas of potential risk identified through a variety of sources (including the strategic risk register) as having the potential to impact upon the Council's ability to deliver its objectives. Then, identify if we can gain assurance that any of these risks are being managed adequately from other sources of assurance.
- Mandatory areas, such as the managed audit work we do on behalf of the external auditors, grant claim certification etc.
- Areas where we use auditor's knowledge, management requests and past experience etc.



Step 2 – Ranking

Where appropriate score each auditable area as a high, medium or low assurance need using the CIPFA scoring methodology of materiality/business impact/audit experience/risk/ potential for fraud.



Step 3 – Three year cycle

List the likely medium and high assurance need themes and/or areas for the next three years. High need themed areas will be reviewed annually, medium need usually once in a three year cycle, while a watching brief will remain on the low needs.



Step 4 - Next Years Plan

List the themes and where appropriate the types of work that will be undertaken in 2015/16 in the internal audit plan.

A Glossary of Terms

Definition of internal auditing

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Governance

The arrangements in place to ensure that the Council fulfils its overall purpose, achieves its intended outcomes for citizens and service users and operates in an economical, effective, efficient and ethical manner.

Control environment

Comprises the systems of governance, risk management and internal control. The key elements include:

- establishing and monitoring the achievement of the Council's objectives
- the facilitation of policy and decision-making ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded
- ensuring the economical, effective and efficient use of resources and for securing continuous improvement
- the financial management of the Council and the reporting of financial management
- the performance management of the Council and the reporting of performance management.

System of internal control

The totality of the way an organisation designs, implements, tests and modifies controls in specific systems, to provide assurance at the corporate level that the organisation is operating efficiently and effectively.

Risk Management

A logical and systematic method of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating the risks associated with any activity, function or process in a way that will enable the organisation to minimise losses and maximise opportunities.

Risk based audit and assurance reviews

A review that:

- identifies and records the objectives, risks and controls
- establishes the extent to which the objectives of the system are consistent with higher-level corporate objectives
- evaluates the controls in principle to decide whether or not they are appropriate and can be reasonably relied upon to achieve their purpose, addressing the organisation's risks identifies any instances of over and under control and provides management with a clear articulation of residual risks where existing controls are inadequate
- tests the effectiveness of controls i.e. through compliance and/or substantive testing
- arrives at conclusions and produces a report, leading to management actions as necessary and providing an opinion on the effectiveness of the control environment.

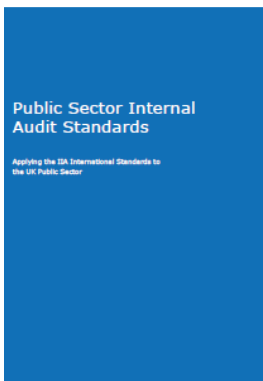
Audit Committee

The governance group charged with independent assurance of the adequacy of the internal control environment and the integrity of financial reporting.

Assurance

A confident assertion, based on sufficient, relevant and reliable evidence, that something is satisfactory, with the aim of giving comfort to the recipient. The basis of the assurance will be set out and it may be qualified if full comfort cannot be given. The Head of Audit may be unable to give an assurance if arrangements are unsatisfactory. Assurance can come from a variety of sources and internal audit can be seen as the 'third line of defence' with the first line being the Council's policies, processes and controls and the second being managers' own checks of this first line.

Internal Audit standards



The internal audit team comply with the standards as laid out in the Public Sector Internal Audit Standards that came into effect on 1 April 2013.

1 Introduction

- 1.1 The purpose of internal audit is to provide the Managing Director, Section 151 Officer and Audit Committee with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving the Council's agreed objectives. In order to provide this opinion, we are required to review annually the risk management and governance processes within the Council. We also need to review on a cyclical basis, the operation of the internal control systems. It should be pointed out that internal audit is not a substitute for effective internal control. The true role of internal audit is to contribute to internal control by examining, evaluating and reporting to management on its adequacy and effectiveness.
- 1.2 There is a statutory requirement for internal audit to work in accordance with the 'proper audit practices'. These 'proper audit practices' are in effect the 'Public Sector Internal Audit Standards'. The Council has an Internal Audit Charter which was approved by the Audit Committee in September 2013 and defines the activity, purpose, authority and responsibility of internal audit, and establishes its position within the Council. This document sits alongside the charter, and helps determine how the internal audit service will be developed.
- 1.3 The purpose of this document is to provide the Council with an internal audit plan, based upon an assessment of its assurance needs. The assessment of assurance needs exercise is undertaken to identify the systems of control and determine the frequency of audit coverage. The assessment will be used to direct internal audit resources to those aspects of the Council which are assessed as generating the greatest risk to the achievement of its objectives.

2 Assessing the effectiveness of risk management and governance

- 2.1 The effectiveness of risk management and governance will be reviewed annually, to gather evidence to support our opinion to the Managing Director, Section 151 Officer and the Audit Committee. This opinion is reflected in the general level of assurance given in our annual report and where appropriate within separate reports in areas that will touch upon risk management and governance.

3 Assessing the effectiveness of the system of control

- 3.1 In order to be adequate and effective, management should:

•	Establish and monitor the achievement of the Council's objectives and facilitate policy and decision making.
•	Identify, assess and manage the risks to achieving the Council's objectives.
•	Ensure the economical, effective and efficient use of resources.
•	Ensure compliance with established policies, procedures, laws and regulations.
•	Safeguard the council's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption.
•	Ensure the integrity and reliability of information, accounts and data.

These objectives are achieved by the implementation of effective management processes and through the operation of a sound system of internal control. The annual reviews of risk management and governance will cover the control environment and risk assessment elements, at a high level. The programme of work developed as the

outcome of the assessment of assurance need exercise will cover the system level control activities.

- 3.2 The plan contained within this report is our assessment of the audit work required in order to measure, evaluate and report on the effectiveness of risk management, governance and internal control.

The framework of assurance

- 3.3 The framework of assurance available to satisfy a local authority that the risks to its objectives, and the risks inherent in undertaking its work, have been properly identified and are being managed by controls that are adequately designed and effective in operation, will comprise a variety of sources and not only the work of Audit Services.

However, Audit Services holds a role within the Council as the only independent source of assurance on all internal controls. The work of Audit Services is therefore central to this framework of assurance. Therefore, Audit Services attempt to acquire an understanding not only of the Council's risks and its overall whole control environment but also, wherever possible, all sources of assurance.

In this way, Audit Services will be able to indicate whether key controls are adequately designed and effectively operated, regardless of the sources of that assurance. This role includes responsibility both for attempting to assess the assurance available to the Council from other sources, whether internal or external, and for implementing a plan of internal audit work to obtain the required assurance.

Audit Services report to the Audit Committee, which is responsible for assessing the quality of the assurance available to the Council and concerns itself with the adequacy and effectiveness of the Council's internal control environment as assessed.

This document is, in the large part, risk-based and reflects the requirement for assurance (as well as current audit knowledge and the requirement to follow up earlier work). This plan includes work undertaken directly by Audit Services, but will also, wherever possible, recognise assurance work undertaken by other parts of the Council or by external organisations as captured in the council's corporate assurance map, the adequacy of which will be assessed on an ongoing risk basis.

The annual internal audit report to the Council will include an opinion on the overall adequacy and effectiveness of the Council's control environment, and will, where appropriate, include reference to the assurance made available to the Council by other providers as well as Audit Services.

4 Assessment of assurance needs methodology

- 4.1 Internal audit should encompass the whole internal control system and not be limited only to financial control systems. The scope of internal audit work should reflect the core objectives of the Council and the key risks that it faces. As such, each audit cycle starts with a comprehensive analysis of the whole system of internal control that ensures the achievements of the Council's objectives.
- 4.2 Activities that contribute significantly to the Council's internal control system, and also to the risks it faces, may not have an intrinsic financial value necessarily. Therefore, our approach seeks to assign a relative assurance need value. The purpose of this approach is to enable the delivery of assurance to the Council over the reliability of its system of control in an effective and efficient manner.
- 4.3 We have undertaken our assessment using the following process:

- We identified the core objectives of the Council and, where available, the specific key risks associated with the achievement of those objectives.
- We then identified auditable themes and areas that impact significantly on the achievement of the control objectives.
- We assigned assurance need values to the auditable themes and areas, based on the evidence we obtained.

4.4 The audit plan is drawn out of the assessment of assurance need. The proposed plan covers the 2015/16 financial year and is detailed at the end of this document.

5 The assessment of assurance needs - identifying the Council’s priorities and the associated risks

5.1 The following are the Council’s key priorities:

- Encouraging Enterprise and Business
- Empowering People and Communities
- Re-Invigorating the City

Supported by:

- A Confident, Capable Council

The Council has identified the following strategic risks as potentially impacting upon its ability to achieve its key priorities:

• Looked After Children
• Skills for work
• Information Governance
• Medium Term Financial Strategy
• Safeguarding
• Business Continuity Management
• Economic Inclusion
• The Care Act
• Better Care Fund
• School Improvement
• FutureWorks
• Compliance with the Public Services Network
• City Centre Regeneration
• Emergency Planning
• Equal Pay
• Employee Management

Identifying the “audit universe”

5.2 In order to undertake the assessment of assurance need, it is first necessary to define the audit universe for the Council. The audit universe describes all the systems, functions, operations and activities undertaken by the Council. Given that the key risk to the Council is that it fails to achieve its objectives, we have identified the audit universe by determining which systems and operations impact upon the achievement of the core objectives of the Council, as identified in 5.1 above, and the management objectives in 3.1 above. These auditable areas include the control processes put in place to address the key risks.

In addition to this, there are also common systems and functions which are generic to all areas, along with a number of mandatory reviews. Where deemed appropriate they may also be included in the audit universe set out in detail at the end of this document.

Assessing the risk of auditable areas within the assurance framework

5.3 Risk is defined as “The threat that an event or action will adversely affect an organisation's ability to achieve its business objectives and execute its strategies.”

Source: Economist Intelligence Unit - Executive Briefing.

5.4 There are a number of key factors for assessing the degree of assurance need within the auditable area. These have been used in our calculation for each auditable area and are based on the following factors:

• Materiality
• Business impact
• Audit experience
• Risk
• Potential for fraud

5.5 In this model, the assignment of the relative values are translated into an assessment of assurance need. These ratings used are high, medium or low to establish the frequency of coverage of internal audit.

Full coverage intensity approach (key financial systems)

5.6 The key financial system reviews are undertaken at the request of, and on behalf of the external auditors (currently PwC) in order to enable them to place reliance upon the work of Audit Services and thereby reduce their workload accordingly. These reviews are undertaken using a full coverage intensity approach whereby each key financial system is audited each year at different levels of intensity as agreed in advance with the external auditors.

6 Developing an internal audit plan

6.1 The internal audit plan is based, wherever possible, on management's risk priorities, as set out in the Council's own risk analysis/assessment. The plan has been designed so as to, wherever possible, cover the key risks identified by such risk analysis.

6.2 In establishing the plan, the relationship between risk and frequency of audit remains absolute. The level of risk will always determine the frequency by which auditable themes and areas will be subject to audit. This ensures that key risk themes and areas are looked at on a frequent basis. The aim of this approach is to ensure the maximum level of assurance can be provided with the minimum level of audit coverage.

It is recognised that a good internal audit plan should achieve a balance between clearly setting out the planned audit work and retaining flexibility to respond to changing risks and priorities during the year. Traditionally Audit Services have produced quite detailed internal audit annual plans identifying all the individual audits planned for the year, and this approach does have the advantage of providing a clear route map to the end of year opinion. However, as the year progresses it is likely that the risks and organisational priorities will change, resulting in changes to the plan. This is a particular issue within the local authority environment at this moment in time, due to the pace of change and high level of uncertainty affecting the risk environment. Therefore, for 2015/16 we are keeping the audit plan more open than previously, and, where appropriate, the new plan reflects themes and types of work rather than individual audits. More detailed working plans will be maintained operationally within Audit Services. This approach should hopefully result in a more realistic and flexible plan.

Auditor's judgement will be applied in assessing the number of days required for each audit identified in the plan.

6.3 The assessment of assurance need's purpose is to:

- determine priorities and establish the most cost-effective means of achieving audit objectives;
- assist in the direction and control of all audit work

This exercise builds on and supersedes previous internal audit plans.

6.4 Included within the plan, in addition to audit days for field assignments are:

- a contingency allocation, which will be utilised when the need arises, for example, special projects, investigations, advice and assistance, unplanned and ad-hoc work as and when requested.
- a follow-up allocation, which will be utilised to assess the degree of implementation achieved in relation to key recommendations agreed by management during the prior year.
- an audit management allocation, which is used for management, quality control, client and external audit liaison and for preparation for, and attendance at various member meetings and Audit Committee etc.

7 Considerations required of the Audit Committee and senior Council management

Are the objectives and key risks identified consistent with those recognised by the Council?
--

Does the plan include all the themes which would be expected to be subject to internal audit?

Are the risk scores applied to the plan reasonable and reflect the Council?

Does the plan cover the key risks as they are recognised?

Is the allocation of audit resource accepted, and agreed as appropriate, given the level of risk identified?
--

8 How the internal audit service will be delivered

Resources required

It is estimated that approximately 1,800 internal audit days (including all fraud, assurance and contingency work) will be required to deliver the audit plan for 2015/16 as detailed at the end of this document.

Communication of results

The outcome of internal audit reviews is communicated by way of a written report on each assignment undertaken. However, should a serious matter come to light, this will be reported to the appropriate level of management without delay.

Staffing

Employees are recruited, trained and provided with opportunities for continuing professional development. Employees are also sponsored to undertake relevant professional qualifications. All employees are subject to the Council's appraisal scheme, which leads to an identification of training needs. In this way, we ensure that employees are suitably skilled to deliver the internal audit service. This includes the delivery of specialist skills which are provided by staff within the service with the relevant knowledge, skills and experience.

Quality assurance

All audit work undertaken is subject to robust quality assurance procedures as required by relevant (i.e. CIPFA, CIIA) professional standards. These arrangements are set out in the division's standards manual and require that all working papers and reports are subject to thorough review by professionally qualified accountancy (CCAB) staff.

Combined assurance

We work in conjunction with the Council's External Auditors (PwC) in order to ensure that the assurance both internal and external audit can provide, is focussed in the most efficient manner and that any duplication is eliminated.

The following reviews and associated services will be delivered corporately across the Council:

Auditable Area	Purpose
Assurance framework	An ongoing review of the assurance framework - including the use of Control Assurance Statements, risk management and other sources in the compilation of the Annual Governance Statement.
Assurance mapping	An ongoing mapping exercise between the controls identified as mitigating risk from the strategic risk register, to the sources of assurance that these controls are operating. This will play a key part in informing the Annual Governance Statement.
National fraud initiative	In accordance with Audit Commission requirements we will lead on the Council's NFI data matching exercise, including working with the successor body to the Audit Commission (the Cabinet Office).
Fraud investigations	The carrying out of investigations into areas of suspected or reported fraudulent activity across the Council.
Counter fraud activities	A series of Council wide pro-active fraud activities, including the targeted testing of areas open to the potential of fraudulent activity including maintenance of the Council's fraud risk register, hosting raising fraud awareness seminars and fraud surgeries and the production of a regular anti-fraud and corruption newsletter.
Value for money reviews	During the year discussions will be held with senior management regarding the identification of potential value for money areas, where Audit Services could be of assistance in performing value for money advice and or/reviews.
Payment transparency	An ongoing review of the Council's compliance with the government's data transparency publishing requirements will be undertaken.
Recommendation follow up	The follow up of key internal audit recommendations made across the Council in 2013/14
Development and advice	Reviewing system developments on key controls and providing advice relating to systems which are not necessarily covered by audits originally scheduled for 2014/15.
Contingency	Special projects, advice and assistance, unplanned and ad-hoc work as and when requested.
Management	Day to day management of the internal audit service, quality control, client and external audit liaison and preparation for, and attendance at various meetings.
Audit Committee	Preparation and presentation of papers for the Audit Committee and Sub-Committees, and providing advice and training to committee members as and when required.

NOT PROTECTIVELY MARKED

People

Strategic Risks

Risk 1 – Looked After Children (LAC)

Risk 7 – Safeguarding

Risk 8 – Business Continuity Management

Risk 11 – The Care Act

Risk 12 – The Better Care Fund

Risk 15 – Emergency Planning

Older People

Social Workers - Financial and Performance Controls

An assessment of the processes in place to monitor expenditure and the performance of social workers, and the associated impact/benefits.



Carefirst / Agresso data

An assessment of the integrity and accuracy of the transfer of data between Carefirst and Agresso.



Public Health and Wellbeing

Business Continuity / Resilience Management

To provide an overview of business continuity / resilience management processes including integration with public health.



Independent Reviewing Officer (IRO)

A review to assess that the IRO's roles and responsibilities fully comply with statutory requirements.



Children and Young People

External Placements (LAC)

A review of the procedures in operation to place looked after children externally and an assessment of measures to reduce external placements and maximise cost efficiencies.



Disability & Mental Health

Transitions

A review of the arrangements for the transition between children's and adults' social care.



Audit planning note:

While both the Care Act and Better Care Fund are key risks the Council faces, following discussions with the Strategic Director, it was felt that audit resource would be better focussed on these areas in 2016/17.

Place

Strategic Risks

Risk 2 – Skills for Work
 Risk 9 – City Centre Regeneration
 Risk 10 – Economic Inclusion

City Economy

City Centre Development

A review of the contract management and governance arrangements in respect of City Centre Development Projects (including the Interchange Project).

**Black Country Growth Programme**

A review of the arrangements for the administration of Growth Hub Regional Growth Fund funding where the Council is acting as the Accountable body. The review will also include the management, performance and compliance of ERDF funded programmes (Black Country Gold and Black Country Broadband).

**Civic Halls Improvement Project (Physical Improvement)**

A review of the processes and controls in operation for the Civic Halls Improvement Project prior to the delivery stage.



City Assets

Carbon Reduction Credits Scheme

An annual assurance review and certification in accordance with the CRC Scheme requirements.

**Tenant Management Organisations**

A review of the Council's arrangements for the management/monitoring of Tenant Management Organisations.

**Corporate Landlord Charging and Income Collection Procedures (including Agresso compliance)**

A review of the procedures relating to charging and income collection for services, including compliance with and the effective use of Agresso.



City Environment

WV Active

A review of the online payments process (e.g. membership and facility bookings) to ensure that the correct payments are being collected and transactions recorded in Agresso.



WV Creative and Visitor Economy

A review of the proposed business model and supporting governance arrangements in order to provide assurance on the delivery of outcomes and maximisation of income generation. The review will also include coverage of controls in place for staff expenditure and added value from staff activities, including performance and efficiencies.

Street Lighting

A review of the process for identifying capital schemes, costing requirements and delivery of work to ensure value for money is achieved.

Fleet Management – Hire and Replacement of Vehicles

A high level review around the process for the hire and replacement of vehicles on the Council's fleet. The review will focus on the business cases and approval mechanisms currently in place.



Education

Strategic Risks

Risk 7 – Safeguarding (Schools)

Risk 14 – School Improvement

Standards and Vulnerable Pupils

Safeguarding in schools

A review of the arrangements within schools to safeguard and promote the welfare of children. ●

Pupil premium

A review of the arrangements within schools to assess how effectively they employ best practice and utilise available funding to improve educational standards and narrow the attainment gap between the most disadvantaged pupils and their peers. ●

Governance strategy

Compliance with the recently introduced strategy and an assessment of its impact on the development of effective governing bodies in Wolverhampton schools. ●

Schools

A review of the governance and financial procedures in place at a sample of nursery, primary, secondary and special schools, and pupil referral units to ensure coverage of all local authority maintained schools over a predetermined cycle. ●

School Planning and Resources

Wolverhampton Schools' Improvement Partnership (WSIP)

A review of WSIP's management and financial arrangements where the Council acts as the company's supervising authority. ●

Corporate

Strategic Risks

Risk 3 – Information Governance

Risk 4 – Medium Term Financial Strategy (MTFS)

Risk 5 – FutureWorks

Risk 6 – Compliance with Public Services Network

Risk 16 – Equal Pay

Finance

Key Financial Systems

A review of the high-level financial system controls and other key processes as agreed with the Council's External Auditors, these include: Accounts Payable, Accounts Receivable, Payroll, Budgetary Control, General Ledger, Capital Expenditure, Treasury Management, Local Taxes, Housing Rents, and Housing Benefits.

Certifications

Assurance review of grants and other certifications including both the Teachers and Pension Fund pension returns.

Medium Term Financial Strategy

Reviews of the expenditure controls (including banking) supported by a review of payments to confirm compliance with Council policies.

Equal Pay

A review of the Council's equal pay liabilities, particularly around the risks of second generation claims.

Finance (continued)

Grant Accounting and Accountable Bodies

A review of the management and control of all grants received by the Council and the administration of grants on behalf of partnering organisations.

Salary Sacrifice Schemes

A review of schemes to ensure they are administered in accordance with HMRC guidelines and employer liabilities are being effectively managed.

Governance

Information Governance

A review of the Council's Information Governance procedures to ensure it is meeting the Public Sector Network's requirements.

Equalities and Diversity

A review of the Equalities and Diversity processes in order to ensure that the Council is complying with current legislation.

Agresso Benefits Realisation

A review of the business efficiencies delivered following the implementation of Agresso against those in the original business case.

Debt Recovery Action Plan

An assessment review of the progress made against the action plan produced as part of the independent review of the Council's debt recovery processes and procedures.

Elections

A review of the Elections account to ensure that the Council is not over/under claiming for the cost of conducting a general election.

Democratic Support Management of Reports

A review of the systems, processes, and controls in place for the management of reports for all of the Council's meetings.

Mayoral Office

At the request of the Head of Service, a review of the procedures in operation within the Mayoral Office will be undertaken.

Transformation (including ICTS, Communication, and City Direct)

Strategic Risks

Risk 17 – Employee Management

Communication

External Advertising Costs

A value for money review of external advertising costs, particularly around costs associated with public notices and recruitment.



City Direct

Customer Service Transformation Programme

A consultancy based review of the service migration process that is being adopted to bring functions into the Contact Centre as part of the Customer Service Transformation Programme.



Transformation

Performance Appraisals

A review to ensure that all of the Council's service areas are undertaking performance appraisal reviews in accordance with management policies.



Human Resources System – Data Quality

A review of the quality of data held within the Agresso Human Resources system.



Corporate Projects Team

To provide advice and consultancy around the centralisation of project management functions and approaches applied across the Council.





ICTS

Assurance over the governance of the ICTS function, including the management of ICT risks and key operational controls.



Key:

-  high assessment of assurance need
-  medium assessment of assurance need

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Audit Committee

9 March 2015

Report title	Payment Transparency	
Cabinet member with lead responsibility	Councillor Andrew Johnson Resources	
Accountable director	Mark Taylor, Finance	
Originating service	Audit	
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:

The Council's current position with regards to the publication of all its expenditure.

1.0 Purpose

1.1 This report is to update the Committee on the Council's current position with regards to the publication of all its expenditure.

2.0 Background

2.1 The latest position on the Council's payment transparency activity is as follows:

- Following the introduction of Agresso, the Council now publishes its own spend data, instead of using a third party.
- The data is available on the Council's internet site under Transparency and Accountability (payments to suppliers) and is updated monthly.
- In addition to the spend to date, the site also includes spend for the financial years from 2011 to 2014.
- Since last reported to the Audit Committee in December 2014, there has been one request for information from the public (as an 'armchair auditor') via the mailbox available on the Council's website. This was a request for general spend data and they were directed to the Council's datashare site.

3.0 Progress, options, discussion

3.1 We will report back to the next Audit Committee on the details of any 'armchair auditor' requests the Council receives.

4.0 Financial implications

4.1 There are no financial implications arising from the recommendations in this report.
(CN/20022015/F)

5.0 Legal implications

5.1 There are no legal implications arising from the recommendations in this report.
(TS/1602105/S)

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 implications in this report.

10.0 Schedule of background papers - None

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Audit Committee

9 March 2015

Report title	Report on Secondary School Balances	
Cabinet member with lead responsibility	Councillor Andrew Johnson Resources	
Accountable director	Mark Taylor, Finance	
Originating service	Strategic Finance	
Accountable employee(s)	Orlen Johnson	Finance Manager
	Tel	01902 554114
	Email	Orlen.johnson@wolverhampton.gov.uk
Report to be/has been considered by		

Recommendation(s) for action or decision:

The Committee is recommended to:

1. Note the position on school balances and the action taken with regard to schools with deficit budgets

1.0 Purpose

- 1.1 This report will update Councillors on the level of balances held by secondary schools as at 31 March 2014 and provide details on schools current projections on balances to 2016/17. Whilst schools have a right to plan the use of their resources over the medium term and maintain balances, as champions of school improvement the Council has a responsibility to ensure that schools are using the resources delegated to them to best effect and not building excessive balances or operating with significant un approved deficits.
- 1.2 Three secondary schools in the city closed the last financial year with significant deficits, one of these has since converted to academy status under a DFE “direction” which results in any deficit remaining with the Authority. This report sets out the position regarding secondary schools balances and provides some explanations for those schools with current deficits

2.0 Background

- 2.1 A school’s right to carry forward surplus balances is covered in Section 4 of the Wolverhampton Scheme for Financing Schools. Section 4.1 states that
- ‘Schools may carry forward from one financial year to the next any surplus/deficit in net expenditure relative to the school’s budget share for the year plus/minus any balance brought forward from the previous year’*
- 2.2 Where a school is in deficit or its financial planning information suggests that it will be in deficit in the current financial year, the school is required to submit an application seeking the approval of the Council.
- 2.3 In order to support school medium term financial planning schools are required to prepare budget plans detailing estimated expenditure and income covering three financial years to ensure that they take strategic view regarding their financial management. The Local Authority seeks additional information where schools are planning excessive surpluses or deficits in future years and will issue a notice of concern requiring schools to provide additional monitoring information where it is deemed necessary.
- 2.4 During the current financial year the Local Authority challenged schools across the school estate that maintained significant balances at the end of 2013/14. Meetings were convened with schools that met the following criteria:
- a) The school had balances of more than 15% for more than 5 years.
 - b) The school had balances of more than (5% secondary, 8% primary or special schools) but were judged as requiring improvement or in special measures at their last OFSTED.

The Local Authority Met with 22 schools to discuss action plans for the use of the surplus resources. The position will be reviewed again at the end of 2014/15 and further action taken with those schools that have not delivered on agreed plans to improve outcomes for their pupils.

3.0 Schools Actual and Projected Balances

3.1 A summary of schools financial position is set out in Appendix A. This includes actual balances in 2012/13 and 2013/14 and projected balances for 2014/15 to 2016/17 based on schools current 3 year financial plans. The appendix only details the balances of those schools that were maintained by the Local Authority at 1 April 2014. The secondary settings not detailed in the appendix converted to academy status by 31st March 2014 and therefore fall outside of Local Authority control. From this point their reporting requirements and accountability regarding their finances were determined by the Education funding Agency.

3.2 Licenced deficits for 3 secondary schools were agreed by Cabinet (Resources) Panel in October 2014. One of these schools (Wednesfield High) has since converted to an academy under the direction of the DFE. In those circumstances the deficit remains with the Authority and is funded through a top slice off the Dedicated Schools Grant. The position on the remaining 2 secondary schools with licenced deficits is as follows:

3.3 Colton Hills

3.3.1 The school ended 2012/13 with a deficit of £19,999, this represented 0.5% of their delegated funding for that year. The original deficit arose as a result of falling pupil numbers and the school had originally planned to resolve the issue during 2013/14. However, as a result of funding reform changes implemented for 2013/14 the school's funding settlement for the year saw a significant reduction when compared to previous years. The reasons for the reductions are as follows:

- Falling pupil rolls.
- The school was previously funded for 15 places within its resource base provision. As a result of the number of vacancies, this was reduced to three places for 2013/14.
- The number of statemented children receiving additional funding from Council central funds reduced substantially.
- The 2013/14 funding formula was more pupil led; as a result the lower numbers in school attracted comparatively less funding.

3.3.2 As a result the deficit rose to a projected £204,275 during 2013/14 and ended at £184,387. Whilst the school had planned a staffing restructure during 2013/14 to account for pupil number reductions, this was delayed following OFSTED inspection judging the school as "requiring improvement".

3.3.3 The school is employing the following range of strategies to recover the deficit:

- Experienced teachers will be leaving to be replaced by newly qualified teachers.

- Reduction in the reliance on agency staff for staff cover.
- Reduced fixed term exclusions, the school is using in house strategies to provide solutions.
- A staffing restructure across school within leadership and support staff, resulting in the reduction of eight posts. However up front redundancy costs of £100,000 will delay the full effect of this savings strategy.

3.3.4 The school has approval to recover the deficit over four years with a balance recovery profile as follows.

	£
2012/13	(19,999)
2013/14	(184,387)
2014/15	(250,656)
2015/16	(121,459)
2016/17	174,585

3.4 Coppice

3.4.1 In a previous report to Cabinet (Resources) Panel it was reported that the school ended the 2012/13 financial year with a deficit of £36,966. Following a request for intervention from the head teacher, work with the school revealed a potential deficit of £498,000. Following challenge from the local authority regarding spending plans for 2013/14 the school revised plans to produce a deficit balance of £ 305,000. The school has been issued with a notice of concern to ensure the local authority has influence over the finances at the school and to place greater restrictions on the school's spending decisions.

3.4.2 Due to the size of the potential deficit and the other pressures at the school following a recent OFSTED that judged the school as "requiring improvement", the Local Authority agreed to consider a deficit recovery plan that exceeds 3 years but extends up to 5 years. The actual year end deficit for 2013/14 was £260,237. A deficit recovery plan was received from the school by 31 May 2014.

3.4.3 The reasons for the deficit identified to date are as follows:

- A number of unpaid invoices relating to previous years.
- The energy costs of the new building are substantially increased over the previous year.
- School funding reform - up to 2012/13 the school could access substantial financial support from the Council's centrally retained statemented funding pot. From 2013/14 the schools have assumed responsibility to fund the majority of additional needs from budget shares before requesting support from the Council.
- The school is citing a number remedial works in the new building that were funded from budget share.

3.4.4 The school will be adopting the following strategies to recover the deficit.

Details	Year 1 2014/15 £	Year 2 2015/16 £	Year 3 2016/17 £	Year 4 2017/18 £
Statutory building testing - previously with Carillion FM for £110,000 per year, now £34,000 with Solihull Council and some other bespoke individuals.	76,000	76,000	76,000	76,000
Catering contract tendered and awarded - £0 cost to school for first 2 years and only hospitality and free school meals to pay - company to recover all expenses through tills.	8,000	12,000	12,000	12,000
Substantial savings made in all other areas e.g., grounds maintenance, waste, recycling and other general contracts savings made through termination of non-essential services.	15,000	15,000	15,000	15,000
The Council has agreed for the admission number for the school to be increased from 160 to 180 over time. The school is consistently oversubscribed so there are good indications that there will be extra pupils. They have conservatively planned additional funding for an additional 10 pupils.		37,000	37,000	37,000
Total	99,000	140,000	140,000	140,000

3.4.5 Additionally the school has made a claim against building contractors for a contribution to the costs of a range of remedial works that the school was required to undertake to ensure health and safety requirements were maintained. Whilst negotiations are on going it is becoming increasingly unlikely that a substantial proportion of the claimed costs will be refunded to the school by the contractor. These resources have not been factored into the deficit recovery plan and have been considered as windfall sums that will improve the recovery plan if realised. Following the resolution of the issues with the ICT platform, the Local Authority have released £41,000 to support the school with the costs of the replacement.

3.4.6 The schools deficit recovery profile was reported in October as follows:

Year £

2014/15	(260,237)
2015/16	(168,913)
2016/17	(114,113)
2017/18	5,195

However, the school has recently indicated that it will not be able to achieve this profiled return to surplus and further discussions are planned.

- 3.5 Secondary schools with surplus balances of greater than 5% are required to provide an explanation to the Authority on the proposed use of those surpluses. Four secondary schools had surplus balances of greater than 5% at the end of 2013/14 and submitted satisfactory explanations. Current plans suggest that those schools will be required to take actions to avoid deficit positions by the end of the 3 year period.

4.0 Future Issues

- 4.1 Whilst schools budgets have been subject to a level of protection not afforded to other Local Authority services, the financial pressures they face are such that difficult decisions will be required in future years as they seek to plan an effective curriculum whilst accommodating the upward costs pressures around pay awards, pensions, energy etc. The Department for Education has recognised these pressures and in June 2013 published "*Review of efficiency in the schools system*" setting out the requirement for schools to begin to think more creatively around the deployment of resources to deliver the curriculum. Schools were encouraged to share resources and specialisms as a means to reduce costs. It is unclear how widely these strategies are being employed across the school estate in Wolverhampton.
- 4.2 Pupil numbers are also an important part of the issue that is currently causing the vulnerability in secondary sector, as low numbers work through this sector prior to the bulge that is currently being seen in the primary sector. Regulations allow the Local Authorities to provide support funding for good schools with current low year groups but with evidence that there is a bulge in pupil numbers in feeder schools. The local authority has discussed the principle with the local School Forum and will consider this flexibility if it is considered necessary.

5.0 Financial implications

- 5.1 Schools are required to set a balanced budget unless the Authority has agreed to a licenced deficit.
- 5.2 On 27 February 2015 the local authority published schools budget allocations for 2015/16 together with estimates of pupil premium allocations for the same financial year. Existing maintained schools will be required to submit budget plans by 31st May 2015 detailing their plans for the use of those resources for 2015/16 – 2017/18. Schools that are projecting deficits will be challenged with regard to their plans to develop a budget plan that remains balanced over three years.

[OJ/24022015/R]

6.0 Legal implications

- 6.1 Schools are required to set a balanced budget unless the Authority has agreed to a licenced deficit.
- 6.2 A school's right to hold balances is regulated by Section 45 – 53 of School Standards and Framework Act 1998 and is contained within section 4 of the authority's Scheme for financing schools, as approved by the Schools Forum. The Council has a duty to monitor use and challenge schools where balances exceed national guidelines.
[TS/26022015/N

7.0 Equalities implications

- 7.1 The allocation of resources to schools has a major impact on a school's ability to deliver its desired outcomes and as such has implications for all pupils in the wider school community and within Learning and Achievement.

End of year balance figures shown in Appendix A may include unspent pupil premium allocations. It is important that discussions with schools explore how the needs of target cohort pupils/ students are being identified and met in school development and budget plans.

8.0 Environmental implications

- 8.1 There are no direct environmental implications as a result of the proposals of this report.

9.0 Human resources implications

- 9.1 There are no direct human resources implications as a result of this report, but where school are projecting significantly reducing balances action will need to be taken to reduce expenditure to ensure financial viability. As staffing costs invariably account for 75% - 85% of schools expenditure there will be implications for staffing structures.

10.0 Corporate landlord implications

- 10.1 There are no direct Corporate Landlord implications as a result of this report.

11.0 Schedule of background papers

- 11.1 Schools Outturn statements 2012/13 and 2013/14
Schools revised budget plans 2014/15
Schools licenced deficit applications.

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Secondary School Balances 2012/13 - 2016/17

School	2012/13*	2013/14*	2014/15	2015/6	2016/7	Comments
Colton Hills Community	(£19,999)	(£184,387)	(£250,656)	(£121,459)	£174,585	The school funding settlement in 2013/14 was impacted by low pupil numbers and the effect of the funding reform. Pupil numbers at the school are improving and recent school restructure is expected to deliver efficiencies need. The School has an approved licensed deficit with the Local Authority.
Coppice Community High	(£36,966)	(£260,237)	(£137,738)	(£199,888)	(£332,006)	School issued with a notice of concern around finances, school cites additional costs of new building as key to its financial difficulties. School has an approved licensed deficit and will be contacted around its plans to return to surplus.
Deansfield High	£206,898	£310,556	£295,664	(£108,944)	(£772,474)	School currently in surplus but recent OFSTED judgment impacting on pupil numbers and will impact on its settlement in 2015/16. PFI school will take over premises September 2015, LA working with school to understand costs in the new building.
Highfields	£172,754	£62,015	£133,000	£263,560	£263,879	School now planned to convert to academy June 2015 and will be outside of Local Authority control.
Moreton Community	£638,347	£443,593	£362,166	£278,230	£2,233	School impacted by funding reforms of 2013/14 currently protected by funding guarantee, vulnerable to more funding reductions.
Our Lady & St Chad Catholic	£919,118	£1,080,136	£552,634	£205,391	(£370,691)	Converting to academy 1st March 2015 will be outside of Local Authority control.
The King's Church of England	£788,084	£331,605	£67,645	£4,790	£255	School impacted by low pupil numbers, restructure planned for 2015/16 to secure continued viability
Wednesfield High School	(403,977)	(375,693)	(710,000)			Converted to academy 1st January 2015. Local Authority in herited the deficit, that will be charged against schools resources for 2015/16.

Notes

- 1) Balances quoted for 2012/13 and 2013/14 are actual
- 2) Balances quoted for 2014/15 - 2016/17 are projections from schools budget plans

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Audit Committee

9 March 2015

Report title	2014/15 Statement of Accounts Progress Update	
Cabinet member with lead responsibility	Councillor Andrew Johnson Resources	
Accountable director	Mark Taylor, Finance	
Originating service	Finance	
Accountable employee(s)	Claire Nye Tel Email	Chief Accountant 01902 550478 Claire.nye@wolverhampton.gov.uk
Report to be/has been considered by		

Recommendation(s) for action or decision:

The Committee is recommended to:

- (a) Note the progress on planning and delivering the Statement of Accounts for 2014/2015.
- (b) Note that the Director of Finance continues to be of the opinion that the Council has provided sufficient resources to allow the statutory responsibilities in relation to the statement of accounts to be fulfilled.

1.0 Purpose

- 1.1. To inform the Audit Committee of progress on planning and delivering the Statement of Accounts for 2014/2015.

2.0 Background

- 2.1 The Council is required by law to produce an annual statement of accounts, with a draft being available for audit by 30 June immediately following the financial year, and audited accounts published by 30 September. The Council's accounts are prepared by the Strategic Finance department under the instruction of the Director of Finance, who has a legal responsibility to certify that the statements present a 'true and fair' view of the Council's financial position at the end of the year, and the income and expenditure during the year.
- 2.2 The content of the statement of accounts is largely specified by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting, which is updated annually. There have been no major changes to the Code of Practice for 2014/2015, and accordingly the statement of accounts are expected to be very similar to the 2014/2015 statements.
- 2.3 The statement of accounts process for 2013/2014 was a successful one, and the approach for 2014/2015 is to build upon this. This report provides an update on progress to date and key risks relating to the preparation of accounts process.

3.0 Progress to Date

- 3.1. The following progress has been made so far on the 2014/2015 statement of accounts:
 - Work is currently underway to ensure that all opening balances, including the upload of fixed assets and reserves, have been correctly input into Agresso.
 - Ongoing projects and tasks are underway to ensure that all required year-end reports and data from the Agresso system are appropriate and effective including testing where necessary. These projects are on track to be completed in time for the detailed year-end procedures for preparation of the accounts.
 - Meetings have been held with members of the strategic finance team and members of the operational finance team to determine and agree year-end timetables and processes.
 - A detailed timetable has been prepared detailing the various tasks and deadlines and circulated to members of the Strategic Finance team.
 - A memo has been circulated to all budget holders detailing the processes relating to year-end closedown with key dates with particular emphasis on payments and banking, accruals and invoicing.

- The first set of pro formas have been sent out to the Strategic Finance teams requesting initial information on various matters relating to the accounts including leases, group accounting, related parties and impairment review.
- A planning meeting has been held with the Council's auditors, PriceWaterhouseCoopers (PwC) and dates for the interim and final audits have been agreed.
- Estates and Valuation are currently undertaking a revaluation of some of the Council's properties in accordance with the five-year rolling schedule. The revaluation process is substantially complete.
- The accounting policies applying to the 2014/2015 statements have been prepared and are subject to approval by the Director of Finance.

4.0 Timetable

4.1 The summarised closedown timetable, detailing the key dates can be found at Appendix A of this report. This also includes a summarised timetable for the West Midlands Pension Fund Accounts.

4.1. The timetable is a dynamic document which will be closely monitored and reviewed on a weekly basis and updated, when appropriate, as the closedown process progresses.

5.0 Financial implications

5.1 The Council is required under law and its own Constitution to "provide the...Section 151 Officer with such employees' accommodation and other resources as are in their opinion sufficient to allow their duties to be performed" (Constitution part 2/22). The Director of Finance continues to be of the opinion that the Council has provided sufficient resources to allow the statutory responsibilities in relation to the statement of accounts to be fulfilled, however, the position will continue to be monitored very closely and should things change this will be brought to Councillors' attention at the earliest opportunity.
[CN/23022015/G]

6.0 Legal implications

6.1 Legal implications and relevant legislation are contained in the body of the report.
[TS/23022015/D]

7.0 Equalities implications

7.1 There are no equality implications arising from this report.

8.0 Environmental implications

8.1 There are no environmental implications arising from this report.

9.0 Human resources implications

9.1 There are no human resource implications arising from this report.

10.0 Corporate landlord implications

10.1 There are no corporate landlord implications arising from this report.

11.0 Schedule of background papers

11.1 A summarised timetable is attached as Appendix A.

Appendix A Summarised Timetable 2014-15

Wolv

Date	Area
Fri 06 Feb 15	Proformas
Fri 27 Feb 15	Proformas
Mon 09 Mar 15	Proformas
Fri 20 Mar 15	Recharges
Tue 24 Mar 15	Accruals - systems
Wed 25 Mar 15	Administration
Thu 26 Mar 15	Fixed Assets - Revaluation
Thu 26 Mar 15	Accruals - systems
Fri 27 Mar 15	Accruals - systems
Fri 27 Mar 15	Accruals
Fri 27 Mar 15	Accruals
Fri 27 Mar 15	Accruals
Fri 27 Mar 15	Accruals
Mon 30 Mar 15	Accruals - systems
Tue 31 Mar 15	Accruals - systems
Tue 31 Mar 15	Accruals - systems
Tue 31 Mar 15	Cash
Tue 31 Mar 15	Accruals - systems
Wed 01 Apr 15	Accruals
Wed 01 Apr 15	Accruals - systems
Thu 02 Apr 15	Statement
Thu 02 Apr 15	Accruals
Thu 02 Apr 15	Accruals
Thu 02 Apr 15	Accruals
Fri 10 Apr 15	Fixed Assets - Leases
Fri 10 Apr 15	Outturn
Fri 10 Apr 15	IAS 19 Leave Accrual
Fri 10 Apr 15	Fixed Assets - Impairment
Fri 10 Apr 15	Related Parties - Member's interests
Fri 10 Apr 15	Control
Fri 10 Apr 15	Fixed Assets - Disposals
Fri 10 Apr 15	Control
Fri 10 Apr 15	Recharges
Mon 13 Apr 15	Audit

Fri 17 Apr 15	Fixed Assets - Assets held for sale
Fri 24 Apr 15	Capital
Fri 17 Apr 15	IAS 19 Leave Accrual
Fri 24 Apr 15	Audit
Fri 24 Apr 15	Statement
Wed 29 Apr 15	IAS 19 Pensions
Fri 15 May 15	Capital
Fri 08 May 15	Recharges
Fri 08 May 15	Proformas
Fri 15 May 15	Control
Fri 22 May 15	Collection Fund
Fri 29 May 15	Statement
Fri 29 May 15	HRA
Wed 24 Jun 15	Pension Fund Accounts
Wed 24 Jun 15	Statement
Tue 30 Jun 15	WGA
Wed 08 Jul 15	Reports
Mon 20 Jul 15	Audit
Mon 27 Jul 15	Audit
Fri 04 Sep 15	Statement
Fri 11 Sep 15	Audit
Fri 11 Sep 15	Administration
Wed 16 Sep 15	Administration
Fri 18 Sep 15	Administration
Mon 21 Sep 15	Reports
Wed 23 Sep 15	Pension Fund Accounts
Fri 25 Sep 15	Audit
Mon 28 Sep 15	Statement

West

Date	Area
Fri 30 Jan 15	Pension Fund
Fri 13 Feb 15	Pension Fund
Fri 20 Feb 15	Pension Fund
Fri 20 Feb 15	Pension Fund
Fri 27 Feb 15	Pension Fund
Fri 27 Feb 15	Pension Fund
Mon 02 Mar 15	Pension Fund
Fri 06 Mar 15	Pension Fund
Fri 06 Mar 15	Pension Fund
Fri 13 Mar 15	Pension Fund
Tue 31 Mar 15	Pension Fund
Fri 03 Apr 15	Pension Fund
Tue 07 Apr 15	Pension Fund
Fri 10 Apr 15	Pension Fund

Fri 10 Apr 15	Pension Fund
Fri 10 Apr 15	Pension Fund
Fri 10 Apr 15	Pension Fund
Fri 10 Apr 15	Pension Fund
Fri 10 Apr 15	Pension Fund
Fri 17 Apr 15	Pension Fund
Fri 24 Apr 15	Pension Fund
Fri 24 Apr 15	Pension Fund
Fri 24 Apr 15	Pension Fund
Fri 24 Apr 15	Pension Fund
Wed 29 Apr 15	Pension Fund
Fri 01 May 15	Pension Fund
Fri 01 May 15	Pension Fund
Fri 01 May 15	Pension Fund
Fri 01 May 15	Pension Fund
Fri 08 May 15	Pension Fund
Fri 15 May 15	Pension Fund
Fri 29 May 15	Pension Fund
Fri 12 Jun 15	Pension Fund
Wed 24 Jun 15	Pension Fund
July 2015	Pension Fund
Mon 31 Aug 15	Pension Fund
Wed 23 Sep 15	Pension Fund
Wed 30 Sep 15	Pension Fund

Task
Circulate green proformas to SFS teams
Green Proformas to be completed.
Circulate purple proformas to SFS teams
Details of all SLA bases to be provided to Strategic Finance
Final date for invoices/uploads to have been submitted/uploaded/receipted to be paid in old year
Last 2014/15 payment run
Calculate and input entries for revaluations/impairments based on cyclical review
Last date for requests from service groups for old year payment of CHAPs
Last date for raising debtors invoices on-line
Last date for service groups to raise old year credit notes (debtors)
Manual school creditors and Debt1 accrual forms to received by accountancy
March payroll run and posted into Agresso
Schools Manual Capital Accruals sent to Corporate Asset Mgmt
Banking uploads up to 31.03.15 to be sent to Banking Services.
Authorising goods received online and matching or unblocking invoices in Agresso for invoices to be auto-accrued to the old financial year
Banking e-returns up to 31.03.15 to be sent to Banking Services
Bankings cleared and on the bank statement as at this date will automatically go into old year
Last date for reviewing/coding purchases in Dcal to ensure purchases go into the old financial year
Agresso automatic accruals procedure run
Import feeders/interfaces to Agresso
Certified Stocks and Work in Progress List to be returned to SF
Check automatic accruals posted
Circulate list of contract retentions for property and landscaping to SF teams for manual accrual
PCB (Technical Salaries) - time sheets to be input + approved
Calculate and input entries for new leases
Calculate bad debt provision
Complete leaver review Schools HR
Conclude a review of general market conditions in context of potential general revaluation/impairment
Consolidate information on member's interests for the related parties
All holding accounts reallocated.
Identify all disposals and action journals to charge NBV to CIES & Statutory reversal through the MIRS (see also capital receipts entries)
Reconciliation of control accounts - WCC
Support services' recharges actioned
Interim Audit (4 days) with 1 day next week- 20th

Contact Strategic Asset Management to Identify Assets Held For Sale and update Asset Register.
Final entries for capital expenditure & income
Process IAS19 Transactions for Employee Leave Accrual
Circulate Final Audit draft deliverables (from PwC) around appropriate people
Produce final aged debtors report
IAS19 pensions calculation expected from Mercer
Capital Expenditure Settlement Procedure Run
Final internal recharges
Purple proformas due to Corporate Accountancy
Last revenue entries by teams.
Prepare Collection Fund financial statements
Prepare Cash Flow Statement
Prepare HRA Financial Statements
Pension Fund Accounts draft accounts approved for inclusion in Council draft accounts
Accounts approved by S151 Officer
Whole of Government Accounts completed (Submitted to CLG & PwC)
Reserves, Provisions and Balances & Outturn Report
Pass Audit Working Papers to PwC for audit
Final Audit (4 weeks)
Final Statement of Accounts & WGA to PwC
Clearance meeting with PwC.
Draft ISA 260, opinion and management letter to Council
Comments on draft ISA 260 etc. to be returned to PwC.
Manager's Representation letter signed by Section 151 Officer
ISA 260 /Audited Accounts Approved by Audit Cttee
Audited pension fund accounts approved for inclusion in Council final accounts
Audited accounts available to the public (Internet site)
Audited WGA to DCLG

Midlands Pension Fund

Task
Review CIPFA example accounts and disclosure checklist
Prepare skeleton accounts
Incorporate addendum information into main annual report
Contact Hymans Robertson to arrange provision of information for note
Identify any significant issues re employers e.g. terminations
Review related parties list
Contact Prudential and Equitable Life for information required for AVC
Ensure balances brought forward are correct
Co-ordinate receipt and submission of information required for IAS 19
Agree charges for SLAs, democratic core and statutory officer
Identify any debtors not reflected in ledger e.g. UPM processes
Ensure suspense account clear
Have data prepared for submission to Hymans Robertson
Accrue for investment management fees

Ensure that all reconciling items in bank reconciliation have been
Check cash flows for any outstanding settlements required to/from the
LAPFF: calculate interest due on LAPFF balances and ensure that LAPFF
Identify creditors/payments in advance as at 31 March and accrue
Identify retirements occurring on 31 March and accrue accordingly.
Check that Additional Voluntary Contributions are correctly analysed
LAPFF: analytical review of income and expenditure.
Final Reconciliation of Control Accounts
Lump Sum Payments: check whether any payments or receipts in
Accrue for contributions receivable for March
Adjust for discount on early payment of contributions as required
Deadline for information re: Capital Returns.
Deadline for information re: accrued interest on fixed interest
Deadline for information regarding UK Tax reconciliation
Deadline for information regarding Overseas Tax reconciliation
Gross up Investment & Administration Expenses in Pension Fund/ General Fund
Analytical review of primary statements
Fund accounts to be certified by S151 Officer
Working papers compiled for external audit
Pensions Committee to approve draft accounts and annual report
PwC on site to perform audit
Final draft of annual report completed
Pensions Committee to approve final draft of accounts and annual report
Final accounts and annual report to be published on internet (statutory deadline)



Audit Committee

9 March 2015

Report title	Appointment of External Auditor	
Cabinet member with lead responsibility	Councillor Andrew Johnson Resources	
Accountable director	Mark Taylor, Finance	
Originating service	Audit	
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	

Recommendation for noting:

The Committee is asked to note:

The appointment of Grant Thornton UK LLP to audit the accounts of the Council for two years from 2015/16.

1.0 Purpose

To inform the Audit Committee of the Audit Commission's decision to appoint Grant Thornton UK LLP to audit the accounts of the Council for two years from 2015/16.

2.0 Background

- 2.1 The Council has received a letter from the Audit Commission confirming the appointment of Grant Thornton UK LLP to audit the accounts of the Council for two years from 2015/16. The appointment is made under section 3 of the Audit Commission Act 1998 and was approved by the Audit Commission Board at its meeting on 4 December 2014. The Commission's contracts with audit firms are extendable by three years. The Department for Communities and Local Government (DCLG) has indicated it will make a decision in summer 2015 about whether to extend the contracts from 2017 to 2020.
- 2.2 The auditor currently appointed by the Audit Commission to the Council, PricewaterhouseCoopers LLP, will complete the audit of the accounts for 2014/15.

3.0 Progress, options, discussion, etc.

- 3.1 Under the provisions of the Local Audit and Accountability Act 2014, the Audit Commission will close at the end of March 2015. From 1 April 2015, a transitional body, Public Sector Audit Appointments Limited (PSAA), set up by the Local Government Association as an independent company, will oversee the Commission's audit contracts until they end in 2017, or 2020 if extended by DCLG. Arrangements for audited bodies, including the Council, to appoint their own auditor will be announced by DCLG and will apply once the audit contracts have ended.
- 3.2 Further details of these arrangements will be brought to the attention of the Audit Committee, once known.

4.0 Financial implications

- 4.1 There are no financial implications arising from the recommendations in this report. (CN/20022015/I)

5.0 Legal implications

- 5.1 There are no legal implications arising from the recommendations in this report. (TS/16022015/T)

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 – Audit Commission letter of 15 December 2014

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15 December 2014

Mr Simon Warren
Chief Executive
Wolverhampton City Council
Civic Centre
St. Peters Square
Wolverhampton
WV1 1SH

Direct line

0303 444 8273

Email

auditor-
appointments@audit-
commission.gsi.gov.uk

Dear Mr Warren

Wolverhampton City Council – confirmation of auditor appointment from 2015/16

I wrote in June to consult you on the proposed appointment of Grant Thornton UK LLP as the external auditor for Wolverhampton City Council from 2015/16.

Auditor appointment

This letter confirms the appointment of Grant Thornton UK LLP to audit the accounts of Wolverhampton City Council for two years from 2015/16. The appointment is made under section 3 of the Audit Commission Act 1998 and was approved by the Audit Commission Board at its meeting on 4 December 2014.

The Commission's contracts with audit firms are extendable by three years. The Department for Communities and Local Government (DCLG) has indicated it will make a decision in summer 2015 about whether to extend the contracts from 2017 to 2020.

The auditor currently appointed by the Commission to Wolverhampton City Council, PricewaterhouseCoopers LLP, will complete the audit of the accounts for 2014/15.

Audit quality and regulation

Under the provisions of the Local Audit and Accountability Act 2014, the Commission will close at the end of March 2015. From 1 April 2015, a transitional body, Public Sector Audit Appointments Limited (PSAA), set up by the Local Government Association as an independent company, will oversee the Commission's audit contracts until they end in 2017, or 2020 if extended by DCLG. Arrangements for audited bodies to appoint their own auditor will be announced by DCLG and will apply once the audit contracts have ended.

Audit Commission, 1st Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF
T 0303 444 8300 www.audit-commission.gov.uk

PSAA will exercise the Commission's statutory functions relating to auditor appointments and fees. It will continue to monitor the performance of the firms providing audit services, ensuring that local public bodies receive high quality and effective audit services which provide value for money to the local taxpayer.

Next steps

Grant Thornton UK LLP will contact you in due course about the arrangements for the audit from 2015/16.

If you have any questions, please contact us by email at auditor-appointments@audit-commission.gsi.gov.uk.

Yours sincerely



Jon Hayes
Associate Controller of Audit (Compliance)

cc Mr Mark Taylor, Chief Financial Officer, Wolverhampton City Council
Grant Thornton UK LLP



Audit Committee

9 March 2015

Report title	Audit Committee – Terms of Reference	
Cabinet member with lead responsibility	Councillor Andrew Johnson Resources	
Accountable director	Mark Taylor, Finance	
Originating service	Audit	
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	

Recommendation(s) for action or decision:

The Committee is recommended to undertake an annual review of:

The terms of reference for the Committee and Sub-Committee in line with recognised best practice.

1.0 Purpose

- 1.1 The terms of reference for the Audit Committee were updated and approved by the Audit Committee in March 2014, in order to reflect CIPFA's new position statement: Audit Committees in Local Authorities. It is recognised best practice that such terms of reference are reviewed annually to ensure they remain fit for purpose.

2.0 Background

- 2.1 The terms of reference for the Audit Committee have not been subject to any change since they were last reviewed and approved in March 2014:

Audit Committee - Terms of Reference

Statement of purpose

Our Audit Committee is a key component of the Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

The purpose of our Audit Committee is to provide independent assurance to the members of the adequacy of the risk management framework and the internal control environment. It provides independent review of the governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

Governance, risk and control

- To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
- To review the annual governance statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
- To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.
- To monitor the effective development and operation of risk management in the Council.
- To monitor progress in addressing risk-related issues reported to the committee.
- To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.
- To monitor the counter-fraud strategy, actions and resources.

Internal Audit

- To approve the internal audit charter.
- To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- To approve risk based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- To approve significant interim changes to the risk-based internal audit plan and resource requirements.
- To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
 - Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work;
 - Regular reports on the results of the quality assurance and improvement programme;
 - Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the annual governance statement.
- To consider the head of internal audit's annual report:
 - The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the quality assurance and improvement programme that supports the statement - these will indicate the reliability of the conclusions of internal audit.
 - The opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control together with the summary of the work supporting the opinion - these will assist the committee in reviewing the annual governance statement.
- To consider summaries of specific internal audit reports as requested.
- To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- To contribute to the quality assurance and improvement programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.
- To consider a report on the effectiveness of internal audit to support the annual governance statement, where required to do so by the Accounts and Audit Regulations.
- To support the development of effective communication with the head of internal audit.

External Audit

- To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
- To consider specific reports as agreed with the external auditor.
- To comment on the scope and depth of external audit work and to ensure it gives value for money.
- To commission work from internal and external audit.
- To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

Financial Reporting

- To receive detailed training in respect of the process associated with the preparation, sign off, audit and publication of the Council's annual statement of accounts.
- To monitor the on-going progress towards publication of the Council's annual statement of accounts, ensuring the statutory deadlines are achieved.
- To obtain explanations for all significant variances between planned and actual expenditure to the extent that it impacts on the annual statement of accounts.
- To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
- To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Accountability arrangements

- To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.
- To report to full Council on a regular basis on the committee's performance in relation to the terms of reference, and the effectiveness of the committee in meeting its purpose.

Monitoring of Audit Investigations Sub Committee – Terms of Reference

- Monitor the progress of investigations undertaken by Audit Services.
- Refer significant issues arising from the above to the next scheduled meeting of the Audit Committee.

3.0 Progress, options, discussion, etc.

- 3.1 The terms of reference will continue to be presented to the Audit Committee on an annual basis for review, in order for the Committee to determine their continued suitability in respect of the role of the Committee and Sub-Committees.

4.0 Financial implications

4.1 There are no financial implications arising from the recommendations in this report. (CN/20022015/H)

5.0 Legal implications

5.1 There are no legal implications arising from the recommendations in this report.(TS/16022015/V)

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

There are no corporate landlord implications arising from the recommendations in this report.

10.0 Schedule of background papers

10.1 None

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Audit Committee

9 March 2015

Report title	Audit Committee – Self Assessment of Good Practice and Effectiveness	
Cabinet member with lead responsibility	Councillor Andrew Johnson Resources	
Accountable director	Mark Taylor, Finance	
Originating service	Audit	
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	

Recommendation(s) for action or decision:

The Committee is asked to:

Comment on and complete the self-assessment of good practice and effectiveness exercise.

1.0 Purpose

- 1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) in their Audit Committees – Practical Guidance for Local Authorities, recommend that an Audit Committee should carry out a regular review of its performance and effectiveness, alongside a number of other self-assessment activities. As the first stage of such an exercise, the Committee are asked to complete a self-assessment of good practice checklist, based on the model provided by CIPFA.

2.0 Background

- 2.1 This self-assessment exercise forms part of a three stage review, which in line with CIPFA's Audit Committees – Practical Guidance for Local Authorities, includes the following activities:

Self-assessment exercise

Members of the Committee will be asked to complete this exercise and return it prior to the following Committee meeting.

Members knowledge and skills framework

The Members knowledge and skills framework exercise will be distributed to the Committee at the following meeting.

Evaluating the effectiveness

Once the above framework exercise has been completed, a more detailed "evaluating the effectiveness of the Committee" exercise will be undertaken at a later meeting.

3.0 Progress, options, discussion, etc.

- 3.1 This exercise will take place in three stages. Following each stage, the results will be summarised and presented at the next meeting. The results will also help drive a more structured future training programme.

4.0 Financial implications

- 4.1 There are no financial implications arising from the recommendations in this report. (CN/20022015/R)

5.0 Legal implications

- 5.1 There are no legal implications arising from the recommendations in this report. (TS/16022015/U)

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 – Audit Committee: Self-Assessment of Good Practice

Audit Committee: Self-Assessment of Good Practice

Good practice questions	Yes	Partly	No
Audit committee purpose and governance			
Does the authority have a dedicated audit committee?			
Does the audit committee report directly to full council?			
Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?			
Is the role and purpose of the audit committee understood and accepted across the authority?			
Does the audit committee provide support to the authority in meeting the requirements of good governance?			
Are the arrangements to hold the committee to account for its performance operating satisfactorily?			
Functions of the committee			
<p>Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?</p> <ul style="list-style-type: none"> • Good governance • Assurance framework • Internal audit • External audit • Financial reporting • Risk management • Value for money • Counter-fraud and corruption 			
Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?			
Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?			
Where coverage of core areas has been found to be limited, are plans in place to address this?			
Has the committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?			

Membership and support			
Has an effective audit committee structure and composition of the committee been selected? This should include: <ul style="list-style-type: none"> • Separation from the executive • An appropriate mix of knowledge and skills among the membership • A size of committee that is not unwieldy • Where independent members are used, that they have been appointed using an appropriate process. 			
Does the chair of the committee have appropriate knowledge and skills?			
Are arrangements in place to support the committee with briefings and training?			
Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?			
Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?			
Is adequate secretariat and administrative support to the committee provided?			
Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?			
Has the committee evaluated whether and how it is adding value to the organisation?			
Does the committee have an action plan to improve any areas of weakness?			

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