

## Audit and Risk Committee

11 March 2019

**Time** 2.00 pm **Public Meeting?** YES **Type of meeting** Regulatory

**Venue** Committee Room 3 - Civic Centre, St Peter's Square, Wolverhampton WV1 1SH

### Membership

**Chair** Cllr Craig Collingswood (Lab)  
**Vice-chair** Cllr Sohail Khan (Con)

#### Labour

Cllr Obaida Ahmed  
Cllr Harbans Bagri  
Cllr Mary Bateman  
Cllr Philip Bateman MBE  
Cllr Jasbir Jaspal  
Cllr Barbara McGarrity

#### Independent Member

Mr Mike Ager  
Mr John Humphries

Quorum for this meeting is two Councillors.

### Information for the Public

If you have any queries about this meeting, please contact the Democratic Services 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

*Item No.*     *Title*

### MEETING BUSINESS ITEMS

- 1            **Apologies for absence**
- 2            **Declaration of interests**
- 3            **Minutes of previous meeting - 10 December 2018** (Pages 5 - 14)  
[For approval]
- 4            **Matters arising**  
[To consider any matters arising from the minutes]

### DECISION ITEMS

- 5            **Certification Work for City of Wolverhampton Council for the Year Ended 31 March 2018** (Pages 15 - 24)  
[To receive the Certification Work Letter from the Council's external auditors, Grant Thornton]
- 6            **External Audit Progress Report and Update** (Pages 25 - 44)  
[To receive an update on the Audit Plan 2018/2019 from the Council's external auditors, Grant Thornton]
- 7            **External Audit Communications** (Pages 45 - 74)  
[To consider the report from the Council's external auditors, Grant Thornton]
- 8            **Strategic Risk Register and Strategic Assurance Map** (Pages 75 - 108)  
[To provide an update on the key risks the Council faces and how it can gain assurance that these risks are being mitigated]
- 9            **Internal Audit Plan 2019-2020** (Pages 109 - 132)  
[To approve the risk based internal audit plan for 2019-2020]
- 10           **Internal Audit Update - Quarter Three** (Pages 133 - 146)  
[To note the contents of the latest Internal Audit update]
- 11           **Audit Services - Counter Fraud Update** (Pages 147 - 158)  
[To note the latest Audit Services Counter Fraud update]

- 12      **Audit and Risk Committee - Terms of Reference** (Pages 159 - 164)  
[To review the terms of reference for the Committee in line with recognised best practice]
- 13      **Payment Transparency** (Pages 165 - 168)  
[To receive an update on the Council's current position with regards to the publication of all its expenditure]
- 14      **CIPFA Audit Committee Update - Issue 27** (Pages 169 - 172)  
[To note the contents on the latest CIPFA Audit Committee update]
- 15      **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 item of business as it involves the likely disclosure of exempt information on the grounds shown below]

## **Part 2 - exempt items, closed to press and public**

- 16      **Audit Investigations Update** (Pages 173 - 178)  
[To receive the current position on audit investigations]
- Information relating to any individual.  
Information which is likely to reveal the identity of an individual.  
Information relating to the financial or business affairs of any particular person (including the authority holding that information) Para (1, 2, 3)

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<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Audit and Risk Committee</b> <b>Minutes - 10 December 2018</b>
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## Attendance

### Members of the Audit and Risk Committee

Cllr Craig Collingswood (Chair)  
Cllr Sohail Khan (Vice-Chair)  
Cllr Harbans Bagri  
Cllr Mary Bateman  
Cllr Philip Bateman MBE  
Cllr Jasbir Jaspal  
Cllr Barbara McGarrity  
Mike Ager, Independent Member  
John Humphries, Independent Member

### Employees

Ian Cotterill	Audit Business Partner
Peter Farrow	Head of Audit
Dereck Francis	Democratic Services Officer
Ged Lucas	Strategic Director - Place
Claire Nye	Director of Finance
Hayley Reid	Senior Auditor
Mark Wilkes	Audit Business Partner

### In Attendance

Darren Baker	Civic Halls Refurbishment Programme Director
Bob Hide	Independent Advisor, Equib

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## Part 1 – items open to the press and public

*Item No.*    *Title*

- 1        Apologies for absence**  
Apologies for absence were submitted on behalf Councillor Obaida Ahmed.
- 2        Declaration of interests**  
Mike Ager, Independent Member declared a non pecuniary interest in item 9 in so far as it refers to the West Midlands Pensions Fund.

3 **Minutes of previous meeting - 17 September 2018**

Resolved:

That the minutes of the previous meeting held on 17 September 2018 be approved as a correct record and signed by the Chair.

4 **Matters arising**

In response to Councillors Mary Bateman and Philip Bateman MBE, it was confirmed that updates on any response from Government regarding maintained nursery school funding after 2020 (Minute 8 refers) and the treatment of asbestos at the Civic Halls (Minute 7 refers) were included elsewhere on the agenda for the meeting.

With reference to Minute 5 (Annual External Audit Letter), and in response to Mike Ager, Independent Member, Claire Nye, Director of Finance undertook to circulate a note on the Strategy and Action Plan documents for the Strategic Asset Plan.

5 **External Audit Update**

Nicola Coombe from the Council's external auditors, Grant Thornton presented the report on an overview of their audit plans for the year ended 31 March 2019.

The Chair asked for the deadline date by when the group accounts would have to be signed off and when the Pensions Committee met. Grant Thornton reported that the deadline was the end of July. The Pensions Fund was a separate organisation with its own set of own accounts. City of Wolverhampton Council was the administering body for the Pension Fund so the accounts were included in the City Council's set of accounts presented to the Committee on 23 July 2018. The Pensions Fund accounts were also presented to the Pensions Committee for approval.

In response to questions from the Committee on the external auditors proposed value for money work (VFM) on the Civic Halls Refurbishment, Grant Thornton confirmed that as part of their role they would set the scope for the VFM work. Any concerns arising from that VFM work would be highlighted in their update report to Committee.

Resolved:

That the update report from Grant Thornton be noted.

6 **Capital Projects Lessons Learnt – Progress Update**

Peter Farrow, Head of Audit gave a brief introduction to the report. Darren Baker, Civic Halls Refurbishment Programme Director presented the update report on progress made in implementing the lessons learnt recommendations made in the 'Civic Halls Refurbishment' report that was presented to the Committee on 25 June 2018.

Bob Hide, Independent Advisor Equib explained his role of keeping abreast of what was happening on the project. Part of that involved working with the Programme Director on the development of a 'gateway process'; a key assurance mechanism designed to provide an objective view of the ability of the programme to deliver on time and to budget. That would be used at the design stage before moving onto the construction phase of the refurbishment. He had also facilitated risk workshops in order to validate information on the programme contained in Verto, the Council's project management system.

Ged Lucas, Strategic Director for Place also reported that he was the Senior Responsible Officer (SRO) for the project and held fortnightly meetings with the Programme Director. There were also monthly Programme Board meetings and progress on the project was reported to quarterly meetings of the Capital Projects Member Reference Group. By the time gateway process was completed in February/March 2019, the Council we would be in the position to answer more questions, including information on cost estimates.

Councillor Harbans Bagri asked for an update on the state of the foundations of the building, the structural steelworks, survey works and the extent of any deterioration to the structure beneath and to the exterior of the building. The Programme Director reported that the contractors had exposed the foundations and generally they are in a good condition and had not caused any issues to the steelwork. There were no concerns in that area from the surveys. Steelwork had been found on the exterior of the building to be corrosive in parts, this was the subject of ongoing investigations. There were no concerns for the building's internal steelwork.

Councillor Sohail Khan said that at a recent site visit to the Civic Halls building it was reported that a full condition survey had not been undertaken. The Programme Director reported that a condition survey had been undertaken when he came on board the project. Structural surveys to open up areas had not been undertaken. The condition of the building was informing the design going forward.

Councillor Sohail Khan asked how feasible it was to be talking about a budget for the project when there was uncertainty surrounding the condition of the building. The Programme Director reported that once the survey work was complete the costs would be clear.

Councillor Sohail Khan also asked whether regardless of the building's condition, would the budget cost for the programme be exceeded. The Programme Director reported that within the budget for the programme there was a contingency to cope and manage the structural repairs.

John Humphries, Independent Member asked how the contingency figure was calculated. The Programme Director explained that the design with the Quantity Surveyors would have modelled the potential costs of the steelwork. That would have been included as an estimate against that work. From there we calculate back, dependent upon the survey work ongoing, to arrive at a contingency. There was also a risk contingency in the project.

John Humphries, Independent Member said that he could not gain any confidence until he had figures on the contingency. The Programme Director reported that they budget for an amount of the cost to replace. That work was ongoing. Before any commitment was made to go forward with the project there was a process that would result in a full report to the Programme Board with a breakdown of the costs to complete the structural work.

Councillor Philip Bateman MBE asked about the budget for the programme. The Programme Director reported that it was £38.1 million. Claire Nye, Director of Finance confirmed the figure and reported that she was confident all the expenditure and what was left in the budget had been tracked.

Councillor Philip Bateman MBE also asked whether the Programme Director was sure that all the problems regarding asbestos in the building had been resolved and would not become an issue that would push the budget. The Programme Director reported that there had been a history of asbestos. A lot of asbestos was sprayed into place but was not confined to the area in use, (i.e. there had been over spraying). Parts of it had to be taken off and cleaned. In his view even if expert advice was sought, the Council would not be able to obtain a guarantee from them that they would not find some asbestos that had been over sprayed or not recorded. That was why we review an element in the budget. The Strategic Director added that with the degree of exposure of the surfaces in the building, it would not be a surprise if you found asbestos. Every effort had been made to ensure every possible place where asbestos could be had been looked at.

Councillor Philip Bateman MBE also asked for the percentage of the budget set aside for asbestos treatment and for the contingency. The Programme Director undertook to provide the information at the next meeting.

Mike Ager, Independent Member said that he was concerned what the public was thinking about how this project had been handled. He asked when there would be some positive messages about Civic Halls. The Strategic Director for Place reported that in March 2019 following the gateway process, it was hoped to have a specification for works, costs; and mechanisms for the future operation of Civic Halls.

Councillor Mary Bateman asked about the plans for the provision of food and whether the programme was on track for dealing with the asbestos. The Strategic Director reported that consideration was being given to food and beverage sales to be provided at Civic Halls and for ancillary events. On the point regarding asbestos, the timeframe had not changed, but the gateway process would help to confirm the timescales.

Mike Ager, Independent Member commented that he was worried that the risk for the programme had reduced from 16 to 12. He felt that this was wrong and sent an inaccurate message. The Strategic Director reported that the Corporate Leadership Team took the view that, on the work taking place and advice, and because the Council had control over the project it was no longer categorised as red.

Councillor Harbans Bagri asked if the total costs, including maintenance for the building would exceed the £38.1 million. The Director of Finance reported that the Council was within the £38.1 million. Councillor Harbans Bagri added that in the absence of the final reports from the survey work, he found it difficult to understand how a budget could be packaged for Civic Halls.

Returning to the questions about asbestos, Councillor Sohail Khan asked whether the Council was looking to take any action against the initial contractor employed to treat the asbestos at Civic Halls, and would they have any grounds on which to dismiss the Council's claim. In response, the Committee's attention was drawn to paragraph 3.6 of the report which covered legal issues. The Programme Director added that an asbestos management programme would be put in place even after the work to the building was complete. This was a requirement. It would inform any maintenance contractors who enter the building in future.



The Chair informed the officers that the Committee had concerns and would continue to monitor progress with the Civic Halls Refurbishment programme. He also said that given the update he was not comfortable at this stage with the downgrade of the risk on the project from red to amber. He felt that the risk should have remained as red. The Programme Director reported that in response to the lessons learnt report concerning control and management of the project, the Council had looked to put in place the right knowledge about the project, the budget to procure the skills to make sure the correct process was followed. All that knowledge and the costs at this stage were available to make an informed decision about taking the project forward. That element of control did not previously exist. That was why the risk had reduced to amber.

The Chair commented that in the past asbestos has been sprayed in parts of buildings because of its fire resistant properties. He asked what provision had been put in its place and sought assurance that the Council's capital investment would be protected. The Programme Director reported that as part of the ongoing design there would be a fire strategy for the building. An informed decision would be fed into gateway process on fire safety.

Councillor Sohail Khan asked about the provision of sprinklers in the Civic Halls and whether the dancefloor could be saved. The Programme Director reported it was not planned at this stage to install sprinklers but that position could be reviewed in the final design of the project. Regarding the dancefloor, because of the listed building status of the Civic Halls building, the dancefloor was being removed, maintained, cleaned and then reinstalled.

Councillor Harbans Bagri asked if there was a deadline for receiving the reports from the surveys. The Programme Director said that it was early in the new year.

Resolved:

That the progress made in implementing the lessons learnt recommendations in respect of the Civic Halls Restoration programme that was originally reported to the Audit and Risk Committee on 25 June 2018 be noted.

7

### **Strategic Risk Register and Strategic Assurance Map**

Hayley Reid, Senior Auditor presented the report on the key risks the Council faced and how the Committee could gain assurance that the risks were being mitigated.

Councillor Philip Bateman MBE asked about the Council's work on Brexit (risk 35) and whether there was an economic assessment that led to Brexit being identified as a risk for the Council and the wider City. Claire Nye, Director of Finance reported that the way the Council approached Brexit was to set up a group to consider the implications and how they could be addressed. The Council was also carrying out research. It was difficult to identify the implications at this stage. There may not be an immediate direct financial implication to the Council but there would be implications. Councillor Philip Bateman MBE said that there were some concerns regarding the Council being able to continue to operate post Brexit in terms of access to fuel and energy supplies, delivery of social services and issues relating to the provision of services to the general population. He requested more information on the planning the Council had undertaken. The Director of Finance reported that work was ongoing. The Council's Director of Public Health was looking at the implications of Brexit on pharmaceuticals and the Procurement service was looking at the implications for the supply chain. An update would be submitted to a future meeting.

The Chair requested, and the Committee agreed that the risk owner for risk 35 - Brexit be invited to the next meeting to discuss the risk in more detail.

Mike Ager, Independent Member asked about the Council's interactions with the business community on Brexit. The Director of Finance reported that the Council's Director of City Economy was talking to local businesses and the Black Country Consortium, of which the Council was a member was also engaged in discussions.

The Chair said that he was concerned at the increase in the risk of the Medium-Term Financial Strategy (MTFS) to red. He asked for the reasons for the increase and sought reassurance as to when it was anticipated that the risk would be downgraded. The Director of Finance explained that the Government's Fair Funding Review was slipping. The current view was that there might only be a one year local government financial settlement. The Council was also facing pressure on adult social care and in children's services. The number of children and young people in care was being managed well but the number of costly placements were increasing. The MTFS was being prepared and an update would be presented to Cabinet in February and July 2019.

Bill Hague, Head of School Organisation was also in attendance to present an update on the current financial position of maintained nursery schools and to respond to the Committee's questions on Government funding for maintained nursery schools after 2020. He reported that it was not known whether the funding would continue beyond 2020. A response was awaited from Government on the issue. A guidance note issued last week confirmed that funding had been maintained for 2019.

(NB Councillor Philip Bateman MBE and Councillor Mary Bateman declared non pecuniary interests in so far as they are Governors on Local Authority nursery schools). Councillor Philip Bateman MBE said the update was useful. He referred to the question he had submitted to Full Council on 7 November 2018 regarding maintained nursery schools and the suggestion that cross-party working take place to examine the issue and a possible delegation to Government.

Resolved:

1. That the latest summary of the Council's strategic risk register as at Appendix 1 to the report be noted.
2. That the inclusion of risk 35 – Brexit be noted.
3. That the increase in the risk score for risk 4 – Medium Term Financial Strategy (MTFS), as a result of future uncertainties and increasing pressures surrounding the MTFS be noted.
4. That the decrease in the scores for the following risks be noted:
  - a. Risk 3 – Information Governance due to the progress made by the Council in this area since the introduction of GDPR in May 2018.
  - b. Risk 30 – Civic Halls, as a result of the revised programme management and governance structure that is now in place.
  - c. Risk 33 – Governance of Major Capital Projects and Programmes, due to the changes that have been implemented following the publication of the lessons learnt reports presented to Committee in July 2018.

- d. Risk 34 – Wolverhampton Interchange Programme (Train Station), as the project has now moved into the delivery phase.
5. That the changes to target dates for the reduction of the following risks be noted:
  - a. Risk 25 – Payment Card Industry Data Security Standard
  - b. Risk 28 – Health and Safety.
6. That the main sources of assurance available to the Council against its strategic risks at Appendix 2 to the report be noted.
7. That risk 35 – Brexit be considered at the next meeting and the risk owner be invited to attend.

8 **Annual Governance Statement Update - Action Plan Update**

Peter Farrow, Head of Audit presented the report on progress made on the implementation of the action plan from the 2017-2018 Annual Governance Action Plan.

The Chair asked for an update on the audit of the four Tenant Management Organisations that commenced in May 2018. The Head of Audit reported that all four reviews were now completed. Service area sign up was being obtained to the review recommendations. The recommendations would be included in the Audit Review Quarter three update report to the Committee.

Resolved:

That the progress made in addressing the key improvements areas identified in the 2017-2018 Annual Governance Statement action plan be noted.

9 **Internal Audit Update - Quarter 2**

Peter Farrow, Head of Audit presented the key points from the report on progress made against the 2018/2019 internal audit plan and on recently completed work.

Referring to the Audit team's representation and role on project groups/boards, John Humphries, Independent Member asked the Head of Audit how he would ensure that his team maintained their independent role on the boards/groups and not become 'part of the system'. The Head of Audit agreed that it was a challenge but his team would need to ensure it maintained that impartial independent assurance.

Resolved:

That the contents of the latest internal audit update as at the end of quarter two be noted.

10 **Audit Services - Counter Fraud Update**

Mark Wilkes, Audit Business Partner presented the update report on current counter fraud activities undertaken by Audit Services. He particularly highlighted publications from the Chartered Institute for Public Finance and Accountancy (CIPFA) and the National Fraud Office (NFO) and some of the areas of fraud highlighted.

The Chair asked if there was any underlying reason for the reduction in the number of cases of Right to Buy fraud and for the increase in Council tax discount (Single Person Discount as a result of fraud or error) during 2016/2017 when compared to the previous year. The Audit Business Partner reported that the reduction in Right to

Buy fraud was down to natural fluctuations. For the Single Person Discount (SPD), an external firm had been employed to deal with SPD fraud. Councillor Barbara McGarrity commented that it was her understanding that an officer had been employed to check the entitlement of applicants for SPD and their efforts had contributed to the increase in the number of council tax discount cases during 2016/2017.

Referring to the national picture for Blue Badge fraud, the Chair also asked whether Blue Badge fraud was a problem in Wolverhampton. The Audit Business Partner reported that generally it was not an issue within the City.

John Humphries, Independent Member asked how the Council would 'value for money' check employing contractors to work on SPD cases versus providing the service inhouse and possibly cheaper. The Audit Business Partner advised that the service dealing with SPD fraud was an externally managed service that was exposed to competitive tender to secure the services of a contractor.

Resolved:

That the contents of the latest Audit Services Counter Fraud Update be noted.

**11 Internal Audit - External Assessment**

Peter Farrow, Head of Audit presented the report on the results of the independent validation of the internal audit self-assessment exercise (minute no.11 of the meeting held on 11 December 2017 refers). The findings highlighted three/ four areas for improvement. which had been translated into an action plan. The Audit team had also identified a few areas they felt could be improved upon. These had also been included in the action plan.

Mike Ager, Independent Member commended the brevity of the report. The Chair said that he looked forward to receiving an update on the implementation of the action plan in six months' time.

Resolved;

That the results of the recent independent validation of the Council's internal team self-assessment exercise be noted.

**12 Payment Transparency**

Peter Farrow, Head of Audit presented the report on the Council's payment transparency activity. Since the last report to the Committee no requests had been received for information from the public (armchair auditor requests).

Resolved:

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

**13 CIPFA Audit Committee Update - Issue 26**

The Committee received the latest edition of regular briefings issued by the Chartered Institute for Public Finance and Accountancy (CIPFA) for audit committee members of public bodies. The focus of the update was on the main changes to the CIPFA Position Statement and guidance on publication on audit committees in local authorities and police.

In response to the Chair, Peter Farrow, Head of Audit reported on the key changes to the CIPFA guidance. It now recommended that all local authority audit committees should include an independent member/ (co-opted) member and that all audit committees should report regularly on their work and produce an annual report. He noted that the Committee had been compliant with the new CIPFA recommendations for several years. The guidance also included an updated self-assessment. The Head of Audit reported that previously owing to the turnaround of members on the Committee, it had not been possible to complete the self-assessment. He suggested that after the 2019 local elections he would revisit it with the members of the Committee.

Resolved:

That the contents of the latest CIPFA Audit Committee update, Issue 26 be noted.

**14 Exclusion of the 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 of business as it involves the likely disclosure of exempt information falling within the paragraphs 1, 2 and 3 of Schedule 12A of the Act.

**15 Audit Investigations Update**

Mark Wilkes, Audit Business Partner presented the update report on current audit investigations.

Referring to the outcome of the Tenancy Sub-let audit investigation, Councillor Philip Bateman MBE asked whether the County Court judgement on the tenancy sub-letting case was publicised. He suggested that to do so would send a message to the public and tenants that the Council and Wolverhampton Homes take the issue of sub-letting Council property very seriously and action would be taken against anyone caught committing that fraud. The Audit Business Partner reported that Wolverhampton Homes would manage publicity of cases taken to court. Peter Farrow, Head of Audit also said that the Chair of the Committee was keen for the Council to promote the outcome of County Court hearings relating to fraud and he would arrange to include a reference to the court judgement in a potential press release on the Committee's work.

Resolved:

That the update on the internal audit investigation be noted.

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<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Audit and Risk Committee</b> <b>11 March 2019</b>
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<b>Report title</b>	Certification work for City of Wolverhampton Council for the Year Ended 31 March 2018	
<b>Cabinet member with lead responsibility</b>	Councillor Louise Miles Resources	
<b>Accountable director</b>	Claire Nye, Director of Finance	
<b>Originating service</b>	Strategic Finance	
<b>Accountable employee(s)</b>	Emma Bland Tel Email	Finance Business Partner 01902 553928 Emma.Bland2@wolverhampton.gov.uk
<b>Report to be/has been considered by</b>	None	

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**Recommendation for noting:**

The Audit and Risk Committee is asked to note:

1. The Certification Work letter from Grant Thornton.

## 1.0 Purpose

- 1.1 To update the Audit and Risk Committee on the outcome of grant certification work undertaken by Grant Thornton.

## 2.0 Background

- 2.1 Grant Thornton undertake work to certify the Council's Housing Benefit Subsidy Claim on behalf of the Department for Work and Pensions. The attached letter provides Audit and Risk Committee with the outcome of this work.
- 2.2 Findings are detailed on page 3 of the letter and summarised below, with management responses/actions.

	Findings for 2017-2018	Management response/action
2016-2017 findings		
Incorrect earnings		
Three cases where benefit had been overpaid as a result of the Council using the incorrect earnings figure in the benefit calculation.	Grant Thornton did not identify a recurrence of any such errors for the 2017-2018 year.	N/A
Additional testing	<p>Five cases (total value £15,729) where the earnings had been incorrectly calculated. The value of the errors found ranged from £0.30 to £48.80 and the benefit periods ranged from 1 week to 23 weeks.</p> <p>This error was extrapolated; the extrapolated financial impact on the claim, which Grant Thornton reported to DWP, was relatively insignificant to the total subsidy receivable.</p>	<p>This issue did recur in extended testing, resulting in an extrapolation, however this made zero difference to the value of subsidy claimed. The extrapolated error amounted to less than 0.003% of the total subsidy claim.</p> <p>In response, a number of additional measures have been put in place to reduce the risk of a recurrence. These include creating a task group to check every claim based on earnings for any part of 2018-2019.</p>



Pensions Credit Guarantee Credit (PCGC)		
Incorrect classification of one claimant's income – did not affect the amount of subsidy claimed but could have resulted in an overpayment if an incorrect income code was applied.	Grant Thornton did not identify a recurrence of any such errors for the 2017-2018 year.	N/A
Child Care Costs		
One case from the initial sample and eleven cases from extended testing, whereby benefit had been paid incorrectly due to the council incorrectly calculating childcare costs. Not all of these cases had an impact on subsidy as some were underpayments and therefore did not constitute errors for extrapolation purposes.	Grant Thornton did not identify a recurrence of any such errors for the 2017-2018 year.	N/A

### 3.0 Financial Implications

- 3.1 The fee for the certification of the 2017-2018 Housing Benefit Subsidy Claim was in the region of £14,000. There is specific budget for this fee within Corporate Financial Management.  
[EB/01032019/E]

### 4.0 Legal implications

- 4.1 In 2014 the Secretary of State for Communities and Local Government delegated statutory functions (from the Audit Commission Act 1998) to Public Sector Audit Appointments (PSAA) on a transitional basis by way of a letter of delegation issued under powers contained in the Local Audit and Accountability Act 2014.
- 4.2 Under these transitional arrangements, PSAA took on responsibility for making arrangements for the certification of housing benefit subsidy claims, appointing Grant Thornton for the City of Wolverhampton Council.  
[TS/28022019/W]

## **5.0 Equalities implications**

5.1 There are no equality implications arising from this report.

## **6.0 Environmental implications**

6.1 There are no environmental implications arising from this report.

## **7.0 Human resources implications**

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

## **8.0 Corporate landlord implications**

8.1 There are no implications for the Council's property portfolio arising from this report.

## **9.0 Health and Wellbeing implications**

9.1 There are no health and wellbeing implications arising from this report.

## **10.0 Schedule of background papers**

10.1 There are no relevant preceding reports.

## **11.0 Appendices**

11.1 Appendix 1 – Certification Letter



# Grant Thornton

An instinct for growth™

Claire Nye  
Director of Finance  
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13 February 2019

Dear Claire

## Certification work for City of Wolverhampton Council for the year ended 31 March 2018

We are required to certify the Housing Benefit subsidy claim submitted by City of Wolverhampton Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

The Local Audit and Accountability Act 2014 gave the Secretary of State power to transfer Audit Commission responsibilities to other bodies. Public Sector Audit Appointments Ltd (PSAA) took on the transitional responsibilities for HB COUNT issued by the Audit Commission in February 2015.

We have certified the Housing Benefit subsidy claim for the financial year 2017/18 relating to subsidy claimed of £102.548 million. Further details are set out in Appendix A.

We identified one issue from our certification work, which led to qualification. There was an extrapolated error from the extended testing that we carried out on this year's subsidy return, which recurred from 2016/17 in relation to incorrect earnings. The extrapolated financial impact on the claim, which we have reported to the DWP, was relatively insignificant to the total subsidy receivable.

As a result of the errors identified, the claim was qualified, and we reported our findings to the DWP. The DWP may require the Council to undertake further work or to provide assurances on the errors we have identified.

There were also two "Observations" made from our additional testing, which were also in relation to incorrect earnings. While these did not lead to qualification, they were still required to be reported to the DWP. However, because they did not affect the headline cell or subsidy (due to being either prior year overpayments or underpayments respectively), they were not included in the extrapolation table.

There was one further finding, which the claim was amended for, and which therefore did not feature in the qualification letter. A claim was paid before evidence was obtained to confirm rent liability, which subsequently led to an overpayment. From discussions with officers, we understand this policy was adopted for part of the 2017/18 financial year in respect of temporary accommodation cases. However, the Council has now reverted to the policy of only paying the benefit once all supporting rent evidence has been obtained. The value of the amendment was £42.96.

The indicative fee for 2017/18 for the Council was based on the actual 2015/16 certification fees, reflecting the amount of work required by the auditor to certify the Housing Benefit subsidy claim that year. The indicative scale fee set by PSAA for the Council for 2017/18 was £14,128. This is set out in more detail in Appendix B.

Yours sincerely

A handwritten signature in dark ink that reads "Grant Thornton UK LLP". The signature is written in a cursive, flowing style.

Grant Thornton UK LLP

## Appendix A - Details of claims and returns certified for 2017/18

Claim or return	Value	Amended?	Amendment value	Qualified?	Comments
Housing benefits subsidy claim	£102,547,965	Yes	£N/A	Yes	See below

### **Findings from certification of housing benefits subsidy claim**

#### **Incorrect earnings**

As part of our 2016/17 testing we identified 3 cases where benefit had been overpaid as a result of the Authority using the incorrect earnings figure in the benefit calculation.

Testing of our 2017/18 initial sample did not identify any errors in relation to the calculation of benefits where earnings were present.

Additional testing was undertaken and 5 cases were identified (total value £15,729) where the earnings had been incorrectly calculated. The value of the errors found ranged from £0.30 to £48.80 and the benefit periods ranged from 1 week to 23 weeks.

This is the third year that the Local Authority has had this issue.

#### **Prior year findings**

##### **PCGC Income classification**

In 2016/17 we identified 1 case where the Council had incorrectly classified the claimant's income as PCSC (Pension Credit Savings Credit) instead of applying PCGC (Pension Credit Guarantee Credit). While, in this particular instance, this did not affect the amount of subsidy claimed it could have resulted in an overpayment if an incorrect income code was applied. We did not identify any such errors this year.

##### **Child Care Costs**

In 2016/17 we identified 1 case from the initial sample and a further 11 cases from our extended testing, whereby benefit had been paid incorrectly due to the Council incorrectly calculating childcare costs. Not all of these cases had an impact on subsidy as some were underpayments and therefore did not constitute errors for extrapolation purposes. We did not identify any errors in relation to childcare costs this year.

##### **Recommended actions for officers**

We recommend that the Council, as part of its internal quality assurance process, should increase its focus or level of testing in respect of the areas where we identified errors from our testing.

## Appendix B: Fees for 2017/18 certification work

<b>Claim or return</b>	<b>2015/16 fee (£)</b>	<b>2017/18 indicative fee (£)</b>	<b>2017/18 actual fee (£)</b>	<b>Variance (£)</b>	<b>Explanation for variances</b>
Housing benefits subsidy claim (BEN01)	£19,128	£14,128	£14,128	£0	N/A
Total	£19,128	£14,128	£14,128	£0	N/A

Yours sincerely

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<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Audit and Risk Committee</b> 11 March 2019
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<b>Report title</b>	External Audit Progress Report and Update	
<b>Cabinet member with lead responsibility</b>	Councillor Louise Miles Resources	
<b>Accountable director</b>	Claire Nye, Director of Finance	
<b>Originating service</b>	Strategic Finance	
<b>Accountable employee(s)</b>	Emma Bland Tel Email	Finance Business Partner 01902 553928 Emma.Bland2@wolverhampton.gov.uk
<b>Report to be/has been considered by</b>	None	

---

**Recommendation for noting:**

The Audit and Risk Committee is asked to note:

1. The progress report and update provided by Grant Thornton.

## **1.0 Purpose**

- 1.1 To update the Audit and Risk Committee on progress made by Grant Thornton in delivering their responsibilities as the Council's external auditors.

## **2.0 Background**

- 2.1 Annually at the March Committee, Grant Thornton customarily report on progress made against their Audit Plan and provide an update on technical matters, sector issues and developments. A copy of the report is attached at Appendix 1.

## **3.0 Financial Implications**

- 3.1 The statement, and the forthcoming audit of those statements by the external auditors, is an important element of the accountability and transparency of the Council's finances.  
[EB/01032019/X]

## **4.0 Legal implications**

- 4.1 The Secretary of State makes the Accounts and Audit Regulations in exercise of powers conferred by the Local Audit and Accountability Act 2014. The Accounts and Audit Regulations 2015 require the 2018-2019 Statement of Accounts be produced in accordance with proper practice.
- 4.2 This is exemplified by the Code of Practice on Local Authority Accounting which is published by the Chartered Institute of Public Finance and Accountancy (CIPFA). These regulations also require that the accounts are approved and published by 31 July 2019.  
[TS/28022019/R]

## **5.0 Equalities implications**

- 5.1 There are no equality implications arising from this report.

## **6.0 Environmental implications**

- 6.1 There are no environmental implications arising from this report.

## **7.0 Human resources implications**

- 7.1 There are no human resource implications arising from this report.

## **8.0 Corporate landlord implications**

- 8.1 There are no implications for the Council's property portfolio arising from this report.

**9.0 Health and Wellbeing implications**

9.1 There are no health and wellbeing implications arising from this report.

**10.0 Schedule of background papers**

10.1 There are no relevant preceding reports.

**11.0 Appendices**

11.1 Appendix 1 – Audit Progress Report and Sector Update

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# Audit Progress Report and Sector Update

City of Wolverhampton Council  
Year ending 31 March 2019  
Page 29  
29 March 2019



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# Introduction



**Mark Stocks**

Engagement Lead

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E [mark.c.stocks@uk.gt.com](mailto:mark.c.stocks@uk.gt.com)

This paper provides the Audit & Risk Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)



**Nicola Coombe**

Engagement Manager

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E [nicola.coombe@uk.gt.com](mailto:nicola.coombe@uk.gt.com)

Members of the Audit & Risk Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications. Click on the Grant Thornton logo to be directed to the website [www.grant-thornton.co.uk](http://www.grant-thornton.co.uk).

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

# Progress at March 2019

## Financial Statements Audit

We have started planning for the 2018/19 financial statements audit and have issued a detailed audit plan, setting out our proposed approach to the audit of the Council's 2018/19 financial statements.

We have commenced our interim fieldwork with further follow up visits due in March. Our interim fieldwork visit includes:

- Updated review of the Council's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports
- Early work on emerging accounting issues
- Early substantive testing

The statutory deadline for the issue of the 2018/19 opinion is 31 July 2019. We will discuss our plan and timetable with officers.

The final accounts audit is due to begin in June with findings reported to you in the Audit Findings Report by the deadline of July 2019.

## Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Details of our initial risk assessment to determine our approach were included in our Audit Plan. Risks identified were:

- Financial resilience
- Civic Halls

We will report our work in the Audit Findings Report and give our Value For Money Conclusion by the deadline in July 2019.

## Other areas

### Certification of claims and returns

We are required to certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. This certification work for the 2018/19 was concluded in November 2018.

The results of the certification work are reported to you in our certification letter, presented to the Audit & Risk Committee as a separate agenda item at this meeting.

### Meetings

We continue to meet with Finance Officers as part of our ongoing liaison meetings and are in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective. We also met with your Managing Director in December to discuss the Council's strategic priorities and plans.

### Events

We provide a range of workshops, along with network events for members and publications to support the Council. Members of your finance team attended our Financial Reporting Workshop which helps to ensure that the Council is up to date with the latest financial reporting requirements for local authority accounts.

Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.



# Audit Deliverables

2017/18 Deliverables	Planned Date	Status
<b>Annual Certification Letter</b> This letter reports any matters arising from our certification work carried out under the PSAA contract.	Separate agenda item	Complete
2018/19 Deliverables	Planned Date	Status
<b>Fee Letter</b> Confirming audit fee for 2018/19.	April 2018	Complete
<b>Accounts Audit Plan</b> We are required to issue a detailed accounts audit plan to the Audit & Risk Committee setting out our proposed approach in order to give an opinion on the Council's 2018-19 financial statements.	January 2019	Complete
<b>Interim Audit Findings</b> We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	June 2019	Not yet due
<b>Audit Findings Report</b> The Audit Findings Report will be reported to the July Audit & Risk Committee.	July 2019	Not yet due
<b>Auditors Report</b> This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2019	Not yet due
<b>Annual Audit Letter</b> This letter communicates the key issues arising from our work.	August 2019	Not yet due
<b>Annual Certification Letter</b> This letter reports any matters arising from our certification work carried out under the PSAA contract.	December 2019	Not yet due

# Sector Update

Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Public  
Sector

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider NHS and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with Audit & Risk Committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local  
government

# Public Sector Audit Appointments – Report on the results of auditors' work 2017/18

This is the fourth report published by Public Sector Audit Appointments (PSAA) and summarises the results of auditors' work at 495 principal local government and police bodies for 2017/18. This will be the final report under the statutory functions from the Audit Commission Act 1998 that were delegated to PSAA on a transitional basis.

The report covers the timeliness and quality of financial reporting, auditors' local value for money work, and the extent to which auditors used their statutory reporting powers.

For 2017/18, the statutory accounts publication deadline came forward by two months to 31 July 2018. This was challenging for bodies and auditors and it is encouraging that 431 (87 per cent) audited bodies received an audit opinion by the new deadline.

The most common reasons for delays in issuing the opinion on the 2017/18 accounts were:

- technical accounting/audit issues;
- various errors identified during the audit;
- insufficient availability of staff at the audited body to support the audit;
- problems with the quality of supporting working papers; and
- draft accounts submitted late for audit.

All the opinions issued to date in relation to bodies' financial statements are unqualified, as was the case for the 2016/17 accounts. Auditors have made statutory recommendations to three bodies, compared to two such cases in respect of 2016/17, and issued an advisory notice to one body.

The number of qualified conclusions on value for money arrangements looks set to remain relatively constant. It currently stands at 7 per cent (32 councils, 1 fire and rescue authority, 1 police body and 2 other local government bodies) compared to 8 per cent for 2016/17, with a further 30 conclusions for 2017/18 still to be issued.

The most common reasons for auditors issuing qualified VFM conclusions for 2017/18 were:

- the impact of issues identified in the reports of statutory inspectorates, for example Ofsted;
- corporate governance issues;
- financial sustainability concerns; and
- procurement/contract management issues.

All the opinions issued to date in relation to bodies' financial statements are unqualified, as was the case for the 2016/17 accounts.

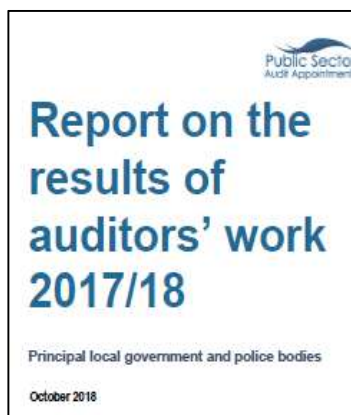
The report is available on the PSAA website:

<https://www.psaa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>

## PSAA Report

### Challenge question:

Has your Authority identified improvements to be made to the 2018/19 financial statements audit and Value for Money Conclusion?



# National Audit Office – Local auditor reporting in England 2018

The report describes the roles and responsibilities of local auditors and relevant national bodies in relation to the local audit framework and summarises the main findings reported by local auditors in 2017-18. It also considers how the quantity and nature of the issues reported have changed since the Comptroller & Auditor General (C&AG) took up his new responsibilities in 2015, and highlights differences between the local government and NHS sectors.

Given increasing financial and demand pressures on local bodies, they need strong arrangements to manage finances and secure value for money. External auditors have a key role in determining whether these arrangements are strong enough. The fact that only three of the bodies (5%) the NAO contacted in connection with this study were able to confirm that they had fully implemented their plans to address the weaknesses reported suggests that while auditors are increasingly raising red flags, some of these are met with inadequate or complacent responses.

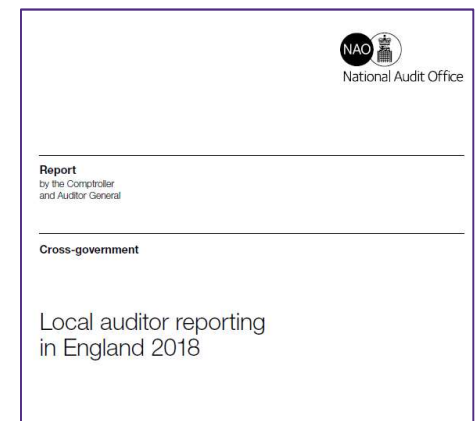
Qualified conclusions on arrangements to secure value for money locally are both unacceptably high and increasing. Auditors qualified their conclusions on arrangements to secure value for money at an increasing number of local public bodies: up from 170 (18%) in 2015-16 to 208 (22%) in 2017-18. As at 17 December 2018, auditors have yet to issue 20 conclusions on arrangements to secure value for money, so this number may increase further for 2017-18.

The proportion of local public bodies whose plans for keeping spending within budget are not fit-for-purpose, or who have significant weaknesses in their governance, is too high. This is a risk to public money and undermines confidence in how well local services are managed. Local bodies need to demonstrate to the wider public that they are managing their organisations effectively, and take local auditor reports seriously. Those charged with governance need to hold their executives to account for taking prompt and effective action. Local public bodies need to do more to strengthen their arrangements and improve their performance.

Local auditors need to exercise the full range of their additional reporting powers, where this is the most effective way of highlighting concerns, especially where they consider that local bodies are not taking sufficient action. Departments need to continue monitoring the level and nature of non-standard reporting, and formalise their processes where informal arrangements are in place. The current situation is serious, with trend lines pointing downwards.

The report is available on the NAO website:

<https://www.nao.org.uk/report/local-auditor-reporting-in-england-2018/>



## NAO Report

### Challenge question:

Has your Authority responded appropriately to any concerns or issues raised in the External Auditor's report for 2017/18?



# National Audit Office – Local authority governance

The report examines whether local governance arrangements provide local taxpayers and Parliament with assurance that local authority spending achieves value for money and that authorities are financially sustainable.

Local government has faced considerable funding and demand challenges since 2010-11. This raises questions as to whether the local government governance system remains effective. As demonstrated by Northamptonshire County Council, poor governance can make the difference between coping and not coping with financial and service pressures. The Department (Ministry of Housing, Communities and Local Government) places great weight on local arrangements in relation to value for money and financial sustainability, with limited engagement expected from government. For this to be effective, the Department needs to know that the governance arrangements that support local decision-making function as intended. In order to mitigate the growing risks to value for money in the sector the Department needs to improve its system-wide oversight, be more transparent in its engagement with the sector, and adopt a stronger leadership role across the governance network

Not only are the risks from poor governance greater in the current context as the stakes are higher, but the process of governance itself is more challenging and complex. Governance arrangements have to be effective in a riskier, more time-pressured and less well-resourced context. For instance, authorities need to:

- maintain tight budgetary control and scrutiny to ensure overall financial sustainability at a time when potentially contentious savings decisions have to be taken and resources for corporate support are more limited; and
- ensure that they have robust risk management arrangements in place when making commercial investments to generate new income, and that oversight and accountability is clear when entering into shared service or outsourced arrangements in order to deliver savings.

Risk profiles have increased in many local authorities as they have reduced spending and sought to generate new income in response to funding and demand pressures. Local authorities have seen a real-terms reduction in spending power (government grant and council tax) of 28.6% between 2010-11 and 2017-18. Demand in key service areas has also increased, including a 15.1% increase in the number of looked after children from 2010-11 to 2017-18. These pressures create risks to authorities' core objectives of remaining financially sustainable and meeting statutory service obligations. Furthermore, to mitigate these fundamental risks, many authorities have pursued strategies such as large-scale transformations or commercial investments that in themselves carry a risk of failure or under-performance.

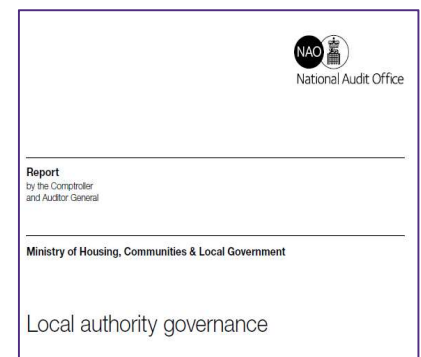
The report is available on the NAO website:

<https://www.nao.org.uk/report/local-authority-governance-2/>

## NAO Report

### Challenge question:

Has your Authority got appropriate governance and risk management arrangements in place to address the risks and challenges identified in the NAO report?



# CIPFA – Financial Resilience Index plans revised

The Chartered Institute of Public Finance and Accountancy (CIPFA) has refined its plans for a financial resilience index for councils and is poised to rate bodies on a “suite of indicators” following a consultation with the sector.

CIPFA has designed the index to provide reassurance to councils who are financially stable and prompt challenge where it may be needed. To understand the sector’s views, CIPFA invited all interested parties to respond to questions it put forward in the consultation by the 24 August.

CIPFA has also responded to concerns about the initial choice of indicators, updating the selection and will offer authorities an advanced viewing of results.

Plans for a financial resilience index were put forward by CIPFA in the summer. It is being designed to offer the sector some external guidance on their financial position.

CIPFA hailed the “unprecedented level of interest” in the consultation.

Responses were received from 189 parties, including individual local authorities, umbrella groups and auditors. Some respondents called for a more “forward-looking” assessment and raised fears over the possibility of “naming and shaming” councils.

CIPFA chief executive Rob Whiteman said with local government facing “unprecedented financial challenges” and weaknesses in public audit systems, the institute was stepping in to provide a leadership role in the public interest.

“Following the feedback we have received, we have modified and strengthened the tool so it will be even more helpful for local authorities with deteriorating financial positions,” he said.

“The tool will sit alongside CIPFA’s planned Financial Management Code, which aims to support good practice in the planning and execution of sustainable finances.”

CIPFA is now planning to introduce a “reserves depletion time” category as one of the indicators. This shows the length of time a council’s reserves will last if they deplete their reserves at the same rate as over the past three years.

The consultation response document said this new category showed that “generally most councils have either not depleted their reserves or their depletion has been low”.

“The tool will not now provide, as originally envisaged, a composite weighted index but within the suite of indicators it will include a red, amber, green (RAG) alert of specific proximity to insufficient reserve given recent trajectories,” it said.

It also highlighted the broad support from the sector for the creation of the index. “There was little dissent over the fact that CIPFA is doing the right thing in drawing attention to a matter of high national concern,” it said.

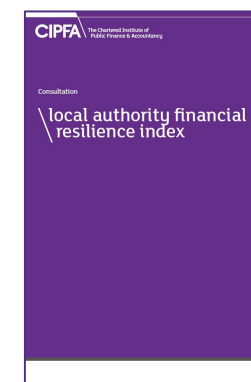
“Most respondents agreed to the need for transparency – but a sizable number had concerns over the possibly negative impacts of adverse indicators and many councils wanted to see their results prior to publication.”

As such, CIPFA plans to provide resilience measurements first to the local authorities and their auditors via the section 151 officer rather than publishing openly.

## CIPFA Consultation

### Challenge question:

Have you been briefed members on the Council’s response to the Financial Resilience Index consultation?



# ICEAW Report: expectations gap

The Institute of Chartered Accountants in England and Wales (ICEAW) has published a paper on the 'expectation gap' in the external audit of public bodies.

## Context:

The expectation gap is the difference between what an auditor actually does, and what stakeholders and commentators think the auditors obligations might be and what they might do. Greater debate being whether greater education and communication between auditors and stakeholders should occur rather than substantial changes in role and remit of audit.

## What's the problem?

- **Short-term solvency vs. Longer-term value:**
  - LG & NHS: Facing financial pressures, oversight & governance pressures
- **Limited usefulness of auditors reports:** 'The VFM conclusion is helpful, but it is more about the system/arrangements in place rather than the actual effectiveness of value for money'
- **Other powers and duties:** implementing public interest reports in addition to VFM
- **Restricted role of questions and objections:** Misunderstanding over any objections/and or question should be resolved by the local public auditor. Lack of understanding that auditors have discretion in the use of their powers.
- **Audit qualification not always acted on by those charged with governance:** 'if independent public audit is to have the impact that it needs, it has to be taken seriously by those charged with governance'
- **Audit & Risk Committees not consistently effective:** Local government struggles to recruit external members for their Audit & Risk Committees, they do not always have the required competencies and independence.
- **Decreased audit fees:** firms choose not to participate because considered that the margins were too tight to enable them to carry out a sufficient amount of work within the fee scales.
- **Impact of audit independence rules:** new independence rules don't allow for external auditors to take on additional work that could compromise their external audit role
- **Other stakeholders expectations not aligned with audit standards**

- **Increased auditor liability:** an auditor considering reporting outside of the main audit engagement would need to bill their client separately and expect the client to pay.

## Future financial viability of local public bodies

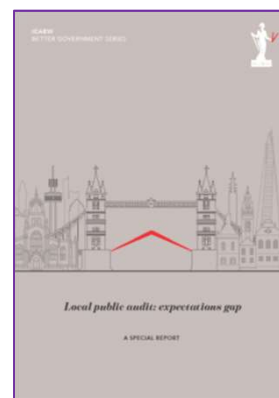
Local public bodies are being asked to deliver more with less and be more innovative and commercial. CFOs are, of course, nervous at taking risks in the current environment and therefore would like more involvement by their auditors. They want auditors to challenge their forward-looking plans and assumptions and comment on the financial resilience of the organisation..

## The ICAEW puts forward two solutions:

**Solution a)** If CFO's want additional advisory work, rather than just the audit, they can separately hire consultants (either accountancy firms not providing the statutory audit or other business advisory organisations with the required competencies) to work alongside them in their financial resilience work and challenging budget assumptions.

**Solution b)** Wider profession (IFAC, IAASB, accountancy bodies) should consider whether audit, in its current form, is sustainable and fit for purpose. Stakeholders want greater assurance, through greater depth of testing, analysis and more detailed reporting of financial matters. It is perhaps, time to look at the wider scope of audit. For example, could there be more value in auditors providing assurance reports on key risk indicators which have a greater future-looking focus, albeit focused on historic data?

More information can be found in the link below (click on the cover page)



## The expectations gap

### Challenge question:

How effectively is the audit meeting client expectations?





# Financial Foresight: Our sustainable solution for cash-strapped councils

Grant Thornton's new Financial Foresight platform helps provide local councils with financial sustainability.

Launched in early January, Financial Foresight is a unique platform that can help us provide financial sustainability to under-pressure local councils, using a combination of data, statistics and our expertise.

Page 40

In December 2018, the Chartered Institute of Public Finance and Accountancy (CIPFA) estimated that 15% of councils are showing signs of financial distress. If the rate at which these councils are dipping into their financial reserves continues, the National Audit Office estimates that 10% of councils will have depleted their reserves by 2021. The latest figures from our Insights and Analytics team suggest this could be closer to 20%.

Alarm bells started to chime at Somerset, Surrey, Lancashire and Birmingham councils last year. Yet it was the catastrophic near-collapse of Northamptonshire County Council - after it chose for five years not to raise council tax to cover its spiralling costs - that shone the spotlight on this widespread problem.

Unless local councils can get to grips with the situation, we'll all feel the effects of deeper cutbacks in public spending.

## What's causing the problem?

After eight years of government austerity which followed the financial crash of 2008, many councils are now digging deep into their financial reserves in order to provide public services to their communities – from social care to fixing potholes in the road.

Pressure on funding is further impacted by rapidly rising costs – especially for demand-led services as populations grow and age. Within just a few years, many councils will not have any reserves left to fall back on, and some have already said they will be unable to provide any non-statutory services at this time. Overlay Brexit onto this situation, along with the anticipated financial pressures this will bring, and the outlook for local authorities is extremely challenging.

## How can we help?

The investments we have made in analytics coupled with the commercial success of our CFO Insights tool has enabled us to develop credible financial forecasts for every local authority in the country. From this platform we developed Financial Foresight; a unique, forward-looking financial analytics and forecasting platform designed to support financial sustainability in local government.

Financial Foresight takes account of factors such as population growth, development forecasts and demand drivers to project local authority spend, income and operating costs. It provides a baseline view on the financial sustainability of every local authority in England and allows leaders in each authority to benchmark their own outlook against others. This will help councils move on from resilience – or just getting by – to financial sustainability.

Head of Local Government Paul Dossett said: "Through Financial Foresight and our associated strategy workshops, we can support local authorities to test and appraise a range of financial strategies and levers to develop a plan for a sustainable future. The critical importance of authorities understanding their financial resilience is only going to increase, so we're proud to be leading the market with this offering."

For more information, follow the links below:

<https://www.grantthornton.co.uk/en/insights/councils-are-at-risk-but-do-they-really-know-why/>

<https://www.grantthornton.co.uk/en/insights/from-resilience-to-financial-sustainability/>



# Brexit Room - Increasing readiness and resilience within your locality

Local authorities have always navigated uncertainty and faced challenges on behalf of communities and this role has never been more important than now. Whilst the outcome of Brexit remains uncertain at a national level, it is essential for councils to set a path to ensure the continued delivery of vital services and the best possible outcomes for their local communities and economies.

Whatever happens over the coming weeks and months, it is important that councils identify key Brexit scenarios and use these to frame robust local contingency plans.

From our conversations with the sector we know that local authorities are at different stages in their preparation for this big change.

Here's a brief summary of the issues that we are seeing:

## Organisations

- Engaging non-EEA nationals within the workforce to ensure they understand their residency rights and are not receiving incorrect information from other sources
- Loss of access to key EU databases on policing and trading standards and changes to data sharing arrangements
- Uncertainty around continuation of EU funding beyond 2020 and the implementation of the UK Shared Prosperity Fund.

## Services and suppliers

- Engaging with key suppliers to assess their risk profiles and resilience
- Dealing with the immediate strain on key services such as social care and trading standards
- Potential disruption to live procurement activities and uncertainty around the national procurement rulebook post OJEU.

## Place

- Considering scenarios for economic shock, the associated social impact in the short, medium and long-term and the potential impact on local authority financial resilience
- Potential impacts on major local employers, key infrastructure investment programmes and transport improvements
- Civil contingencies and providing reassurance and support to residents and businesses.

## Our approach

The Brexit Room is a flexible and interactive half-day workshop designed to sharpen your thinking on the impact Brexit could have on:

**Your organisation** – including considerations on workforce, funding, and changes to legislation

**Your services and suppliers** – ensuring that critical services are protected and building resilience within supply chains

**Your place** – using our proprietary Place Analytics tools we will help you to understand potential impacts on your local communities and economy and develop a place-based response, working with partners where appropriate.

We can work with you to identify key risks and opportunities in each of these areas whilst building consensus on the priority actions to be taken forward. You will receive a concise and focused write-up of the discussion and action plan to help shape the next stages of your work on Brexit.

For more information, follow the link below:

<https://www.grantthornton.co.uk/insights/brexit-local-leadership-on-the-front-line/>

## Brexit

### Challenge question:

How well advanced are your authority's plans for Brexit?



# A Caring Society – bringing together innovative thinking, people and practice

The Adult Social Care sector is at a crossroads. We have yet to find a sustainable system of care that is truly fit for purpose and for people. Our Caring Society programme takes a step back and creates a space to think, explore new ideas and draw on the most powerful and fresh influences we can find, as well as accelerate the innovative social care work already taking place.

We are bringing together a community of influencers, academics, investors, private care providers, charities and social housing providers and individuals who are committed to shaping the future of adult social care.

At the heart of the community are adult social care directors and this programme aims to provide them with space to think about, and design, a care system that meets the needs of the 21st Century, taking into account ethics, technology, governance and funding.

We are doing this by:

- hosting a 'scoping sprint' to determine the specific themes we should focus on
- running three sprints focused on the themes affecting the future of care provision
- publishing a series of articles drawing on opinion, innovative best practices and research to stimulate fresh thinking.

Our aim is to reach a consensus, that transcends party politics, about what future care should be for the good of society and for the individual. This will be presented to directors of adult social care in Spring 2019, to decide how to take forward the resulting recommendations and policy changes.

## Scoping Sprint (Oct 2018)

Following opening remarks by Hilary Cottam (social entrepreneur and author of Radical Help) and Cllr Georgia Gould (Leader of Camden Council) the subsequent debate identified three themes for Grant Thornton to take forward:

1. Ethics and philosophy: What is meant by care? Should the state love?

2. Care in a place: Where should the power lie? How are local power relationships different in a local place?
3. Promoting and upscaling effective programmes and innovation

## Sprint 1 – What do we really mean by 'Care'? (Dec 2018)

Julia Unwin, Chair of the Civil Societies Futures Project, and Sam Newman of Partners4Change sparked debate on why we need society to be brave enough to talk about care and the different levels at which 'care' can be applied to create a Caring Society.

## Sprint 2 – A new role for the state? (7 Feb 2019)

Donna Hall, CEO of Wigan Council and Andrew of Reform, will start the debate on how can the state – nationally and locally – develop and adapt itself to be in service to a caring society.

### To find out more or get involved:

- Join the conversation at #acaringssociety
- [Why we need to create a caring society](#)
- [Creating a caring society – the start of the debate](#) – the key themes from our first round table
- [Social care must take the starring role in its own story](#) – why the definition of social care is so important if the system is to change
- [Markets, trust & governance](#) – how social care can evolve to become a driver of local care economies
- [The future care leader](#) – Fiona Connolly, director of adult social care at Lambeth, discusses the importance of local care leaders working across the entire health system

### Challenge question:

How is your authority engaging in the debate about the future of social care?



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# Links

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## Grant Thornton website links

<https://www.grantthornton.co.uk/>

<http://www.grantthornton.co.uk/industries/publicsector>

<https://www.grantthornton.co.uk/en/insights/a-caring-society/>

<https://www.grantthornton.co.uk/en/insights/care-homes-where-are-we-now/>

## National Audit Office link

<https://www.nao.org.uk/report/the-health-and-social-care-interface/>

<https://www.nao.org.uk/report/local-auditor-reporting-in-england-2018/>

<https://www.nao.org.uk/report/local-authority-governance-2/>

## Public Sector Audit Appointments

<https://www.psaa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>



<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Audit and Risk Committee</b> 11 March 2019
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<b>Report title</b>	External Audit Communication	
<b>Cabinet member with lead responsibility</b>	Councillor Louise Miles Resources	
<b>Accountable director</b>	Claire Nye, Finance	
<b>Originating service</b>	Strategic Finance	
<b>Accountable employee(s)</b>	Emma Bland Tel Email	Finance Business Partner 01902 553928 Emma.Bland2@wolverhampton.gov.uk
<b>Report to be/has been considered by</b>	None	

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**Recommendation for noting:**

The Audit and Risk Committee is asked to:

1. Consider the report of the external auditors, Grant Thornton.

## **1.0 Purpose**

- 1.1 To contribute towards the effective two-way communication between auditors and the Council's Audit and Risk Committee, as 'those charged with governance'.

## **2.0 Background**

- 2.1 Under International Standards on Auditing (UK and Ireland) (ISA(UK&I)) auditors have specific responsibilities to communicate with the Audit and Risk Committee. ISA(UK&I) emphasise the importance of two-way communication between the auditor and the Audit and Risk Committee and specify matters that should be communicated.
- 2.2 This two-way communication assists both the auditor and the Audit and Risk Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit and Risk Committee and supports the Audit and Risk Committee in fulfilling its responsibilities in relation to the financial reporting process.
- 2.3 As part of risk assessment procedures Grant Thornton are required to obtain an understanding of management processes and the Audit and Risk Committee's oversight of the following areas:
- Fraud
  - Laws and Regulations
  - Going Concern
  - Related parties
  - Accounting estimates
- 2.4 This report includes a series of questions on each of these areas and the responses that Grant Thornton have received from the Council's management. The Audit and Risk Committee are asked to consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

## **3.0 Financial implications**

- 3.1 There are no specific financial implications arising from this report.  
[EB/01032019/O]

## **4.0 Legal implications**

- 4.1 This report and its attachment sets out the legal implications which are in accordance with the Council's Constitution and relevant legislation.  
[TS/28022019/T]

## **5.0 Equalities implications**

- 5.1 There are no equality implications arising from this report

## **6.0 Environmental implications**

- 6.1 There are no environmental implications arising from this report.

## **7.0 Human resources implications**

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

## **8.0 Corporate landlord implications**

8.1 There are no implications for the Council's property portfolio arising from this report

## **9.0 Health and Wellbeing implications**

9.1 There are no health and wellbeing implications arising from this report.

## **10.0 Schedule of background papers**

10.1 None

## **11.0 Appendices**

12.1 Appendix 1 – Informing the Audit Risk Assessment of City of Wolverhampton Council

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# Informing the audit risk assessment for City of Wolverhampton Council

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**Year Ended 31 March 2019**

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# Purpose

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The purpose of this report is to contribute towards the effective two-way communication between those charged with governance for City of Wolverhampton Council ("Council"), and Grant Thornton as your external auditor. The report covers some important areas of the auditor risk assessment where we are required to make inquiries to the Council under auditing standards.

Background Under International Standards on Auditing (UK and Ireland) (ISA(UK&I)) auditors have specific responsibilities to communicate with the Audit and Risk Committee. ISA(UK&I) emphasise the importance of two-way communication between the auditor and the Council and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit and Risk Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Council and supports the Audit and Risk Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication as part of our risk assessment procedures we are required to obtain an understanding of the Council management processes and the Audit and Risk Committee's oversight of the following areas:

- fraud,
- laws and regulations,
- going concern,
- related parties,
- accounting estimates.

This report includes a series of questions on each of these areas and the response we have received from the Council's management. These responses have been reviewed and agreed by the relevant heads of departments. The Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

# Fraud

## Matters in relation to fraud

ISA(UK&I)240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit and Risk Committee and the Council management. Management, with the oversight of the Audit and Risk Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit and Risk Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As the Council's external auditors, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud
- process for identifying and responding to risks of fraud, including any identified specific risks
- communication with the Audit and Risk Committee regarding its processes for identifying and responding to risks of fraud
- communication to employees regarding business practices and ethical behaviour

We need to understand how the Audit and Risk Committee oversees the above processes. We are also required to make inquiries of both the Council management and the Audit and Risk Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from the Council's management.

# Fraud risk assessment

Question	Management response
<p>Has the Council assessed the risk of material misstatement in the financial statements due to fraud or error?</p> <p>Is this consistent with the feedback from your risk management processes?</p>	<p>The collective processes for closedown, budget monitoring and outturn take into consideration the risk of material misstatement due to error or fraud. Senior finance officers meet regularly to consider any issues arising from budget monitoring and the closedown process. Should any fraud be reported as part of this or any other process, corrective action would be taken.</p>
<p>Are you aware of any instances of fraud, either within the Council as a whole or within specific departments since 01 April 2018?</p> <p>If so how does the Audit and Risk Committee respond to these?</p>	<p>A report on fraud goes to each of the quarterly Audit and Risk Committee meetings (copies of the reports can be made available upon request).</p> <p>Disciplinary proceedings have been undertaken with an employee in relation to fraud.</p>
<p>Do you suspect fraud may be occurring, either within the Council or within specific departments?</p> <ul style="list-style-type: none"> <li>Have you identified any specific fraud risks?</li> <li>Do you have any concerns there are areas that are at risk of fraud?</li> </ul> <p>Are there particular locations within the Council where fraud is more likely to occur?</p>	<p>The Council takes into account the findings in publications such as the CIPFA “Fraud Tracker Survey” which identifies fraud trends, and those areas more susceptible to fraud. From this a Fraud Risk Register has been developed, which in turn, is used to inform and drive the Counter Fraud plan.</p> <p>The Council also works closely with Wolverhampton Homes in order to help tackle the risk of Housing Fraud.</p>

# Fraud risk assessment (continued)

Question	Management response
<p>Are you satisfied that the overall control environment is robust, including:</p> <ul style="list-style-type: none"> <li>the process for reviewing the system of internal control;</li> <li>internal controls, including segregation of duties; exist and work effectively?</li> </ul> <p>If not where are the risk areas?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>Audit Services have given an unqualified opinion on the adequacy and effectiveness of the Council's internal control system for a number of years.</p> <p>Individual internal audit reviews are undertaken in-year, and Audit Services report back, where appropriate, on individual areas where controls could be improved. Recommendations will then be made in order to improve any weaknesses found, and key recommendations are later followed up.</p> <p>They also report any key control weaknesses at each meeting of the Audit and Risk Committee.</p> <p>The Council's Counter Fraud Team which sits within Audit Services incorporates a broad skills base which provides the resources to perform counter fraud and investigation activities and strengthens the council's ability to respond to fraud.</p> <p>There are not any known areas where there is a potential for override of controls or inappropriate influence over the financial reporting process.</p>

# Fraud risk assessment (continued)

Question	Management response
<p>How do you encourage, and communicate to, employees about your views on business practices and ethical behaviour?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud?</p>	<p>The Council has the following policies and procedures to help raise the awareness of, and combat fraud:</p> <ul style="list-style-type: none"> <li>• Anti-Fraud and Corruption Policy and Procedure</li> <li>• Whistleblowing Policy and Procedure</li> <li>• Anti-Money Laundering Policy and Procedure</li> <li>• Raising Fraud Awareness Guide</li> </ul> <p>These documents are reviewed annually by the Audit and Risk Committee, and available on the internet. The internet page on fraud has been designed to help strengthen the ease in which potential fraud can be reported on-line</p> <p>Employees learn about business practices and ethical behaviour through the following:</p> <ul style="list-style-type: none"> <li>• Codes of Conduct</li> <li>• induction training</li> <li>• accountability arrangements signed by all senior officers</li> <li>• contracts – standard exclusions</li> <li>• adherence to procurement procedures</li> <li>• aide memoires from Monitoring Officer around gifts &amp; hospitality policy at key times of the year.</li> </ul> <p>There are a number of fraud related policies and procedures that encourage this, and include full contact details – including a confidential hotline. The Council's internet site allows on-line reporting.</p>

# Fraud risk assessment (continued)

Question	Management response
From a fraud and corruption perspective, what are considered to be high-risk posts?	Senior Officers and Members who have powers to influence decisions are potentially the highest risk posts in respect of fraud and corruption.
How are the risks relating to these posts identified, assessed and managed?	Senior Officers and Members are required to declare interests on a register of interests and at meetings.
Are you aware of any related party relationships or transactions that could give rise to instances of fraud?	No instances of related party relationships or transactions are known to be fraudulent.
How do you mitigate the risks associated with fraud related to related party relationships and transactions?	Conditions of contact with third parties are in place to mitigate fraud risk, this includes refraining from providing corrupt gifts and payments. The Council's auditors have right of access to third party records if fraud is suspected.
What arrangements are in place to report fraud issues to Audit and Risk Committee?	A Counter Fraud Update report is presented to each meeting of the Audit and Risk Committee detailing how the Council is tackling issues around fraud and includes details of any recent investigations into suspected fraudulent activity.
How does the Audit and Risk Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?	The committee also reviews and approves all of the Council's Anti-Fraud Policies and Procedures on an annual basis. This includes a detailed Counter Fraud Plan charting out the actions to be taken going forward, and the Council's Fraud Risk Register. As part of the Annual Internal Audit Plan, Audit Services undertake annual reviews of many of the Council's key financial systems – consideration of fraud forms part of these. The Council also fully participates in the Cabinet Office's National Fraud Initiative, and other national fraud benchmarking exercises, as appropriate.



# Fraud risk assessment (continued)

Question	Management response
Are you aware of any whistle-blower reports under the Bribery Act since 01 April 2018? If so how does the Audit and Risk Committee respond to these?	As of today no fraud was reported to us under the Bribery Act since 01 April 2018.

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# Laws and regulations

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## Matters in relation to laws and regulations

ISA(UK&I)250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Council, is responsible for ensuring that the Council's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Council as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

# Impact of laws and regulations

Question	Management response
<p>How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?</p>	<p>A number of controls are in place. Management place reliance on these controls. In addition, there is an annual programme of work from Audit Services which in part covers legal matters. Directors also meet daily at 09.00 to discuss issues of topical concern including any legal matters. SEB also meets weekly for wider briefings across the business.</p>
<p>How is the Audit and Risk Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>The findings and recommendations from the work of Audit Services, with key issues being reported back to the Audit and Risk Committee. Also, each Director is required to sign an annual assurance statement, and this helps inform the Annual Governance Statement that is reported to the Audit and Risk Committee.</p>
<p>Have there been any instances of non-compliance with law and regulation since 01 April 2018 with on-going impact on the 2018/19 financial statements?</p>	<p>None as at today (26/02/2019).</p>

# Impact of laws and regulations (continued)

Question	Management response
Is there any actual or potential litigation or claims that would affect the 2018/19 financial statements?	None as at today (26/02/2019).
What arrangements does the Council have in place to identify, evaluate and account for litigation or claims?	All litigation is commenced / defended / settled in consultation with the Monitoring Officer. All prospective prosecutions are evaluated against nationally adopted criteria. An annual appraisal of contingent liabilities is prepared and reported by the Monitoring Officer in consultation with the Risk Manager.
Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	None as at today (26/02/2019).

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# Going Concern

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## Matters in relation to going concern

ISA(UK&I)570 covers auditor responsibilities in the audit of financial statements relating to management's use of the going concern assumption in the financial statements.

The going concern assumption is a fundamental principle in the preparation of financial statements. Under this assumption entities are viewed as continuing in business for the foreseeable future. Assets and liabilities are recorded on the basis that the entity will be able to realise its assets and discharge its liabilities in the normal course of business.

Going concern considerations have been set out below and management has provided its response.

# Going concern considerations

Question	Management response
Has a report been received from management forming a view on going concern?	Indirectly through the statement of accounts and regular updates on the Medium Term Financial Strategy.
Are the financial assumptions in that report (e.g., future levels of income and expenditure) consistent with the Council Business Plan and the financial information provided to the Council Authority throughout the year?	During the financial year, Strategic Finance support Budget Managers to conduct regular budget monitoring and to forecast each service's outturn for the year. Throughout this process financial assumptions about the current year and future years are discussed and scrutinised by Budget Managers and Strategic Finance, with quarterly forecast outturn updates provided to the Council's Cabinet (Resources) panel. The Council's Medium Term Financial Strategy is an extension of this budget monitoring and forecasting process; any developments or pressures arising as a result of discussions with Budget Managers during the regular budget monitoring process will be incorporated into the Council's Medium Term Financial Strategy, which is also reported to Cabinet.
Are the implications of statutory or policy changes appropriately reflected in the Business Plan, financial forecasts and report on going concern?	Yes, these are fully reflected in the MTFS as budget pressures.
Have there been any significant issues raised with the Audit and Risk Committee during the year which could cast doubts on the assumptions made? (Examples include adverse comments raised by internal and external audit regarding financial performance or significant weaknesses in systems of financial control).	None as of today (26/02/2019).

# Going concern considerations (continued)

Question	Management response
Does a review of available financial information identify any adverse financial indicators including negative cash flow or poor or deteriorating performance against the better payment practice code? If so, what action is being taken to improve financial performance?	No adverse financial indicators are currently being reported.
Does the Council have sufficient staff in post, with the appropriate skills and experience, particularly at senior manager level, to ensure the delivery of the Council's objectives? If not, what action is being taken to obtain those skills?	Despite the significant challenges being faced by the Council we believe that this is currently the case. In addition resources and structures remain under constant review so in the event that any issues are identified these would be addressed quickly.
Does the Council have procedures in place to assess the Council ability to continue as a going concern?	The MTFS in the main provides this assurance, insofar as it demonstrates that the Council is able to deliver services and statutory responsibilities within the projected available resources. Account is, however, also taken of the potential and contingent liabilities that are reported in the statement of accounts, in order to ensure that assets remain sufficient to meet liabilities.
Is management aware of the existence of events or conditions that may cast doubt on the Council ability to continue as a going concern?	None as of today (26/02/2019).
Are arrangements in place to report the going concern assessment to the Audit and Risk Committee?	Indirectly through the statement of accounts.

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# Related Parties

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## Matters in relation to Related Parties

Local Government bodies are required to comply with IAS 24 and disclose transactions with entities/individuals that would be classed as related parties. These may include:

- entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the Council (i.e. subsidiaries);
- associates;
- joint ventures;
- an entity that has an interest in the Council that gives it significant influence over the Council;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Council, or of any entity that is a related party of the Council.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the Council's perspective but material from a related party viewpoint then the Council must disclose it.

ISA (UK&I) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.



# Related Parties considerations

Question	Management response
Who have the Council identified as related parties?	<p>The Council has a number of related parties which are disclosed in the financial statements.</p> <p>The Council owns three other organisations YOO Recruit Ltd, Wolverhampton Homes Ltd and City of Wolverhampton Housing Company Limited (aka Wolverhampton Living).</p> <p>In addition councillors serve on the boards or governing bodies of various local organisations.</p>
What are the controls in place to identify, account for, and disclose, related party transactions and relationships?	<p>Forms re-devised to have prompts including aide-memoire to disclose Directorships</p> <p>Letters to all councillors (or emails as appropriate) to remind them annually to update interests</p> <p>Ability for councillors and officers to now update interests in “real-time” on-line through Modern.gov platform from home or wherever that have internet connectivity, and these are requested to be reviewed and updated on a periodic basis by the Council’s Monitoring Officer.</p>

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# Accounting estimates

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## Matters in relation to accounting estimates

Local government bodies apply appropriate estimates in the preparation of their financial statements. ISA (UK&I) 540 sets out requirements for auditing accounting estimates. The objective is to gain evidence that the accounting estimates are reasonable and the related disclosures are adequate.

Under this standard we have to identify and assess the risks of material misstatement for accounting estimates by understanding how the Council identifies the transactions, events and conditions that may give rise to the need for an accounting estimate.

Accounting estimates are used when it is not possible to measure precisely a figure in the accounts. We need to be aware of all estimates that the Council is using as part of its accounts preparation; these are detailed in Appendix A to this report. The audit procedures we conduct on the accounting estimate will demonstrate that:

- the estimate is reasonable; and
- estimates have been calculated consistently with other accounting estimates within the financial statements.

We would ask the Council to satisfy itself that the arrangements for accounting estimates are adequate.

# Accounting estimates considerations

Question	Management response
Are management aware of transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement?	None as of today (26/02/2019).
Are the management arrangements for the accounting estimates, as detailed in Appendix A, reasonable?	Accounting estimates are kept under review throughout the year by Corporate Finance, but formally reviewed each year by the Director of Finance in preparation of the financial statements. The outcome of this formal review is reflected in this document (Appendix A), which is presented to the Audit and Risk Committee in March each year. This Committee provides the opportunity for challenge and any queries.
How is the Audit and Risk Committee provided with assurance that the arrangements for accounting estimates are adequate?	Please see above.

# Appendix A – Accounting Estimates

# Appendix A - Accounting estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Valuation of property plant and equipment	<p>Dwellings- re-valued every 5 years on an existing use-social housing basis by the District Valuer.</p> <p>Other land and buildings including investment properties and surplus assets:</p> <ul style="list-style-type: none"> <li>• over £1m, valued annually at fair value or depreciated replacement cost.</li> <li>• under £1m, valued as part of a 5 year rolling programme at fair value or depreciated replacement cost.</li> </ul> <p>Since 2015-16, external valuers have been used whereas in prior years this was carried out using the Council's in-house valuers.</p> <p>Community assets, vehicles, plant and equipment, infrastructure and assets under construction-depreciated historical cost.</p> <p>Intangibles- at amortised cost</p>	<p>The asset revaluations are critically reviewed by the corporate finance team with any significant variances from previous valuations or our expectations queried and discussed with the valuers.</p> <p>In the period between valuations a review is carried out annually based on appropriate indices or changes in market conditions to establish whether there has been any material change in the asset values.</p>	Yes – external valuer	Valuations are carried out in accordance with RICS guidance and the Code of Practice on Local Authority Accounting.	No

# Appendix A - Accounting estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Depreciation of property plant and equipment	Based on the useful economic life of the asset.	Useful economic life is assessed when valuations are carried out. In addition a list of assets is sent to service managers annually to obtain an update on dilapidated or damaged assets.	Yes – external valuer	The valuer is appropriately professionally qualified.	No
Impairment of property plant and equipment	Impairments are determined as a result of the valuation process and as a result of information provided by members of Strategic Finance, Risk and Insurance and Corporate Landlord.	Critical review of asset valuations and review of market conditions.	Use of external valuer and internal RICS qualified staff.	Valuations are made in line with RICS guidance and the Code of Practice on Local Authority Accounting.	No

# Appendix A - Accounting estimates (continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Expected credit losses	Expected credit losses are recognised on all financial assets held at amortised cost (or where relevant Fair Value through Other Comprehensive Income (FVOCI). Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations.	Critical review of credit risk and debt collection rates from information provided by the Debt Management Team, Finance and trend analysis.	No	Collection rates, historically, have been relatively constant and level of bad debt write-offs in prior years indicate that the provision is adequate.	No
Provision for liabilities	Provisions are made where an event has taken place which gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits and a reliable estimate can be made.	Legal liabilities. Insurance. Non Domestic Rates. Equal Pay	No	Charged in the year the Council becomes aware of the obligation.	No

# Appendix A - Accounting estimates (continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Accumulated absence account	Accrual is based on outstanding leave as at 31 March 2018 derived from payroll records.	Reasonableness check based on overall number of days outstanding and prior year comparison	No	The accrual is based on actual leave records for individual employees.	No
Liabilities under PFI schemes	The accounting entries are derived from the PFI accounting models which were prepared, based on the operators financial model, at the commencement of the various schemes.	Models are updated annually from information provided by finance and operational staff.	No	Assumption that there has been no significant change to the parameters in the model. If significant changes are identified the model will be amended to reflect the changes.	No





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<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Audit and Risk Committee</b> 11 March 2019
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<b>Report title</b>	Strategic Risk Register and Strategic Assurance Map	
<b>Accountable director</b>	Claire Nye, Finance	
<b>Originating service</b>	Audit	
<b>Accountable employee(s)</b>	Peter Farrow Tel Email	Head of Audit 01902 550417 Peter.Farrow@wolverhampton.gov.uk
<b>Report to be/has been considered by</b>	Corporate Leadership Team	19 February 2019

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**Recommendations for noting:**

The Committee is asked to note:

1. The latest summary of the Council's strategic risk register as at Appendix 1.
2. Risk number 8 - Business Continuity Management has been temporarily increased to red in order to reflect the continuing uncertainties regarding Brexit.
3. Risk number 23 - Cyber Security has been increased to reflect the developing nature of cyber-attacks.
4. As the target score for risk 14 – School Improvement had been achieved and 96% of maintained schools are now at good or above, this risk has been archived and transferred to the relevant directorate risk register.
5. The change to the target date for the reduction of risk 29 – Fire Safety, Public Buildings in order to allow time for a new compliance structure to be put in place.

6. While no particular incidents have taken place, following a re-assessment risk 27 regarding safety concerns around the City's tower blocks has been increased, and the title of the risk updated to City assurance of response and compliance with the requirements of National Building Safety Programme, Grenfell Inquiry Report Recommendations and MHCLG Building Regulation Guidance Advice Notice(s).
7. The reduction in the score for risk 32 - Waste Management as the majority of service changes have now been implemented.
8. The reduction in the score for risk 34 as work is now underway on the Interchange Programme (Train Station).
9. The main sources of assurance available to the Council against its strategic risks at Appendix 2.

## 1.0 Purpose

- 1.1 To keep members of the Audit and Risk 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 was last presented to the Committee in December 2018. Since this time, we have worked with risk owners to review and update the risks.
- 2.3 The strategic risk register does not include all 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 directorate, programme, project or partnership risk registers in line with the Council's corporate risk management framework.
- 2.4 A detailed summary of the strategic risk register is included at Appendix 1 of this report which sets out the status of the risks as at February 2019. These risks are reviewed on an on-going basis and can be influenced by both external and internal factors and as such, may fluctuate over time.
- 2.5 The key risks at the time of this report and their underlying direction of travel is as follows:

Medium Term Financial Strategy	↔
Business Continuity Management	↑
Brexit	↔
City Centre Regeneration	↔
Emergency Planning	↔
Skills for Work and Inclusive Growth	↔
Cyber Security	↑
Fire Safety – Public Buildings	↔
Civic Halls	↔
Information Governance	↔
Safeguarding	↔

School Improvement	↔
Maximising Benefits from the Combined Authority	↔
Payment Card Industry Data Security Standard	↔
Safety Concerns around the City's Tower Blocks	↑
Health and Safety	↔
Waste Management Services	↓
Governance of Major Capital Projects and Programmes	↔
Wolverhampton Interchange Programme	↓

- 2.6 Appendix 2 provides a summary of the Council's strategic assurance map which follows the three lines of defence model (shown on the following page). 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 <b>independent</b> 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 also takes the opportunity to 'call in' individual risks for further review from time to time. At the last meeting, the Committee called in risk 35 – Brexit, the Head of Public Service Reform is attending the meeting to discuss the work being undertaken to mitigate this risk in more detailed.

### 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/12022019/I]

## **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/12022019/W]

## **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 Health and Wellbeing implications**

- 10.1 There are no health and wellbeing implications arising from this report.

## **11.0 Schedule of background papers**

- 11.1 None

## **12.0 Appendices**

- 12.1 Appendix 1 - Strategic Risk Register  
12.2 Appendix 2 - Strategic Risk Assurance Map

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# Appendix 1 – Strategic Risk Register


February 2019



- The following are the reported strategic risks that are currently assessed as high/medium (10 +) that the Council faces in delivering its corporate priorities.


Risk ref	Risk title and description	Previous score (Nov 2018)	Direction of travel	Current score (Feb 2019)	Target score and date	Comment																																												
4 01/14	<p><b>Medium Term Financial Strategy</b></p> <p>If the Council does not manage the risks associated with the successful delivery of its medium term financial strategy (MTFS) including the continual review of the assumptions and projections of the strategy, the effective management of the key MTFS programmes and projects such as the transformation of Adults and Children's services then revenues may be exhausted, resulting 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: Claire Nye Cabinet Member: Cllr Louise Miles</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>16</td><td></td></tr> <tr> <td>3</td><td></td><td></td><td></td><td></td><td></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><td></td></tr> </table>	Likelihood	5						4				16		3						2						1							1	2	3	4	5		Impact						16 Red		16 Red	12* Amber On-Going	<p>The 2019-2020 Budget and Medium Term Financial Strategy 2019-2020 to 2023-2024 was presented to Cabinet on 20 February 2019 and full Council on 6 March 2019. The report detailed the following matters:</p> <ul style="list-style-type: none"> <li>The Council's net budget requirement for 2019-2020 for the General Fund Services is £234.9 million, in the opinion of the Director of Finance (Section 151 Officer) the 2019-2020 budget estimates are robust. The Council does not require the use of general reserves in order set a balance budget for 2019-2020.</li> <li>A further £27.3 million needs to be identified for 2020-2021 and £40-£50 million over the medium term in order to address the projected budget deficit.</li> <li>Due to the uncertainty the Council currently faces, it is particularly challenging to establish a medium term financial strategy beyond 2019-2020, however work has been ongoing to project a forecast medium-term position. In order to project this potential deficit a number of assumptions have been made on the level of resources that will be available to the Council. However, given that Government consultations on the Reform to the Business Rates Retention Scheme and the Review of Relative Needs and Resources are currently ongoing, it is difficult to project the potential resources that will be available to the Council over the forthcoming Comprehensive Spending Review period. As a result of rolling forward the MTFS to encompass financial years from 2020-2021 to 2023-2024 assumptions have been made about the forecast levels of budget growth linked to the demography of Wolverhampton.</li> <li>The overall level of risk associated with the Medium-Term Financial Strategy 2019-2020 to 2023-2024 is assessed as red.</li> <li>Work to develop budget reductions and income generation proposals for 2020-2021 onwards in line with the Five Year Financial Strategy is ongoing, progress on this work will be reported to Cabinet in July 2019.</li> </ul>
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Risk ref	Risk title and description	Previous score (Nov 2018)	Direction of travel	Current score (Feb 2019)	Target score and date	Comment																																											
8 01/14	<p><b>Business Continuity Management (BCM)</b></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: John Denley Cabinet Member: Cllr Hazel Malcolm</p> <table><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>16</td><td></td></tr><tr><td>3</td><td></td><td></td><td></td><td></td><td></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="6">Impact</td></tr></table>	Likelihood	5						4				16		3						2						1							1	2	3	4	5	Impact						12 Amber		16 Red	8 Amber Until new arrangements are in place and embedded	<p>This risk has been temporarily increased to red, due to the ongoing uncertainties over Brexit as reflected in risk 35 later in this register.</p> <p>As previously reported, at their meeting in April 2018 Cabinet approved plans to transfer the overall day to day management and delivery of Council's Emergency Planning and Business Continuity management service to West Midlands Fire Service (WMFS) under a Collaboration Agreement. Whilst a date for the transfer has not been agreed the Council are now actively working alongside the WMFS in preparation for the merger, whilst ensuring that there is a presence onsite in Wolverhampton at all times.</p> <p>Priority one service areas are in the process of reviewing and updating existing business continuity and emergency plans. In addition, the process for completing and reviewing continuity plans is also being reviewed to ensure that it is manageable. All legal requirements are being met and the team are now starting to hit leading practise indicators for resilience in some areas. Updates on progress against the 2018-2021 work plan continue to be provided to the Resilience Board on a quarterly basis. Since last reported, with regards to both business continuity and emergency planning it is noted:</p> <ul style="list-style-type: none"><li>• Work is underway to establish a new, offsite control room, with a back-up control room located at a secondary site. A location for a temporary control room has been identified and will be used whilst work on the permanent room is completed</li><li>• The team were involved in the response to the recent large-scale fire incidents in the City. As per normal practise the response to each incident will be reviewed to identify any lessons learnt.</li><li>• A significant amount of work is being undertaken in preparation for Brexit and in particular a no-deal Brexit. Local Resilience Forum (LRF) returns in respect of Brexit are being completed on a weekly basis, completion of these returns will increase to a daily basis closer to the Brexit deadline. The team have taken part in Brexit exercises and tactical and strategic group meetings have been scheduled. A number of drop-in workshops are taking place to assist services with the preparation of their Brexit Continuity Plans. Following completion, these plans will be analysed to identify gaps.</li></ul>
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Risk ref	Risk title and description	Previous score (Nov 2018)	Direction of travel	Current score (Feb 2019)	Target score and date	Comment																																											
9 01/14	<p><b>City Centre Regeneration</b></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"><li>the attraction of private sector investment</li><li>the creation of space to accommodate new businesses and economic growth</li><li>the enhancement and creation of visitor attractions</li><li>the creation of well-paid employment</li><li>retention of skilled workers</li><li>the creation of residential opportunities</li><li>a functioning city centre offer that serves the residents of the City</li><li>a reduced demand on Council services</li></ul> <p>Risk owner: Richard Lawrence Cabinet Member: Cllr John Reynolds</p> <table><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>12</td><td></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="6">Impact</td></tr></table>	Likelihood	5						4						3				12		2						1							1	2	3	4	5	Impact						12 Amber		12 Amber	12* Amber On-going	<p>Risks are being managed across the City Centre programme to address the potential for delayed delivery and cost overrun. With regards to key projects the following is noted:</p> <ul style="list-style-type: none"><li>The i9 office development is now fully funded subject to concluding the funding agreements with Walsall as accountable body and marketing of the building to potential occupiers has begun. The main contractor has been appointed, works are due to commence in May 2019.</li><li>A revised funding model has in principle been agreed with the developer and is subject to Cabinet sign-off in February 2019. This will involve the Council taking a more direct intervention to address a value gap that has come about as a result of cost inflation and the downturn in the commercial leisure sectors.</li><li>Proposals to enhance key areas of public realm throughout the city as identified within the Connected Places Strategy delivery plan are progressing with Westside Link, Cleveland Boulevard and Springfield Link due for commencement in 2019. These works will seek funding from the Local Enterprise Partnership off the back of outputs secured through the associated major developments.</li><li>Advanced discussions are ongoing with a high-calibre developer with regards to bringing a comprehensive residential-led mixed use scheme to Canalside South. A joint study between CWC and Canal and River Trust (with funding support from the Homes England) has been completed which will result in a phased masterplan proposal with clear routes to delivery.</li><li>A design for City Learning Quarter is ongoing to meet the needs of user groups. Enabling works around land acquisition are continuing. The delivery programme is challenging and options around a phased decant for the college are being appraised.</li></ul> <p>Engagement with developers and investors continues across a range of sites. Feedback is very positive from investors who are becoming increasingly convinced that there is a developing momentum around the city centre.</p>
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01/17

Skills for Work and Inclusive Growth

If the city residents do not have the appropriate skills that employers require and the Council does not work effectively with its partners to promote and enable growth, high rates of unemployment and low rates of inclusive growth will result in increased demand for council services.

Risk owner: Meredith Teasdale  
Cabinet Member: Cllr Lynne Moran

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Ongoing

Since last reported the following is noted;

www.wolvesworkbox.com launched in June 2017 as the virtual front door to skills and employment support in the city. To date (January 2019) the site has had over 322,000 unique visits and over 100 organisations are using workbox to promote their offer. Over 2,500 residents have signed up to workbox to receive information, the site includes details regarding apprenticeship opportunities in the City, health and work and employers.

Wolves at Work is a joint partnership between DWP and the Council aimed at supporting 3,000 residents into sustained employment over three years. There are 30 work coaches across the two organisations. It has so far exceeded its' targets and has to date supported 3,616 local people to gain employment – around 45 percent of which are aged 18 to 29. Wolves at Work is also targeting offenders and rough sleepers.

IMPACT is a Black Country wide European Social Fund, Youth Employment Initiative project that has recently had funding extended until 2021. The project aims to support young people 16 to 29 who are not in employment, education and training (NEET). Over 2400 young people have been engaged to date with over 1,150 achieving positive outcomes i.e. into training or employment.

Connexions supports young people who are 14 - 19, or with Special Educational Needs who are under 25 to access education, employment or training. 93.8 % of (academic age) 16 and 17-year olds in the City were in learning, Wolverhampton is the best performing authority in the Black Country in this area.

The Council have embedded a new approach to apprenticeship recruitment over the past six months, this has included a new apprenticeship pay structure, an inclusive apprenticeship process working with managers and other employment support mechanisms including Wolves at Work and the Corporate Parenting Officer. An apprentice information portal for managers is due to be launched.


10 new apprentices have been recruited into the council or are in the process of being recruited since September 2018.

23

1/17


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Risk ref	Risk title and description	Previous score (Nov 2018)	Direction of travel	Current score (Feb 2019)	Target score and date	Comment																																											
						<ul style="list-style-type: none"> <li>The Council's Retail Revival partnership with Ebay continues, small businesses in Wolverhampton have reached sales of £1million following training and support from the Ebay team. On average retailers have reported sales increases on 41% during the three-month period that the partnership has been in place.</li> <li>The Council's Social Charter has now captured over 20 developments which are taking place on the city. The Charter puts in place a number of clear pathways for residents and young people in the city through employment, apprenticeships, pre - apprenticeships and school visits, as well as links to our local businesses</li> <li>With regards to the recent concerns with national retail chains, the Council continues to maintain regular dialogue with key stores, in the city.</li> </ul>																																											
	<p><b>Cyber Security</b></p> <p>Failure to maintain a high level of cyber security (technology, processes and awareness) throughout the Council may result in cyber-attacks and theft or loss of confidential data leading to financial penalties, reputational damage and a loss in public confidence.</p> <p>Risk owner: Kevin O'Keefe</p> <p>Cabinet Member: Cllr Val Gibson</p> <div> <table> <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>12</td><td></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> </div>	Likelihood	5						4						3				12		2						1							1	2	3	4	5		Impact					<div>10</div> <div>Amber</div>	<div>↑</div>	<div>12</div>	<div>10</div> <div>Amber</div> <div>Ongoing – Dependent on cyber world-wide cyber incidents</div>	<p>This risk has been increased to reflect the ever-developing nature of cyber attacks. Maintaining robust, secure and up-to-date technology defences continues to be the Council's first line of defence against cyber-attacks. Regular maintenance of the cyber security technical defences is required to address identified vulnerabilities. System back-ups continue to be undertaken in accordance with agreed time-tables and practise restores to the Council's non-production area are ongoing to ensure that back-ups have been undertaken correctly and can be restored. Since last reported it is noted;</p> <ul style="list-style-type: none"> <li>The routine patching schedule continues to ensure protection against newly discovered threats and vulnerabilities.</li> <li>The continued move to the cloud is being undertaken whilst ensuring minimal disruption to services. The move to the cloud is only undertaken when it is the right decision for the business, decisions to move are made on a case by case basis.</li> <li>Progress against the Public Services Network (PSN) action plan is ongoing, with only very minor issues still outstanding. The Council's Information Technology Health Check is due in April, with the PSN submission for this year due to be submitted in July 2019.</li> <li>ICT are currently trialling a product called Darktrace, which offers further functionality on firewalls and associated rules</li> </ul>
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29 12/17						<p>This is still in discovery mode to see if this application can offer any further enhancement to our security measures.</p> <ul style="list-style-type: none"> <li>• Proof of Value (POV) is currently underway for Cyber Security products, with a focus on Artificial Intelligence (AI) &amp; Security Information &amp; Event Management (SIEM) capabilities. The findings of this exercise will be documented during 2019.</li> <li>• Due to a threat in November two factor authentication has been considered for implementation across the authority on a conditional basis, which will result in additional security levels for authentication. This is still on the ICT roadmap to be implemented during the first six months of 2019.</li> </ul> <p>A restructure is currently being undertaken in ICT, Governance and Change Management posts have been established. The Governance position will focus on ensuring all IT Governance is in place alongside existing and evolving legislation, whilst the Change Management position will be directly responsible for ensuring rigid and robust change management processes are in place.</p> <p>Information Cyber-Security policies identify the good practices that need to be adopted by the Council. These, along with other Human Resource and Information Governance policies, are regularly reviewed and updated to ensure they are keeping pace and addressing potential threat opportunities. Employee awareness of potential threats and good working practices, through mandatory and associated training, continue to enhance the understanding of cyber security and, help to minimise the opportunities. ICT work closely with Information Governance to maintain relations and high levels of security.</p>
	<b>Fire Safety – Public Buildings</b> If the Council does not have in place appropriate systems to ensure compliance with the Regulatory Reform (Fire Safety) Order 2005 within public buildings (including schools) there is a risk of injury to members of the public and exposure to regulatory action, financial penalties and reputation damage to the Council.	10 Amber		10 Amber	5 Amber Dec 2019	<p>The Council is the Responsible Person for public buildings. The named Responsible Person is now Strategic Director for Place.</p> <ul style="list-style-type: none"> <li>• 98% of public buildings currently have a fire risk assessment (FRA). Existing FRA's have been reviewed and new FRA's commissioned where required, 90% of corporate buildings and 70% of community schools have a suitable and updated FRA.</li> <li>• 100% of corporate buildings and community schools should have a suitable, updated FRA by end March 2019.</li> <li>• FRA's identify actions required to improve fire safety, which are the responsibility of either Corporate Landlord or the Site Duty-</li> </ul>




Risk ref	Risk title and description	Previous score (Nov 2018)	Direction of travel	Current score (Feb 2019)	Target score and date	Comment																																												
	<p>Risk owner: Ged Lucas Cabinet Member: Cllr Peter Bilson</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></td></tr> <tr> <td>2</td><td></td><td></td><td></td><td></td><td>10</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><td></td></tr> </table>	Likelihood	5						4						3						2					10	1							1	2	3	4	5		Impact										<p>holder to complete. However, Corporate Landlord retain oversight of all actions in order to ensure implementation.</p> <ul style="list-style-type: none"> <li>Corporate Landlord undertakes actions to both buildings and systems, for example maintaining and upgrading fire protection systems such as alarms and sprinklers. Sufficient resource(s) are required in terms of specialist staff to arrange works and funding to undertake the works. A fire safety expert is required in-house to enable the Council to fulfil its statutory duties, a report regarding resource requirements and a proposed compliance structure was submitted to SEB in February 2019.</li> <li>There is also a funding gap to undertake required fire safety works. This issue was reported to the Project Assurance Group (PAG) on 21 January 2019.</li> <li>The role of Site Duty-Holder was launched in June 2018. Corporate Landlord will support Site Duty-Holders in fulfilling their responsibilities, for example by arranging training for 500 fire marshals, in conjunction with Workforce Development. Corporate Landlord will undertake six monthly site audits to ensure that Site Duty-Holders are undertaking required actions.</li> <li>Corporate Landlord has implemented liaison arrangements for I10, I11 and will also implement arrangements for other buildings in multiple occupation.</li> <li>There is an elevated level of risk at the former Dudley Road School site, which is leased to Blakenhall Action Community Forum (BACF) who are currently undertaking fire safety works in the Community Centre (the Community Centre is currently the extent of their occupation)</li> <li>It is noted that whilst Corporate Landlord manages fire risk actions and regular ongoing checks for corporate buildings, community schools have delegated responsibilities. Schools are requested to provide a fire log return half-termly and updated copies of their FRA action plans to demonstrate that regular fire safety checks are being undertaken, along with training and review of emergency arrangements. Returns from schools are in the process of being reviewed and any outstanding returns will be escalated via the Head of School Organisation.</li> </ul>
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						<ul style="list-style-type: none"> <li>Annual visits to schools are undertaken to assess fire safety arrangements and investigations are underway into safety defects in the Building School for the Future (BSF) schools.</li> </ul>																																												
30 01/18	<p><b>Civic Halls</b></p> <p>There is a significant reputational and financial risk to the Council and to the City's wider visitor economy if the revised Civic Halls refurbishment programme is not effectively managed in terms of project timings, costs and scope.</p> <p>Risk owner: Ged Lucas Cabinet Member: Cllr John Reynolds</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></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">Impact</td></tr> </table>	Likelihood	5						4						3						2						1							1	2	3	4	5	Impact							16 Red		12 Amber	10* Amber Ongoing	The Civic Halls project continues to make good progress against its project programme with the move into Phase 2 of the refurbishment project programmed for March 2019. Monitoring of progress is ongoing through Member Reference Group, Project Assurance Group and the Civic Halls Programme Board and an independent advisor from Equib continues to provide specialist support on this programme. An update on the Lessons Learnt report will be reported to the next Committee meeting. A report regarding the Civic Halls is due to be submitted to Cabinet Resources Panel on 6 March 2019.
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Risk ref	Risk title and description	Previous score (Nov 2018)	Direction of travel	Current score (Feb 2019)	Target score and date	Comment																																												
35 11/18	<p><b>Brexit</b></p> <p>There is a risk that the implications of Brexit, particularly a no-deal Brexit could have a negative impact on Council and the wider City.</p> <p>Risk owner: John Denley Cabinet Member: Cllr Roger Lawrence</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>16</td><td></td></tr> <tr> <td>3</td><td></td><td></td><td></td><td></td><td></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">Impact</td></tr> </table>	Likelihood	5						4				16		3						2						1							1	2	3	4	5	Impact							16 Red		16 Red	12 Amber* Ongoing depending on external political factors	<p>Due to current levels of political uncertainty surrounding Brexit this risk continues to be assessed as red. It is envisaged that the level of risk will vary significantly between now and 29 March 2019, when the UK are scheduled to leave the European Union.</p> <p>Government funding has been allocated to the Council to assist with the costs of preparing for Brexit and work is ongoing, brief details are outlined below:</p> <ul style="list-style-type: none"> <li>Continual monitoring of the ongoing political situation to identify and prepare for potential impacts across the Council and within the City of Wolverhampton. This includes ensuring that appropriate arrangements are in place in the event of a snap general election or, referendum.</li> <li>Regional work alongside partners such as the Black Country Local Economic Partnership (LEP) and West Midlands Combined Authority (WMCA) is ongoing, regular updates are provided to the City Board.</li> <li>The government have appointed regional lead chief executives. For the Midlands, this is Nick Page at Solihull, the Council are working collaboratively with the local authority network across the region.</li> <li>Resilience plans have been established, Leadership Teams are responsible for monitoring and updating plans as appropriate.</li> <li>The Council are awaiting the results of the Government's consultation into the UK's Shared Prosperity Fund which will replace some of the funding currently received from the EU. Work is ongoing to identify how this fund will be distributed and to ensure the Council are in a position to comply with the governance arrangements surrounding the new fund.</li> <li>Appropriate communication packages (both internal and external) will be developed when more information with regards to the impact of Brexit is available.</li> </ul> <p>Regular updates on progress and details of the work being undertaken in preparation for Brexit are provided to the Strategic Executive Board (SEB). The Head of Public Service Reform will be attending the meeting to discuss this risk in more detail.</p>
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- The following are the medium and low (assessed at less than 10) strategic risks that the Council faces in delivering its corporate priorities.


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Risk ref	Risk title and description	Previous score (Nov 2018)	Direction of travel	Current score (Feb 2019)	Target score and date																																												
3 01/14	<p><b>Information Governance (IG)</b></p> <p>If the Council does not put in place appropriate policies, procedures and technologies to ensure:</p> <ul style="list-style-type: none"><li>that the handling and protection of its data is undertaken in a secure manner and consistent with both the provisions of the Data Protection Act 1998 and the General Data Protection Regulation (GDPR) which came into force during May 2018;</li><li>compliance with the Freedom of Information Act and Environmental Information Regulations;</li></ul> <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 Cabinet Member: Cllr Val Gibson</p> <table><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></td></tr><tr><td>2</td><td></td><td></td><td></td><td>8</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">Impact</td></tr></table>	Likelihood	5						4						3						2				8		1							1	2	3	4	5	Impact							8 Amber		8 Amber	4 Amber Nov 2019
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Page 93

Risk ref	Risk title and description	Previous score (Nov 2018)	Direction of travel	Current score (Feb 2019)	Target score and date																																											
7 01/14	<p><b>Safeguarding</b></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: Emma Bennett Cabinet Member: Cllr Sandra Samuels OBE and Cllr Paul Sweet</p> <table><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></td></tr><tr><td>2</td><td></td><td></td><td></td><td>8</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="6">Impact</td></tr></table>	Likelihood	5						4						3						2				8		1							1	2	3	4	5	Impact						8 Amber		8 Amber	8 Amber On-going
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Page 94

Risk ref	Risk title and description	Previous score (Nov 2018)	Direction of travel	Current score (Feb 2019)	Target score and date																																											
14 01/14	<p><b>School Improvement</b></p> <p>If the Council does not provide effective support, challenge and appropriate intervention to raise standards in maintained schools and school governance, 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: Meredith Teasdale Cabinet Member: Cllr Lynne Moran</p> <table><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></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="6">Impact</td></tr></table> <p>*In accordance with the Schools Causing Concern Guidance – February 2018, the Council attend regular meetings with the Regional School Commission and notify them of any concerns surrounding Academies.</p>	Likelihood	5						4						3						2						1							1	2	3	4	5	Impact						4 Amber		4 Amber	4 Amber Target achieved 96% maintained schools @ good or above. Risk archived.
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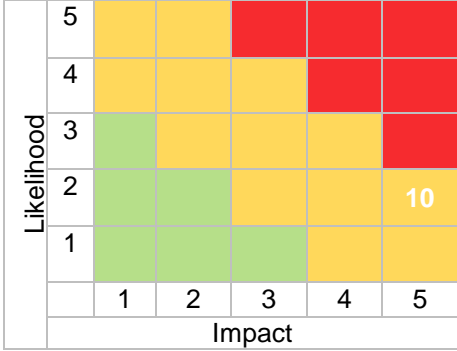

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Risk ref	Risk title and description	Previous score (Nov 2018)	Direction of travel	Current score (Feb 2019)	Target score and date																																												
24 01/17	<p><b>Maximising Benefits from West Midlands Combined Authority</b></p> <p>If the Council does not put in place effective co-ordination arrangements to utilise the opportunities available from being part of West Midlands Combined Authority (WMCA) it will be unable to maximise the benefits and opportunities available to it.</p> <p>Risk owner: Tim Johnson Cabinet Member: Cllr Roger Lawrence</p> <table><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></td></tr><tr><td>2</td><td></td><td></td><td>6</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">Impact</td></tr></table>	Likelihood	5						4						3						2			6			1							1	2	3	4	5	Impact							6 Amber		6 Amber	3 Green April 2019
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Risk ref	Risk title and description	Previous score (Nov 2018)	Direction of travel	Current score (Feb 2019)	Target score and date																																											
25 03/17	<p><b>Payment Card Industry Data Security Standard</b></p> <p>If the Council does not put in place appropriate systems, procedures and technologies to ensure agent-led telephone payments are compliant with the Payment Card Industry Data Security Standard, there is a risk of data breaches which may result in regulatory action, financial penalties and reputational damage.</p> <p>Risk owner: Claire Nye Cabinet Member: Cllr Louise Miles</p> <table><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></td></tr><tr><td>2</td><td></td><td></td><td></td><td>8</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="6">Impact</td></tr></table>	Likelihood	5						4						3						2				8		1							1	2	3	4	5	Impact						8 Amber		8 Amber	4 Amber May 2019
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Risk ref	Risk title and description	Previous score (Nov 2018)	Direction of travel	Current score (Feb 2019)	Target score and date
27 02/19	<p><b>City assurance of response and compliance with the requirements of National Building Safety Programme, Grenfell Inquiry Report Recommendations and MHCLG Building Regulation Guidance Advice Notice(s)</b></p> <p>The National Building Safety Programme is reviewing national building safety, regulations and policies further to the Grenfell tragedy of 14 June 2017. The scope of this review includes building management practice, property health and safety, fire safety management and building regulations/legislation and policy for all residential high-rise buildings (over 18m) in public and private ownership, as well as buildings housing vulnerable residents and new residential development.</p> <p>Risk Owner: Kate Martin Cabinet Member: Cllr Peter Bilson Member Fire Safety Scrutiny Panel: Cllr Greg Brackenridge (Panel Chair)</p> 	5 Amber		10 Amber	5 Amber


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Risk ref	Risk title and description	Previous score (Nov 2018)	Direction of travel	Current score (Feb 2019)	Target score and date																																												
28 10/17	<p><b>Health and Safety</b></p> <p>Through failure to use safe working methods the Council may be exposed to regulatory action, financial penalties and reputational damage.</p> <p>Risk owner: Mark Taylor Cabinet Member: Cllr Val Gibson</p> <table><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></td></tr><tr><td>2</td><td></td><td></td><td></td><td>8</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">Impact</td></tr></table>	Likelihood	5						4						3						2				8		1							1	2	3	4	5	Impact							8 Amber		8 Amber	4 Amber  To fall in conjunction with other Health and Safety associated risks.
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Risk ref	Risk title and description	Previous score (Nov 2018)	Direction of travel	Current score (Feb 2019)	Target score and date																																											
32 06/18	<p><b>Waste Management Services</b></p> <p>If the Council does not manage the changes to Waste Service Delivery effectively there is a risk that savings targets will not be delivered, and reputational damage may be incurred due to issues with waste collections.</p> <p>Risk owner: Ross Cook Cabinet Member: Cllr Steve Evans</p> <table><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></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="6">Impact</td></tr></table>	Likelihood	5						4						3						2						1							1	2	3	4	5	Impact						8 Amber		4 Amber	4 Amber Target achieved
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Risk ref	Risk title and description	Previous score (Nov 2018)	Direction of travel	Current score (Feb 2019)	Target score and date																																											
33 06/18	<p><b>Governance of Major Capital Projects and Programmes</b></p> <p>The Council will fail to maximise opportunities and incur significant reputational and financial risks if major capital projects are not effectively managed, monitored and reviewed, in terms of project timescales, achievement of milestones and costs.</p> <p>Risk owner: Kevin O’Keefe Cabinet Member: Cllr John Reynolds</p> <table><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></td></tr><tr><td>2</td><td></td><td></td><td></td><td>8</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="6">Impact</td></tr></table>	Likelihood	5						4						3						2				8		1							1	2	3	4	5	Impact						8 Amber		8 Amber	8 Amber Target achieved
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Risk ref	Risk title and description	Previous score (Nov 2018)	Direction of travel	Current score (Feb 2019)	Target score and date																																												
34 06/18	<p><b>Wolverhampton Interchange Programme (Train Station)</b></p> <p>There is a significant reputational and financial risk to the Council and to the City's wider visitor economy if the Interchange programme and specifically the train station is not effectively managed in terms of project timings, costs and scope.</p> <p>Risk owner: Richard Lawrence Cabinet Member: Cllr John Reynolds</p> <table><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></td></tr><tr><td>2</td><td></td><td>4</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">Impact</td></tr></table>	Likelihood	5						4						3						2		4				1							1	2	3	4	5	Impact							8 Amber		4 Green	4 Green Target achieved
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\* The target assessment for these risks remains constant as they are risks which are likely to remain at their current level over the medium term and as such these risks may not have target dates.

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## Strategic Risk Assurance Map – February 2019

Risk Ref	Risk Title and Description	Current Score	External/ Independent (Third Line of Defence)	Types of Assurance Risk and Compliance (Second Line of Defence)	Operational and Management (First Line of Defence)	Comments / Gaps in Assurance/Risk Exposure
3	<b>Information Governance (IG)</b> If the Council does not put in place appropriate policies, procedures and technologies to ensure: <ul style="list-style-type: none"> <li>that the handling and protection of its data is undertaken in a secure manner and consistent with both the provisions of the Data Protection Act 1998 and the General Data Protection Regulation (GDPR) which came into force during May 2018;</li> <li>compliance with the Freedom of Information Act and Environmental Information Regulations;</li> </ul> then it may be subject to regulatory action, financial penalties, reputational damage and the loss of confidential information.	8 Amber	Internal audit review 2016/17 – Freedom of Information Requests (Substantial Assurance) Internal audit review 2016/17 – Information Governance (Satisfactory assurance) Internal audit Health-Check 2018/19 – GDPR (Satisfactory assurance)	Information risk register and reports to Information Governance Board Performance reports to Cabinet, Scrutiny Board and Strategic Executive Board (SEB) Reporting to the Information Governance Board Performance indicators reported to Cabinet- Number of data breaches Performance indicator - % of Freedom of Information (FOI) requests met within timescales Performance indicator- % of Subject Access Requests (SAR) met within timescales Records Management Programme updates in Verto	Senior Information Risk Officer Annual Report Controls Assurance Statements	The Council's on-going dialogue with the Information Commissioners Office, regular audits, performance against FOI and SAR requests and information incidence logs will all continue to inform the level of assurance over the effectiveness and adequacy of the controls in place to manage this risk.
103	<b>Medium Term Financial Strategy</b> If the Council does not manage the risks associated with the successful delivery of its medium term financial strategy including the continual review of the assumptions and projections of the strategy, the effective management of the key MTFS programmes and projects such as the transformation of Adults and Children's services then revenues may be exhausted, resulting in the potential loss of democratic control and the inability of the Council to deliver essential services and discharge its statutory duties.	16 Red	Assumptions of the MTFS Local Government Association (LGA) Finance Peer review- June 2016 Audit and Risk Committee review of risk – December 2016 Internal audit review Budgetary Control – 2016/17 (Satisfactory assurance) Performance indicator- number of Looked After Children (LAC) per 10,000 population Financial Decision Making Audit Services Review Birmingham City Council – Wolverhampton Adult Social Care Peer Challenge, March 2016 Follow up – Wolverhampton Adult Social Care Peer Challenge, April 2017 Grant Thornton – Review Significant Risks (2016/17 Audit Findings Report) – Risk sufficiently managed LGA Finance Peer review follow up – September 2017 Internal audit review Main Accounting – 2017/18 (Satisfactory assurance)	MTFS risk register Reports to Budget Working Party Reports to Cabinet Scrutiny reviews of budget strategy Outcome of Local Government Finance Peer Review Report –Report to 3C Scrutiny Board 14 September 2016 Scrutiny review, 3C Scrutiny Board - Update on the implementation on the Local Government Finance Peer Review Report 15 March 2017 Resources panel reviews Care panel reviews of placement costs	Management accounts Reports to LAC Budget Monitoring Group (every two months) Controls Assurance Statements	Ongoing internal and external reviews will continue to provide assurances over the successful delivery of the MTFS and the achievement of efficiency savings.

Risk Ref	Risk Title and Description	Current Score	External/ Independent (Third Line of Defence)	Types of Assurance Risk and Compliance (Second Line of Defence)	Operational and Management (First Line of Defence)	Comments / Gaps in Assurance/Risk Exposure
7	<b>Safeguarding</b> 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.	8 Amber	S.11 (Safeguarding self-Assessment) Audit 2016/17 Internal audit review 2016/17 – MASH (satisfactory assurance) Children's Services Ofsted Inspection January / February 2017 (Requires Improvement Rating) Children's Services Ofsted Inspection January / February 2017 (Good Rating) Grant Thornton – Review Significant Risks (2016/17 Audit Findings Report) - Risk sufficiently managed Ofsted Inspection Sept / Oct 2018 <a href="#">Independent review of Safeguarding Boards</a>	Annual reports from adults and children's local safeguarding boards 'Our Story' report to Cabinet Member for Children and Families National and local Wolverhampton performance indicators in relation to social care Self- audits confirmation by schools of s175 compliance Annual Reports from: IRO Service, Local Authority Designated Officer, Foster Home Reviewing Officer Safeguarding Adults Board Annual Review – Report to Adult and Safer City Scrutiny Panel 31 January 2017	Quality Assurance Framework and assessments Controls Assurance Statement WSCB Self-Assessment against Ofsted Descriptors	Regular updates to the both the Children's and Adult's Board(s) and People management teams with regards to the implementation of recommendations made by Ofsted will provide further assurance.
8	<b>Business Continuity Management</b> 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.	16 Red	Internal audit review 2015/16 – Business continuity and resilience management (satisfactory assurance) Audit and Risk Committee review of risk – July 2016	Reports from Wolverhampton Resilience Board to SEB Strategic Business Continuity Plan, approved by SEB	Controls Assurance Statement Implementation of the Apprise Co-ordination system Completed Priority 1 Business Continuity Plans Development of tactical loss of building plan	The exercise and testing programme once developed and implemented will provide further assurances on the management of this risk. 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.
9	<b>City Centre Regeneration</b> 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: <ul style="list-style-type: none"> <li>creation of well-paid employment</li> <li>retention of skilled workers</li> <li>sector and economic growth</li> <li>increased prosperity and</li> <li>reduced demand on council services</li> </ul>	12 Amber	External advice - Equib	Programme and project risk registers / risk monitoring through Verto Monthly reporting to the City Centre Regeneration Programme Board Stronger City Economy Scrutiny Panel Review 2016/17 – Regeneration programmes Reviews by the Project Assurance Group (PAG)	Reports to Programme Board from project managers Controls Assurance Statement	Regular update reports to Programme Board(s) and Cabinet continue to provide assurance on the management of this risk.



Risk Ref	Risk Title and Description	Current Score	External/ Independent (Third Line of Defence)	Types of Assurance Risk and Compliance (Second Line of Defence)	Operational and Management (First Line of Defence)	Comments / Gaps in Assurance/Risk Exposure
14	<b>School Improvement</b> 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.	4 Amber	Ofsted inspections 2016/17, 2017/18 and 2018/19 to date. School internal audit reviews 016/17, 2017/18 and 2018/19 to date. Audit and Risk Committee review of risk – February 2017 Internal audit review 2016/17 – Vulnerable Pupils	Performance indicator – gaps in educational performance Performance indicator – end of key stage outcomes Report to Children and Young People and Families Scrutiny Panel – School Improvement Strategy July 2016 Report to Children and Young People and Families Scrutiny Panel - Local Authority School Improvement Inspection Self-Evaluation July 2016 Report to Children and Young People and Families Scrutiny Panel- Academy Partnership Protocol April 2016 Report to Children and Young People and Families Scrutiny Panel – Secondary School Sufficiency Strategy April 2016 Report to Children and Young People and Families Scrutiny Panel – Improving Our Schools Annual Report 2016 April 2016 Audits carried out by School Support Advisors and External Governance reviews	Reports to Cabinet Controls Assurance Statement Individual school SFVS statements	The Ofsted inspections and annual report(s) will continue to be the primary source of assurance for this risk.
15	<b>Emergency Planning</b> 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 a major incident. Failure to train sufficient numbers of staff to undertake the roles in our plans that assist our residents in emergencies and protect the council's reputation from damage. Failure to audit the emergency response plans and capabilities of third party organisations that deliver statutory services on behalf of the council.	12 Amber	Audit and Risk Committee review of risk – July 2017	Reports to Wolverhampton Resilience Board (WRB) Regular reports from WRB to SEB and C3 Scrutiny Panel	Controls Assurance Statement	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.
22	<b>Skills for Work and Inclusive Growth</b> If the city residents do not have the appropriate skills that employers require and the Council does not work effectively with its partners to promote and enable growth, high rates of unemployment and low inclusive growth will result in increased demand for Council Services.	10 Amber	Reports to the Black Country Local Enterprise Partnership and City Board National performance indicators e.g. % residents unemployed, child deprivation, skills profile, etc. Skills and Employment Board Audit and Risk Committee review of risk – September 2016 Black Country performance management framework Grant Thornton – Review Significant Risks (2016/17 Audit Findings Report) - Risk sufficiently managed Internal Audit Review – IMPACT 2018/19 Satisfactory	Stronger City Economy Scrutiny Panel Review – Investment and Funding July 2016 Report to SEB – City Board – Monthly unemployment briefings Performance indicator - % of residents with no qualification Performance indicator - number of work experience/ volunteering/ apprenticeships opportunities provided Monthly unemployment briefings Scrutiny Skills and Employment Update – Report to Stronger City Economy Scrutiny Panel – 20 September 2016 Skills and Employment Update(s) regularly presented to Stronger City Scrutiny Panel	Reports to the Wolverhampton Skills and Employment Board growth board Inclusion board Controls Assurance Statement	National indicators will demonstrate the effectiveness of the measures in place to manage this long-term risk. In addition, assurances received at a regional level (e.g. through the West Midlands Combined Authority) will also inform the adequacy and effectiveness of the regional initiatives being employed to manage this risk.

Risk Ref	Risk Title and Description	Current Score	External/ Independent (Third Line of Defence)	Types of Assurance Risk and Compliance (Second Line of Defence)	Operational and Management (First Line of Defence)	Comments / Gaps in Assurance/Risk Exposure
23	<b>Cyber Security</b> Failure to maintain a high level of cyber security (technology, processes and awareness) throughout the Council may result in cyber-attacks and theft or loss of confidential data leading to financial penalties, reputational damage and a loss in public confidence.	12 Amber	Annual Public Service Network (PSN) certification Independent testing of cyber security technical defences Use of 3 <sup>rd</sup> party software to stimulate email phishing attacks Audit and Risk Committee review of risk – July 2017 Internal audit review - ICTS Strategic Planning	Information risk register and reports to Information Governance Board Reports to SEB and Cabinet (Performance Monitoring)	Regular maintenance and review of technical defence's i.e. fire walls and virus software. Senior Information Risk Officer Annual Report Appointment of Chief Cyber Security Officer Controls Assurance Statements	Independent testing of the Council's cyber security defences will continue to provide assurance.
24	<b>Maximising Benefits form West Midlands Combined Authority</b> If the Council does not put in place effective co-ordination arrangements to utilise the opportunities available from being part of West Midlands Combined Authority (WMCA) it will be unable to maximise the benefits and opportunities available to it.	6 Amber	SEP monitoring via WMCA SEP Board and Black Country LEP. WMCA Assurance framework Reports to WMCA Board and various Committees City of Wolverhampton Council providing the internal audit service for WMCA Grant Thornton – Review Significant Risks (2016/17 Audit Findings Report) - Risk sufficiently managed	Regular reports to SEB Representation on WMCA Boards and Committee's including Audit Risk and Assurance Committee and Overview and Scrutiny Committee. Update on the West Midlands Combined Authority – Report to Scrutiny Board 17 January 2017	Appointment of Business Support Officer Controls Assurance Statement	Council representation on key WMCA Boards and Committees will continue to provide assurance.
25	<b>Payment Card Industry Data Security Standard</b> If the Council does not put in place appropriate systems, procedures and technologies to ensure agent-led telephone payments are compliant with the Payment Card Industry Data Security Standard there is a risk of data breaches and which may result in regulatory action, financial penalties and reputational damage.	8 Amber	Advice provided by the Payment Card Industry	Progress reporting to the Hub Management / Customer Services Management Teams Compliance with contract procedure rule / liaison with Corporate Procurement	Controls Assurance Statement	The implementation of a 3 <sup>rd</sup> party solution to take and process payment details on behalf of the Council will ensure compliance with the Payment Card Industry standard and transfer the risk of fraud to the 3 <sup>rd</sup> party.
27	<b>Safety concerns around the City's tower blocks</b> Following the recent tragic events at Grenfell Tower in London, there is an urgent need for the Council to ensure that the tower blocks in the City do not face the same risks, and that tenants can be assured on this.	10 Amber	Independent testing by a Government approved laboratory – confirming that tower-blocks have passed fire safety tests. Review of emergency access to tower-blocks by the Fire-Service Audit and Risk Committee review of risk – July 2017	Regular reporting of fire safety issues to weekly fire safety meetings Reports from fire safety meetings to Senior Officers / SEB Reports to Scrutiny Scoping Group – Fire Safety in tower-blocks	Daily fire safety checks Implementation of Fire Risk Assessments (Type 4 FRS's) Continuing compliance with Fire Regulatory (Fire Safety) Reform Order 2005 On-going consultation with residents	Joint work with Wolverhampton Homes, the Fire Service and specialist contractors is on-going to review fire safety and provide assurance to residents.
28	<b>Health and Safety</b> Through failure to use safe working methods the Council may be exposed to regulatory action, financial penalties and reputational damage.	8 Amber	Key Performance Indicators: <ul style="list-style-type: none"> <li>Completed Health and Safety audits</li> <li>Compliance with RIDDOR reporting</li> </ul>	Bi-weekly Health and Safety Meetings Strategic Director Place Senior management briefings and presentations, including reports to Wolverhampton Homes Board Approval of the Health and Safety Plan 2017-19	Regular Health and Safety audits in accordance with audit schedule.	The number of reported incidents will continue to provide assurance in this area. In addition, approval of the Health and Safety plan 2017-19 and monitoring of targets set out within the plan will provide assurance that controls are in place.

Risk Ref	Risk Title and Description	Current Score	External/ Independent (Third Line of Defence)	Types of Assurance Risk and Compliance (Second Line of Defence)	Operational and Management (First Line of Defence)	Comments / Gaps in Assurance/Risk Exposure
29	<b>Fire Safety – Public Buildings</b> If the Council does not have in place appropriate systems to ensure compliance with the Regulatory Reform (Fire Safety) Order 2005 within public buildings (including schools) there is a risk of injury to members of the public and exposure to regulatory action, financial penalties and reputation damage to the Council.	10 Amber	External inspections by the Fire-Service	Scrutiny review -Fire Safety Monitoring of FRA's by Corporate Landlord	Completion of Fire Risk Assessments Development of online fire logs. Regular Health and Safety audits in accordance with schedule Appointment of Site Duty-Holders.	Work is on-going to ensure that sufficient systems and processes are in place to comply with regulations and public safety.
30	<b>Civic Halls</b> There is a significant reputational and financial risk to the Council and to the City's wider visitor economy if the revised Civic Halls refurbishment programme is not effectively managed in terms of project timings, costs and scope.	12 Amber	Audit Services Lessons Learnt Review – 2017/18	Ongoing risk assessment / risk register within Verto. Risk workshops PAG reviews and monitoring Reports to Member Reference Group	Establishment of new governance and project management structure.	Regular update reports to Programme Board(s), Cabinet and on-going risk assessments will provide assurance on the management of this risk.
32	<b>Waste Management Services</b> If the Council does not manage the changes to Waste Service Delivery effectively there is a risk that savings targets will not be delivered, and reputational damage may be incurred due to issues with waste collections.	4 Amber	Internal Audit Review – Waste Services and Future Contract Arrangements	Programme and project risk registers / risk monitoring through Verto PAG reviews and monitoring Performance sand progress reports to Cabinet, and Strategic Executive Board (SEB) Reports to Member Reference Group Scrutiny review – Changes to Waste Management Services	Establishment of project management structure Project Manager Appointment Lead officer – Waste	Regular update reports to Programme Board(s), Cabinet and on-going risk assessments will provide assurance on the management of this risk.
33	<b>Major Capital Projects and Programmes</b> The Council will fail to maximise opportunities and incur significant reputational and financial risks if major capital projects are not effectively managed, monitored and reviewed, in terms of project timescales, achievement of milestones and costs.	8 Amber	Audit services Lessons Learnt Reports – 2017/18 Audit and Risk Committee monitoring of lessons learnt action plans Independent project gateway reviews Equip – Independent / external project and risk assurance	Programme and project risk registers / risk monitoring through Verto PAG reviews and monitoring Performance and progress reports to Cabinet, and Strategic Executive Board (SEB) Reports to Member Reference Group	Project Management Methodology Controls Assurance Statements	The Audit and Risk Committee will monitor the implementation of all recommendations within the Lessons Leant Action Plan to ensure that improvements are put in place and adhered to.
34	<b>Wolverhampton Interchange Programme (Train Station)</b> There is a significant reputational and financial risk to the Council and to the City's wider visitor economy if the Interchange programme and specifically the train station is not effectively managed in terms of project timings, costs and scope.	4 Green	Audit Services Lessons Learnt Reports – 2017/18 Audit and Risk Committee monitoring of lessons learnt action plans Independent project gateway reviews Equip – Independent / external project and risk assurance	Programme and project risk registers / risk monitoring through Verto PAG reviews and monitoring Performance sand progress reports to Cabinet, and Strategic Executive Board (SEB) Reports to Member Reference Group	Project Management Methodology Controls Assurance Statements	Regular update reports to Programme Board(s), Cabinet and on-going risk assessments will provide assurance on the management of this risk.
35	<b>Brexit</b> There is a risk that the implications of Brexit, particularly a no-deal Brexit could have a negative impact on the Council and the wider City.	16 Red		Service area Brexit continuity plans being reviewed by the Resilience team	Service area Brexit continuity plans being prepared	Regular updates to SEB as well as joint working with regional partners will provide assurance on the management of this risk.

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<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Audit and Risk Committee</b> 11 March 2019
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<b>Report title</b>	Internal Audit Plan 2019-2020	
<b>Accountable director</b>	Claire Nye, Finance	
<b>Originating service</b>	Audit	
<b>Accountable employee(s)</b>	Peter Farrow	Head of Audit
	Tel	01902 554460
	Email	Peter.farrow@wolverhampton.gov.uk
<b>Report to be/has been considered by</b>	Corporate Leadership Team	19 February 2019

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**Recommendation for decision:**

The Audit and Risk Committee is recommended to:

1. Review and approve the risk based internal audit plan for 2019-2020.

## **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 and Risk 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/25022019/G]

## **5.0 Legal implications**

- 5.1 There are no legal implications arising from the recommendations in this report.  
[TS/21022019/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 Health and Wellbeing implications**

- 10.1 There are no health and wellbeing implications arising from this report.

## **11.0 Schedule of background papers**

- 11.1 None

## **12.0 Appendices**

- 12.1 Annual Internal audit Plan 2019-2020

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# Draft Internal Audit Plan 2019-2020



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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.
- Key Financial Systems - work undertaken in close liaison with the external auditors, in order to help inform and support the work they are required to undertake.
- 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 2019-2020 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.

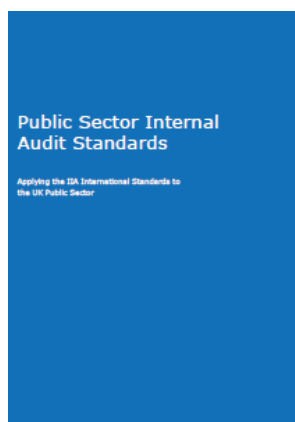
### Audit and Risk Committee

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 have adopted and comply with the standards as laid out in the Public Sector Internal Audit Standards.



## Introduction

- The purpose of internal audit is to provide the Managing Director, Section 151 Officer and Audit and Risk 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.
- 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 is reviewed and approved annually by the Audit and Risk Committee 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.
- 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.

## Assessing the effectiveness of risk management and governance

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 and Risk 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.

## Assessing the effectiveness of the system of control

- 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.

- 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.

## Assessment of assurance needs methodology

- 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.
- 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.
- 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.
- The audit plan is drawn out of the assessment of assurance need. The proposed plan covers the 2019-2020 financial year and is detailed at the end of this document.

## The assessment of assurance needs - identifying the Council's priorities and the associated risks

At the time this audit plan was prepared, the following were the Council's key priorities:

- Stronger Economy
- Stronger Communities
- Stronger Organisation

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

- Medium Term Financial Strategy
- Business Continuity Management
- City Centre Regeneration
- Emergency Planning
- Skills for Work and Economic Inclusion
- Cyber Security
- Fire Safety – Public Buildings
- Civic Halls

- Brexit
- Information Governance
- Safeguarding
- Maximising Benefits from the Combined Authority
- Payment Card Data Security Standard
- Safety Concerns around the City's Tower Blocks
- Health and Safety
- Waste Management Services
- Governance of Major Capital Projects and Programmes
- Wolverhampton Interchange Programme

### Identifying the “audit universe”

- 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 above, and the management objectives. 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

- 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.*
- 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
- 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.

### Developing an internal audit plan

- 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.
- 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 setting out the planned audit work and retaining flexibility to respond to changing risks and priorities during the year. Traditionally Audit Services 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 this year we are again 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.
- 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.
- 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.

## Considerations required of the Audit and Risk Committee and the Council's Senior Management Team

- 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?
- Is the allocation of audit resource accepted, and agreed as appropriate, given the level of risk identified?
- Does the plan cover the key risks as they are recognised?

## How the internal audit service will be delivered

**Our Core Behaviours**

- P** Put customers first - *be customer focused*  
We deliver for our customers, satisfying their needs and empowering employees to do the right thing.
- R** Raise the profile of the city - *be positive*  
We are confident advocates for the city and the council. We are positive about what we do and work actively with our partners to build confidence.
- I** Inspire trust and confidence - *be open*  
We value each other's contribution, empathise with colleagues, are self-aware and remain open in difficult situations. We are flexible and open-minded in our approach. We listen and respond to new ideas.
- D** Demonstrate a can-do and tenacious attitude - *be a change agent*  
We take the initiative, take ownership of problems and see them through, challenging where appropriate and acknowledge uncertainties. Importantly, we will be evidence-led in our decision-making.
- E** Encourage teamwork - *be a team player*  
We work as one council, sharing ideas, each other's priorities and problems. We work together to develop shared, sustainable solutions to complex problems.

### Staffing

The audit team follow the Council's core behaviours. They 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 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 staff.

### Resources required

It is estimated that approximately 1,420 internal audit days (including fraud, assurance and contingency work) will be required to deliver the audit plan.

Audit Service’s External Clients

 <p><b>West Midlands</b> Combined Authority</p>	<p>The City of Wolverhampton Council’s Audit Services also provides the internal audit service to a number of other associated public sector based organisations in the West Midlands. Separate internal audit plans are produced for each of these and Audit Services reports back to each of their respective Audit Committees or equivalent.</p>
 <p>West Midlands Pension Fund</p>	
 <p><b>WV LIVING</b> building homes you will love</p>	
 <p>WOLVERHAMPTON HOMES</p>	

## The internal audit plan 2019-2020

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

Auditable Area	Purpose
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 Cabinet Office requirements we will lead on the Council's NFI data matching exercise.
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 where appropriate maintenance of the Council's fraud risk register, hosting raising fraud awareness seminars and running fraud surgeries and e-learning.
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 compliance with the government's data transparency publishing requirements.
Recommendation follow up	A regular and ongoing follow up of key internal audit recommendations made across the Council in 2018 - 2019. Any outstanding recommendations will be reported on a regular basis to both SEB and the Audit and Risk Committee.
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 2019-2020.
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 and Risk Committee	Preparation and presentation of papers for the Audit and Risk Committee, and providing advice and training to committee members as and when required.

Auditable area	Purpose	Rating
<b>Finance</b>		
Key Financial Systems	A review of the high-level financial system controls and other key processes as discussed with the Council's External Auditors, these include: Accounts Payable, Accounts Receivable, Payroll, Budgetary Control, General Ledger, Capital Expenditure, Fixed Assets, Treasury Management, Local Taxes, Housing Rents, and Housing Benefits.	High
Equal Pay Liabilities	A closure review of the equal pay project as the risk of new claims significantly reduces on 1 April 2019.	Medium
<b>Commercial</b>		
Customer Services Benefits Realisation	An audit review of the monitoring information used for determining whether the benefits of the programme have been realised.	Medium
ICT - Stock/Asset Management	A review of the stock/asset management arrangements for the Council's ICT estate.	High
ICT - Change (Patch) Management	A review of the processes for implementing and rolling patches to software packages stored on the Council's network.	Medium
ICT - Disaster Recovery Arrangements	A review of the Council's current ICT disaster recovery arrangements. This area minimises the impact of a cyber security attack.	High
<b>Business Management</b>		
Business Support	To provide on-going governance assurance of the programme and review the arrangements for implementing new business support processes.	Medium

Projects and Programmes	A corporate review of the management of the Council's programmes and projects to ensure recommendations from recent lessons learnt reports have been implemented.	Medium
<b>Governance</b>		
GDPR	To provide an update position on the implementation of GDPR within the Council. The review will follow-up recommendations made in last year's report.	Medium
Ethics	A review to evaluate the design, implementation, and effectiveness of key elements of the Council's ethics-related objectives, programmes and activities, to include information technology governance.	Medium
Mayoral Hospitality and Charity	A review of the budget management arrangements around mayoral hospitality and the accountability arrangements surrounding the mayor's charity fund.	Medium
Assurance Framework	A review of the monthly returns that will underpin the newly developed Assurance Framework being introduced in 2019-2020. In the first year there will be a focus upon the HR and other elements to be agreed in-year.	Medium
Terms and Condition Changes	To provide support and advice on the negotiation and implementation of changes to the pay model, and employee terms and conditions.	Medium
Employee Driver Checks	A review to ensure that employee's using either their own vehicle for work, or driving Council vehicles, have provided the appropriate documentation.	Medium
<b>Strategy and Change</b>		
Performance Framework Reporting (Data Integrity)	A review of the integrity of data used for reporting outcomes under the Council's proposed performance framework.	Medium

Auditable area	Purpose	Rating
<b>Children and Young People</b>		
Section 17 / No Recourse to Public Funds	To provide assurance that the new systems have been fully embedded.	Medium
Use of Cash within Children's Services	A review of the use of cash across the service area, that it is used appropriately and can be accounted for.	Medium
Adoption Support Fund	To assess if the Council is fully maximising the use of the fund.	Medium
Subsistence and Mileage payments	To ensure that subsistence and mileage claimed by the service is appropriate, accurate, and in accordance with the Council's policies.	Medium
<b>Adults</b>		
Mental Health Processes	Provide assurance that complex mental health cases are fully financed (Council/ NHS) and risks assessed before expenditure is committed.	High
Transitions Arrangements	To help provide assurance on the controls regarding the transition of service users from children's services to adults.	Medium
Non-Residential Charges	A review of the revised processes and additional risks, following transitional payments expiring.	Medium
Equipment Stores	To provide assurance on the equipment store's stock control and return arrangements. The review will also consider the issues regarding the use of low level prescriber systems.	Medium
<b>Public Health</b>		
WV Active – Impact Assessment	A review of the membership uptake rates following the service moving under Public Health.	Medium

Modern Day Slavery	A review to ensure that the Council is meeting its obligations under section 52 of the Modern Day Slavery Act 2015.	Medium
<b>Education</b>		
Post 16 Provision in Schools	A review of the arrangements in place to prepare pupils with Education Healthcare Plans for independence.	Medium
School Census Procedures	A review of the process for inputting and collation of school census information.	Medium
SEND Safer Recruitment and Single Central Record in Schools	A review to ensure schools are complying with safeguarding legislation.	Medium
School Audits	A review of the governance and financial procedures in place at a sample of nursery, primary, secondary, special schools, and pupil referral units to ensure coverage of all local authority maintained schools over a predetermined cycle.	Medium

Auditable area	Purpose	Rating
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**Regeneration**

Regeneration Programme and Project Management Framework	A high-level review of programme level governance, risk management, monitoring and reporting arrangements, application of key programme level controls (including use of Council systems) and specifically the supporting programme/project level skills sets engaged to ensure the effective delivery of programmes and projects by the Regeneration Directorate. In the context of this review reference will be made to the City Learning Quarter Project as an example project.	High
Bilston Urban Village	A review of programme and project governance, management, risk management and control systems (including use of Council systems) in operation including partnership and external funding arrangements as applicable.	High
Civic Halls	A review of the Civic Halls Programme regarding the previously identified lessons learnt report, and the effectiveness within current programme and project arrangements as well as the programme's identification of further lessons learnt, and resultant actions taken.	High

**City Environment**

City North Gateway M54 Junction 2 to Springfield Lane Project Management Arrangements	A review of project governance, management (including project closure arrangements), risk management and control systems in operation including partnership and external funding arrangements as applicable.	High
Fleet Services Vehicle Spares Procurement and Stock Management Arrangements	A review of the procurement and stock management arrangements for vehicle spares within Fleet Services to ensure support service delivery needs as well as compliance with Council Financial Procedure Rules and Contract Procedure Rules.	Medium
Licensing (Private Hire)	A review of the procedures in operation for the licensing of private hire drivers, vehicles and operators, including license application processes and subsequent compliance checks to ensure compliant with terms and conditions of licensing, legislation and Council policy.	Medium

Garden Waste Service	A review of the deployment and operational management of the chargeable garden waste collection scheme including customer registration, bin delivery, payment processing, subsequent subscription management and contract management arrangements for procurement of garden waste bins.	Medium
<b>Corporate Landlord</b>		
Corporate Landlord Delivery Model	A review of strategic and operational arrangements for the implementation of recommendations identified within the ongoing external review of the Corporate Landlord delivery model, once concluded.	Medium
Carbon Reduction Credits Scheme	An annual assurance review and certification in accordance with the CRC Scheme requirements.	Medium
<b>Housing</b>		
Housing Capital Programme	A review of governance, programme/project management, risk management, control systems and resource/succession planning in operation for the strategic and operational delivery of the Housing Capital Programme.	High
HMO Licencing Review	A review of the HMO Licencing procedures for the administration and issuing of licences.	High

# Programme and Project Assurance

In addition to the traditional internal audit plan, in recent times Audit Service now provide an ongoing assurance role by having an independent role on a number of programmes, projects boards and working groups, including:

Programme and Project related assurance work	
Page 131	• Equal Pay
	• Information Governance
	• Customer and Business Improvement Programme
	• Pay Strategy
	• Project Assurance Group
	• WV Active Improvement Programme
	• Delivering Independent Travel Programme
	• Schools Fire Safety Working Group
	• Business Support Programme
	• City Learning Quarter Programme
	• Children’s Transformation Programme
	• Platform for Care Programme
	• Transforming Adult Social Care Programme
	• Business Word Development Project

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<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Audit and Risk Committee</b> 11 March 2019
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**Report title** Internal Audit Update – Quarter Three

**Accountable director** Claire Nye, Finance

**Accountable employee(s)** Peter Farrow      Head of Audit  
Tel      01902 554460  
Email      [peter.farrow@wolverhampton.gov.uk](mailto:peter.farrow@wolverhampton.gov.uk)

**Report to be/has been  
considered by** Not applicable

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**Recommendation for noting:**

The Audit and Risk Committee is asked to note:

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

## **1.0 Purpose**

- 1.1 The purpose of this report is to update the Committee on the progress made against the 2018 - 2019 internal audit plan and to provide information on recent work that has been completed.

## **2.0 Background**

- 2.1 The internal audit update report as at 31 December 2018 (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.  
[GE/25022019/H]

## **5.0 Legal implications**

- 5.1 There are no legal implications arising from the recommendations in this report.  
[TS/21022019/W]

## **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 Health and Wellbeing implications**

10.1 There are no health and wellbeing implications arising from this report.

## **11.0 Schedule of background papers**

11.1 None





# Internal Audit Update Quarter 3 (2018 - 2019)

[NOT PROTECTIVELY MARKED]



**Stronger  
Economy**



**Stronger  
Communities**



**Stronger  
Organisation**



## 1 Introduction

The purpose of this report is to bring the Audit and Risk Committee up to date with the progress made against the delivery of the 2018 - 2019 internal audit plan.

The Audit and Risk Committee has a responsibility to review the effectiveness of the system of internal controls and also to monitor arrangements in place relating to corporate governance and risk management arrangements. Internal audit is an assurance function which provides an independent and objective opinion to the organisation on the control environment, comprising risk management, control and governance. This work update provides the Committee with information on recent audit work that has been carried out to assist them in discharging their responsibility by giving the necessary assurances on the system of internal control.

The information included in this progress report will feed into, and inform, our overall opinion in our internal audit annual report issued at the year end. Where appropriate each report we issue during the year is given an overall opinion based on the following criteria:

Limited	Satisfactory	Substantial
There is a risk of objectives not being met due to serious control failings.	A framework of controls is in place, but controls need to be strengthened further.	There is a robust framework of controls which are applied continuously.

### *Year on year comparison*

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

Opinion	2018/19 (@ Q3)	2017/18	2016/17
Substantial	13	17	19
Satisfactory	14	21	10
Limited	4	9	8

## 2 Summary of audit reviews completed

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

Auditable area	AAN Rating	Recommendations					Level of assurance
		Red	Amber	Green	Total	Number accepted	
Fixed Assets	High	-	-	2	2	2	Substantial
Main Accounting (Budgetary Control & General Ledger)	High	-	-	5	5	5	Satisfactory
Compliance with GDPR Requirements	Medium	-	7	6	13	13	Satisfactory
Senior Officer Remuneration	N/A	-	-	-	-	-	N/A
Direct Payments	High	-	4	2	6	6	Satisfactory
Ashmore Park Nursery School	Medium	-	1	-	1	1	Substantial
Springdale Junior School	Medium	-	1	4	5	5	Substantial
St. Anthony's RC Primary School	Medium	-	1	4	5	5	Substantial
West Park Primary School	Medium	-	3	6	9	9	Substantial
Westacres Primary School	Medium	-	2	4	6	6	Substantial
Colton Hills Secondary School	Medium	-	7	5	12	12	Satisfactory
Dovecotes Primary School	Medium	-	2	3	5	5	Substantial
Windsor Nursery School	Medium	-	-	2	2	2	Substantial
Christ Church Infants School	Medium	-	5	3	8	8	Satisfactory
Oak Meadow Primary School	Medium	-	3	2	5	5	Substantial
Strategic Stakeholder Relationship Management	High	-	3	-	3	3	Satisfactory
City Development Project Pipeline	High	-	5	-	5	5	Satisfactory
Deprivation of Liberties	Medium	-	2	2	4	4	Satisfactory

Auditable area	AAN Rating	Recommendations					Level of assurance
		Red	Amber	Green	Total	Number accepted	
Foster Care – Framework Agreement	High	-	-	-	-	-	N/A – Briefing Note
Carbon Reduction Credits Scheme	Medium	-	1	-	1	1	Satisfactory
Complaints and Compliments Procedure	Medium	-	6	3	9	9	Satisfactory
Transport Grant Certifications	Medium	-	-	-	-	-	N/A
<b>Reported this quarter for the first time:</b>							
Bilston Nursery School	Medium	-	3	4	7	7	Substantial
Eastfield Nursery School	Medium	-	2	3	5	5	Substantial
Wodensfield Primary School	Medium	-	2	2	4	4	Substantial
Vulnerable Youngs Persons	Medium	-	1	4	5	5	Satisfactory
Adult Education Policies and Procedures	Medium	-	-	-	-	-	N/A
Black Country ESF and Youth Employment Initiatives	Medium	-	6	1	7	7	Satisfactory
Tenant Management Organisations *see note below	Medium	4	55	52	111	111	Limited
Recruitment and Retention of Social Workers	High	-	5	-	5	5	Limited
Procurement of Mobile Phones	Medium	-	2	1	3	3	Satisfactory
WMPF Monthly Payroll Contribution Statements	High	-	-	1	1	1	Substantial
Local Taxes – E-Form Testing	Medium	-	-	1	1	1	N/A
Aldersley Leisure Village Events – Cash Handling	Medium	1	5	4	9	9	Limited
Civil Parking Enforcement Contract Management	Medium	1	6	-	7	7	Limited
City North Gateway	Medium	-	-	-	-	-	Grant Certification
Troubled Families Grant Certification – Q2	Medium	-	-	-	-	-	Grant Certification

Auditable area	AAN Rating	Recommendations					Level of assurance
		Red	Amber	Green	Total	Number accepted	
Troubled Families Grant Certification – Q3	Medium	-	-	-	-	-	Grant Certification
i54 Western Extension Project Management	Medium	-	7	-	7	7	Satisfactory

- Key:**  
AAN Assessment of assurance need.
- \* The four organisations that formed part of the TMO review were Bushbury Hill Estate Management Board, Dovecote Tenant Management Organisation, New Park Tenant Management Co-operative and the Springfield Tenant Management Co-operative. Therefore, a significant number of the same, or similar recommendations were made for all four, hence the larger number of recommendations made.

### 3 On-going assurance where reports are not issued

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Project/Programme	Was this in the original plan?	Audit Service's Role
Equal Pay	Yes	A member of the audit team is embedded in the project to provide advice on project governance and management of risks associated with the management of equal pay claims. Audit assurance is also provided around the calculation of settlement offers and the payment of claims.
Information Governance	Yes	A member of the team sits on the Council's Information Governance Board in the capacity of providing advice and support.
Commercial Business Improvement Programme (formerly Digital Transformation Programme)	Yes	A member of the team takes part in the programme in a project assurance capacity. During the lifecycle of the programme on-going advice is provided on the governance of the programme and the management of associated risks.
Pay Strategy	Yes	A member of the team sits on the Council's Pay Strategy Board. The purpose of the board is to ensure that all requests in respect pay and grading is approved in accordance with the Council's Collective Agreement for NJC employees.
Project Assurance Group	Yes	A member of the team is involved in this group. The purpose of the group is to ensure that all of the Council's projects and programmes, recorded through the Verto system, are reviewed and scrutinised.
WV Active Improvement Programme	Yes	A member of the team is represented on the programme board. During the lifecycle of the programme on-going advice is provided on the governance of the programme and the management of associated risks.
Delivering Independent Travel Programme	New	A member of the team sits on the Programme Board as Independent Programme Lead. During the lifecycle of the programme on-going advice is provided on the governance, risk management and, programme and project management arrangements.
Schools Fire Safety Working Group	New	A member of the team sits on the Board in the capacity of providing advice and support. The programme's main objective is to rectify the specification of fire doors in newly built PFI schools.

Project/Programme	Was this in the original plan?	Audit Service's Role
Business Support Programme	New	A member of the team sits on the Board in the capacity of providing advice and support. The programme's main objective is the centralisation of administration within the Council.
City Learning Quarter Programme	New	Audit Services have been invited to provide an assurance role for the programme. This is a major capital investment project which has a reputational risk to the Council.
Our Assets Programme	New	A member of the team sits on the Programme Board as Independent Programme Lead. During the lifecycle of the programme on-going advice is provided on the governance, risk management and, programme and project management arrangements.
Children's Transformation Board	New	A member of the team attends the Board and provides support and assurance on project management arrangements and specific audit issues.
Agresso Board	New	A member of the team sits on this Board to oversee the on-going development of the Council's enterprise resource planning (ERP) solution.

#### 4 *Counter Fraud Activities*

The Audit Service's team investigate all allegations of suspected fraudulent activity, during the year. Details of these have will be presented to the Audit and Risk Committee in a separate report, along with details of initiatives put in place in order to both raise awareness of, and tackle fraud across the Council.

#### 5 *Audit reviews underway*

There were a number of other reviews underway as at 31 December 2018 and these will be reported upon in later update reports.

#### 6 *Any key issues arising from our work completed in Quarter 3*

There were seven limited reports issued during quarter three. These reports were as follows:

##### **Tenant Management Organisations**

(Bushbury Hill Estate Management Board, Dovecote Tenant Management Organisation, New Park Tenant Management Co-operative and the Springfield Tenant Management Co-operative)

At the time the Annual Governance Statement was last presented to the Audit and Risk Committee, the Director of City Housing flagged to the Committee that they had requested that all four of these organisations be subject to an audit in 2018-19.

The four organisations manage just over 2,000 properties on the Council's behalf. The scope of our review was primarily focussed upon compliance in meeting the requirements of their respective management arrangements and covered areas such as governance, tenant engagement, housing allocations, housing maintenance, financial control, equalities and performance monitoring.

We identified a large number of areas where there were both significant concerns and considerable scope for improvement, including:

- Recruitment, rotation and training of board members
- The build-up of large surpluses with no clear plans on how they will be used to benefit the residents
- Insufficient equalities and anti-social behaviour activities and monitoring
- Lack of communication with tenants and general tenant engagement
- Unclear housing allocations
- Inconsistent dealing with potential tenancy breaches
- Insufficient right to work checks for employees
- Not processing complaints adequately

There was also scope for increasing the support offered from the Council and in the performance monitoring of the arrangements.

The management of the tenancy management organisations has been identified as an area of concern by the Service Director – Housing, and a range of actions are planned in order to help these organisations make the necessary improvements. However, the size of this task should not be underestimated.

## **Recruitment and Retention of Social Workers**

This included a review of the systems and controls for social worker recruitment (application processing) and retention (use of appraisal processes / support and training offered to employees). We noted that:

- Evidence to support the completion of social worker pre-employment checks was not always available.
- Delays were identified in the recruitment process.
- Evidence to support the completion of annual appraisals and probation hearings was not consistent.
- Career development pathways were not being fully utilised.
- Information to identify the reasons why social workers were leaving the Council was not being obtained and acted upon.

All of our recommendations were accepted and progress has already been made in actioning the issues, which includes the restructure of recruitment responsibilities. A dedicated Social Worker Recruitment and Retention Officer is also in the process of developing new monitoring procedures. Further, the Social Work Career Pathway information will be reviewed. This audit will be followed up as part of our 2019-2020 audit programme.

## **Aldersley Leisure Village Events – Cash Handling**

Following the decision to close the Civic Halls during its refurbishment the Council was committed to deliver a number of events and shows that had already been pre-booked. A decision was taken, in agreement with the events promoters, to relocate these events and shows to Aldersley Leisure Village. The Visitor Economy Manager approached us at the end of September 2018 to help ensure their cash handling processes were 'up to scratch' prior to the first event (PDC Darts Tournament) starting at the beginning of November 2018. We also attended and supported the service during the opening weekend of the event and our audit identified a number of issues, particularly in respect of the following:

- detailed financial procedures or processes were not in place prior to the event;
- no reconciliation was performed in respect of admission tickets or car park ticket sales;
- no reconciliation of card sales; and
- till differences were not investigated.

The findings in the report have been incorporated into a lessons learnt tracker so they can be rectified for future events held at Aldersley Leisure Village.

## **Civic Parking Enforcement**

A review was undertaken of the contract management arrangements in operation for the current £3.5m contract with APCOA Parking Ltd for Civil Parking Enforcement.

Several issues were identified regarding approval of contract variations, requirement for contract review and performance management and monitoring in liaison with contractor. These issues largely arose from the original establishment of the contract and subsequent contract management arrangements, although the current Parking Services Manager had started to take steps to strengthen monitoring more recently.



The current Head of City Transport and Parking Services Manager were in the process of addressing these issues as well as future procurement and contract management arrangements in liaison with Corporate Procurement, including a procurement exercise to be undertaken as the current contract was due to end in February 2019.

## 7 Follow-up of previous recommendations

We continue to monitor the implementation of previous key recommendations, and any major issues of concern relating to their non-implementation, will be reported back to the Audit and Risk Committee.

## 8 Amendments to the Audit Plan

Audit Area	Audits on the Original Plan	Audits added or removed up to Quarter 3	Revised number of audits
Corporate	8	(1)*	7
Key Financial Systems	12	(1)	11
People	15	(2)	13
Education	23	(1)	22
Place	12	(1)	11
Housing	5		5
<b>Total</b>	<b>75</b>	<b>(6)</b>	<b>69</b>

*\* this includes two audits from the previous year's plan. Both of which were requested from the respective service area.*

The audit plan is re-profiled throughout the year as and when the risk profile of the Council changes, and in order to react to emerging issues and specific management requests. At the end of this quarter there were four audits deferred in the plan in order to accommodate the additional unplanned work that has arose throughout the year to date. These audits were as follows:

- Integration of the Family Group to the Customer Contact Centre *(the service in question no longer require these audits due to a restructuring of their service)*
- Civic Centre Building Evacuation *(no longer required due this area being covered in the fire safety in council buildings audit)*
- Markets – Rents Strategy and Collection Arrangements *(deferred due to a new income collection system being installed)*
- Capital Expenditure – Key Financial System *(this has been replaced by a review of key capital projects and programmes throughout the year)*

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<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Audit and Risk Committee</b> 11 March 2019
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<b>Report Title</b>	Audit Services – Counter Fraud Update	
<b>Accountable Director</b>	Claire Nye	Finance
<b>Accountable employee(s)</b>	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
<b>Report to be/has been considered by</b>	Not applicable	

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**Recommendation for noting:**

The Audit and Risk Committee is asked to note:

1. The contents of the latest Audit Services Counter Fraud Update.

## **1.0 Purpose**

- 1.1 The purpose of this report is to provide Members with an update on current counter fraud activities undertaken by Audit Services.

## **2.0 Background**

- 2.1 The cost of fraud to local government is estimated at £2.1 billion a year. This is money that could be used for local services.
- 2.2 The Counter Fraud Unit was set up within Audit Services, in response to the increased emphasis being placed upon both fraud prevention and detection by the Ministry of Housing, Communities and Local Government.

## **3.0 Progress, options, discussion, etc.**

- 3.1 At the last meeting of the Audit and Risk Committee in December 2018, it was agreed that regular updates on the progress the Council was making in tackling fraud would continue to be brought before the Committee.

## **4.0 Financial implications**

- 4.1 There are no financial implications arising from the recommendation in this report.  
[GE/25022019/R]

## **5.0 Legal implications**

- 5.1 Investigations by the Counter Fraud Unit may have legal implications depending upon what action is taken or decided against in respect of those investigations.  
[TS/25022019/W]

## **6.0 Equalities implications**

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

## **7.0 Environmental implications**

- 7.1 There are no environmental implications arising from this report.

## **8.0 Human resources implications**

- 8.1 There are no human resources implications arising from this report.

## **9.0 Corporate landlord implications**

- 9.1 There are no corporate landlord implications arising from this report.

## **10.0 Schedule of background papers**

- 10.1 None.



# Audit Services Counter Fraud Report @ March 2019

## 1 Introduction

The counter fraud agenda is one that continues to hold significant prominence from Central Government who are promoting a wide range of counter fraud activities. The purpose of this report is to bring the Audit and Risk Committee up to date on the counter-fraud activities undertaken by the Counter Fraud Unit within Audit Services.

The Council is committed to creating and maintaining an environment where fraud, corruption and bribery will not be tolerated. This message is made clear within the Authority's Anti-Fraud and Corruption Policy, which states: "The Council operates a zero tolerance on fraud, corruption and bribery whereby all instances will be investigated and the perpetrator(s) will be dealt with in accordance with established policies. Action will be taken to recover all monies stolen from the Council."

## 2 The Counter Fraud Unit

The Counter Fraud Unit, which sits within Audit Services, is continuing to develop and lead in raising fraud awareness across the Council and in promoting an anti-fraud culture. The team carries out investigations into areas of suspected or reported fraudulent activity and organises a series of Council wide pro-active fraud activities, including the targeted testing of areas open to the potential of fraudulent activity. The team maintains the Council's fraud risk register, conducts raising fraud awareness seminars and holds fraud surgeries. In addition, they lead on the Cabinet Office's National Fraud Initiative (NFI) exercise.

The team also provide a tenancy fraud investigation service to Wolverhampton Homes under a service level agreement.

## 3 Counter Fraud Update

### *Counter Fraud Plan*

The latest status of progress against the counter fraud plan is shown at Appendix 1

### *National Anti-Fraud Network Intelligence Notifications*

The National Anti-Fraud Network (NAFN) issues regular alerts which provide information on fraud attempts, trends and emerging threats. The information provided in the alerts has been notified to NAFN by other local authorities from across the country. These alerts are checked to the Council's systems to verify whether there have been any instances at Wolverhampton. This financial year there have been six alerts issued by NAFN, which either involved suppliers used by the Council or are applicable to all Councils. The appropriate sections of the Council have been alerted and it was confirmed that there was no impact at Wolverhampton. The most common alerts related to Bank Mandate fraud and cyber fraud including ransomware and email interception.

### *National Fraud Initiative Exercise 2018/19*

The Counter Fraud Unit co-ordinates the investigation of matches identified by the Cabinet Office's National Fraud Initiative (NFI) data matching exercises. Where matches are identified, the ensuing investigations may detect instances of fraud, over or underpayments, and other errors. A match does not automatically mean there is a fraud. Often there is another explanation for a data match that prompts bodies to update their records and to improve their systems.

The latest NFI exercise commenced in January 2019 and a total of 9,956 matches have been released of which the Cabinet Office has identified 3,473 as representing a



greater risk of fraud. As the Cabinet Office continues to develop and refine the NFI exercise it is anticipated that further matches may be released in the coming months. Work has now commenced to investigate the various categories of matches based on the risk indicators. Details of the progress made will be brought before the Committee as it becomes known.

#### *National Fraud Initiative HMRC Pilot*

The Council has been selected as one of only ten Local Authorities to take part in a pilot NFI exercise where HMRC data has been matched to the Council's data for the first time. This is a significant development for the NFI project. HMRC hold information about household composition, household earnings and property ownership. The pilot is designed to test the usefulness of the matches in identifying fraud and error. Feedback from the Council will be used to help refine the matches and to ensure the maximum impact is achieved from the exercise. It is anticipated that matches to HMRC data will be incorporated into the national exercises for all Councils, in future years. The outcomes of the pilot will be reported to future meetings of this Committee.

#### *Counter Fraud Team - Tenancy Fraud Performance*

The Counter Fraud Teams Tenancy Fraud results for April 2018 to January 2019 are shown in the following tables:

	April 2018 – January 2019
Type of fraud and/or error	Number
Total Number of Referrals Received	114
Open referrals being investigated	10
Anti-Money Laundering – Right to Buy Checks	287
Residency Duration Checks for Right to Buy Applications	59

Further details of the above figures are included below.

	April 2018 – January 2019	
Type of fraud and/or error	Cases	*Value £
Tenancy sub-letting – Illegal subletting of properties which were recovered	5	465,000
Right to buy – preventing fraudulent RTB applications	1	65,000
Other tenancy fraud – succession, abandonment or non-occupation – legal action required where fraudster fails to hand keys back	2	186,000
<b>Total</b>	<b>8</b>	<b>716,000</b>

\* The savings figures for tenancy fraud are based on methodology and calculations produced by the Cabinet Office in support of the National Fraud Initiative. The figures include:

**Social housing tenancy fraud** - Notional £93,000 (previously £18,000). The increase in the notional savings recognises the future losses prevented from recovering the property. Previously the calculation only considered one year's loss.

**Social housing application fraud** – Notional £36,000 (previously £8,000). The increase in the notional savings recognises the future losses prevented by not letting the property to an ineligible individual and with the potential of having to place a genuine prospective tenant from the waiting list in expensive

temporary accommodation. There is no allowance in this calculation for past value fraud and therefore the notional loss is less than that of social housing tenancy fraud.

**Right to Buy fraud** – Notional £65,000 (previously the exact figure was used). The notional saving for a Right to Buy (RtB) application that has been withdrawn is calculated by the Cabinet Office based on the region in which the property is based, the increases in the maximum RtB cap and the changes in average house prices. This method allows for benchmarking to be carried out.

### *Partnership Working*

The partnership arrangement with Sandwell Metropolitan Borough Council, is continuing with the Fraud Team at Sandwell assisting in the implementation of the Council's Counter Fraud Plan, including carrying out investigations. This joint approach will see an increase in shared information, working practices and the introduction of new counter fraud initiatives.

### *Fraud Risk Register*

The Counter Fraud Unit maintains the Council's fraud risk register. The register is used to help identify areas for testing and to inform future audit assurance plans by focusing on the areas with the 'highest' risk of fraud. The latest fraud risk register is included at Appendix 2. Due to Bank Mandate fraud becoming increasingly prevalent and the methods used more sophisticated, the level of risk has been reassessed and increased from 'green' to 'amber' in the Fraud Risk Register.

### *Midland Fraud Group*

This group consists of fraud officers from across the Midland's local authorities. The purpose of the group is to identify and discuss the outcome of initiatives being used to tackle fraud. At the last meeting in February 2019 discussions were held on the National Fraud Initiative, DWP joint working and cases of interest.



Counter Fraud Plan Update

Issue	Action	Timescale
Raising counter fraud awareness across the Council	Develop and deliver Fraud Awareness seminars	Fraud based training provided by Natwest Bank June 2017
	Develop on line fraud training for staff.	To be refreshed Spring 2019
	Work with Workforce Development to develop and promote fraud training.	Fraud seminars and surgeries promoted through City People  On-going use of online training package
	Establish measures for assessing the level of employee fraud awareness.	Spring 2019
	Hold fraud surgeries to enable staff to report areas of suspected fraud.	Fraud surgeries planned for Spring 2019
	Use various forms of media to promote fraud awareness across the Council including City People, the intranet and the internet.	Fraud seminars and surgeries will be promoted through City People
	Work closely with Wolverhampton Homes and seek opportunities to promote joint fraud awareness.	On-going
Work with national, regional and local networks to identify current fraud risks and initiatives.	Maintain membership of the National Anti-Fraud Network (NAFN).	On-going
	Participate in the Cabinet Office's National Fraud Initiative (NFI) data matching exercises. Acting as key contact for the Council, the West Midlands Pension Scheme and Wolverhampton Homes.	On-going. Latest exercise commenced January 2019
	Complete the annual CIPFA fraud survey.	CIPFA Survey completed June 2018
	Investigate opportunities to develop the use of NFI real time and near real time data matching.	Used for additional Single Person Discount data match
	Participate in CIPFA's technical information service.	On-going
	Maintain membership of the Midlands Fraud Group.	On-going – last meeting February 2019 next meeting Summer 2019
	Attend external fraud seminars and courses.	NAFN Counter Fraud Summit October 2018  Midland Fraud Forum Conference – February 2018

Issue	Action	Timescale
Assess the counter fraud strategy against best practice	Complete national fraud self-assessments, for example:	
	<ul style="list-style-type: none"> <li>New CIPFA Code of Practice</li> </ul>	June 2015 (the last time required)
	<ul style="list-style-type: none"> <li>CIPFA Counter Fraud Tracker Survey</li> </ul>	Annually
	<ul style="list-style-type: none"> <li>The former Department for Communities and Local Government – ten actions to tackle fraud against the Council.</li> </ul>	On-going
	<ul style="list-style-type: none"> <li>Consideration of fraud resilience toolkit</li> </ul>	On-going
Identify and rank the fraud risks facing the Council	Manage the Council's fraud risk register to ensure key risks are identified and prioritised.	On-going
	Develop measures of potential fraud risk to help justify investment in counter fraud initiatives.	On-going
	Seek opportunities to integrate the fraud risk register with other corporate risk registers and also the Audit Services Audit Plan	On-going
Work with other fraud investigation teams at the Council	Develop good communication links between the Counter Fraud Unit, Wolverhampton Homes, and Audit Services.	November 2017 - Wolverhampton Homes Tenancy Fraud Team transfer to Council's Counter Fraud Unit
Work with external organisations to share knowledge about frauds?	Establish formal joint working relationships with external bodies, for example Police, Health Service and Immigration Enforcement.	On-going
Participate in external initiatives and address requests for information	Implement industry best practice as identified in reports produced by external bodies, for example; Cipfa's Annual Fraud Tracker Survey and the National Fraud Initiative report.	Annual/on-going
	Encourage Service Areas to participate in initiatives to identify cases of fraud.	Corporate Fraud Group established
	Look for opportunities to use analytical techniques such as data matching to identify frauds perpetrated across bodies, for example other Councils.	On-going
	Undertake a programme of proactive target testing.	On-going
	Respond to external requests for information or requests to take part in national initiatives.	On-going
All cases of reported fraud are identified, recorded and investigated in accordance with best practice and professional standards.	Work with Service Areas to develop methods of recognising, measuring and recording all forms of fraud.	Corporate Fraud Group established
	Manage and co-ordinate fraud investigations across the Council.	As reported back to the Audit and Risk Committee on a quarterly basis

Issue	Action	Timescale
	Implement and update the Council's portfolio of fraud related policies in response to changes in legislation.	Latest version approved at Audit and Risk Committee – March 2018
	Where appropriate take sanctions against the perpetrators of fraud either internally in conjunction with Human Resources and Legal Services or externally by the Police.	On-going
Ensure responsibility for counter fraud activities is included in Partnership agreements with external bodies.	Embed responsibility for counter fraud activities in partnership agreements with the Council's strategic partners.	On-going
	Partnership agreements to include the Council's rights of access to conduct fraud investigations.	On-going
Provide the opportunity for employees and members of the public to report suspected fraud.	Manage and promote the Whistleblowing Hotline and record all reported allegations of fraud.	City People article – planned for Spring 2019
	Promote and hold fraud surgeries that provide the opportunity for staff to discuss any potentially fraudulent activity at the Council.	Fraud surgeries planned for Spring 2019
	Seek other methods of engaging with employees and the public to report fraud.	On-going – for example through the Council's internet site
	Where appropriate ensure allegations are investigated and appropriate action taken.	On-going
	Work with and develop procedures for carrying out investigations with other service areas for example Human Resources, Legal Services and Wolverhampton Homes.	Corporate Fraud Group established
Inform members and senior officers of counter fraud activities.	Report quarterly to the Audit Committee on the implementation of Counter Fraud initiatives and the progress and outcome of fraud investigations.	On-going

*Fraud Risk Register @ March 2019*

Themes	Potential fraud type	Risk rating
Housing Tenancy	Subletting for profit, providing false information to gain a tenancy, wrongful tenancy assignment and succession, failing to use the property as the principle home, right to buy. This risk is managed by Wolverhampton Homes.	Red
Council Tax	Fraudulently claiming for discounts and exemptions such as the single person's discount and Local Council Tax Support Schemes.	Red
Personal Budgets	Falsely claiming that care is needed, carers using direct payments for personal gain, carers continuing to receive direct payments after a person dies, duplicate applications submitted to multiple Councils.	Red
Cyber Security	Using technology as a tool to commit acts of fraud – this currently has a very high profile and is an ever-increasing area susceptible to fraud	Red
Welfare Assistance	Fraudulent claims.	Amber
Procurement	Collusion (employees and bidders), false invoices, overcharging, inferior goods and services, duplicate invoices.	Amber
Business Rates	Evading payment, falsely claiming mandatory and discretionary rate relief, empty property exemption, charity status.	Amber
Payroll	'ghost' employees, expenses, claims, recruitment.	Amber
Blue Badge	Fraudulent applications, use by others and continuing use after a person dies.	Amber
Electoral	Postal voting, canvassing.	Amber
Schools	School accounts, expenses, procurement, finance leases.	Amber
Bank Mandate Fraud	Fraudulent request for change of bank details (increased following a recent case).	Amber
Theft	Theft of Council assets including cash (increased following a recent case).	Amber
Insurance	Fraudulent and exaggerated claims.	Green
Manipulation of data	Amending financial records and performance information.	Green
Grants	False grant applications, failure to use for its intended purpose.	Green
Bribery	Awarding of contracts, decision making.	Green
Money Laundering	Accepting payments from the proceeds of crime.	Green

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<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Audit and Risk Committee</b> 11 March 2019
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<b>Report title</b>	Audit and Risk Committee – Terms of Reference	
<b>Accountable director</b>	Claire Nye, Finance	
<b>Originating service</b>	Audit	
<b>Accountable employee(s)</b>	Peter Farrow Tel Email	Head of Audit 01902 554460 <a href="mailto:peter.farrow@wolverhampton.gov.uk">peter.farrow@wolverhampton.gov.uk</a>
<b>Report to be/has been considered by</b>	Not applicable	

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**Recommendation for decision:**

The Audit and Risk Committee is recommended to:

1. Undertake a review of the terms of reference for the Committee in line with recognised best practice.

## **1.0 Purpose**

- 1.1 The terms of reference for the Audit Committee were last reviewed and approved by the Audit Committee in March 2017, in order to reflect CIPFA's position statement: Audit Committees in Local Authorities. It is recognised best practice that such terms of reference are reviewed on a regular basis to ensure they remain fit for purpose.

## **2.0 Background**

- 2.1 The terms of reference have been updated in order to incorporate new additions to the model terms of reference provided by CIPFA in the latest 2018 edition of their Practical Guidance for Local Authority Audit Committees, in the following areas:
- To review the governance and assurance arrangements for significant partnerships or collaborations.
  - To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the head of internal audit. To approve and periodically review safeguards to limit such impairments.
  - To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.
  - To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the authority's auditor panel as appropriate.
  - To publish an annual report on the work of the Committee.
- 2.2 Where appropriate and where not already actioned, these additions will be incorporated into the work of the Committee.
- 2.3 The previous reference to receiving additional assurance reports from the Corporate Assurance team (Insurance and Health and Safety) has been removed. Instead, if there are areas of concern in these areas that impinge upon control matters, they will be reported through the regular internal audit progress reports.

## **3.0 Progress, options, discussion, etc.**

- 3.1 The terms of reference will continue to be presented to the Audit and Risk Committee on a regular basis for review, in order for the Committee to determine their continued suitability.

## **4.0 Financial implications**

- 4.1 There are no financial implications arising from the recommendations in this report.  
[GE/25022019/N]



## **5.0 Legal implications**

- 5.1 There are no legal implications arising from the recommendations in this report.  
[TS/21022019/Q]

## **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 Health and Wellbeing implications**

- 10.1 There are no health and wellbeing implications arising from this report.

## **11.0 Schedule of background papers**

- 11.1 None



## *Audit and Risk Committee - Terms of Reference*

### *Statement of purpose*

Our Audit and Risk 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 and Risk 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.
- To review the governance and assurance arrangements for significant partnerships or collaborations.

### *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 the 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 any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the head of internal audit. To approve and periodically review safeguards to limit such impairments.
- 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 provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

### *External Audit*

- To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the authority's auditor panel as appropriate.
- 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.
- To publish an annual report on the work of the Committee.

<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Audit and Risk Committee</b> 11 March 2019
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<b>Report title</b>	Payment Transparency	
<b>Accountable director</b>	Claire Nye, Finance	
<b>Accountable employee(s)</b>	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
<b>Report to be/has been considered by</b>	Not applicable	

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**Recommendation for noting:**

The Audit and Risk Committee is asked to note:

1. The 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.
  - Since last reported to the Audit and Risk Committee in December 2018, there has been one request for information from the public (as an 'armchair auditor').

## **3.0 Progress, options, discussion**

- 3.1 The Council received a request for details of expenditure made to the provider of the Social Care IT system, for the financial years from 2012 to 2018.
- 3.2 The Council responded by providing web-based links to the relevant expenditure. A further request was received for more detailed descriptions of the cost breakdowns, which comprised licensing, support and maintenance, consultancy and development costs.
- 3.3 The person making the request then asked for further information and an internal review, following which further archived information was provided.
- 3.4 We will continue to report back to the Audit and Risk Committee on the details of any further 'armchair auditor' requests the Council receives.

## **4.0 Financial implications**

- 4.1 There are no financial implications arising from the recommendation in this report.  
[GE/25022019/V]

## **5.0 Legal implications**

- 5.1 There are no legal implications arising from the recommendation in this report.  
[TS/25022019/S]

## **6.0 Equalities implications**

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

## **7.0 Environmental implications**

7.1 There are no environmental implications arising from the recommendation in this report.

## **8.0 Human resources implications**

8.1 There are no human resources implications arising from the recommendation in this report.

## **9.0 Corporate landlord implications**

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

## **10.0 Health and Wellbeing implications**

10.1 There are no health and wellbeing implications arising from this report.

## **11.0 Schedule of background papers**

11.1 None

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<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Audit and Risk Committee</b> 11 March 2019
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<b>Report title</b>	CIPFA Audit Committee Update – Issue 27	
<b>Accountable director</b>	Claire Nye, Finance	
<b>Originating service</b>	Audit	
<b>Accountable employee(s)</b>	Peter Farrow Tel Email	Head of Audit 01902 554460 <a href="mailto:peter.farrow@wolverhampton.gov.uk">peter.farrow@wolverhampton.gov.uk</a>
<b>Report to be/has been considered by</b>	Not applicable	

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**Recommendations for noting:**

The Committee is asked to note:

1. The contents of the latest CIPFA Audit Committee Update, Issue 27 – with a focus on Local Audit, the recent National Audit Office Report on Local Authority Governance and a regular briefing on new developments.

## **1.0 Purpose**

- 1.1 The Chartered Institute for Public Finance and Accountancy (CIPFA) issue regular briefings for audit committee members in public sector bodies. Their aim is to provide members of audit committees with direct access to relevant and topical information that will support them in their role.

## **2.0 Background**

- 2.1 The latest edition of these briefings includes a focus on Local Audit, the recent National Audit Office Report on Local Authority Governance and a regular briefing on new developments.

## **3.0 Progress, options, discussion**

- 3.1 Further CIPFA updates will be brought before the Audit and Risk Committee, as and when they are published.

## **4.0 Financial implications**

- 4.1 There are no financial implications arising from the recommendation in this report.  
[GE/25022019/R]

## **5.0 Legal implications**

- 5.1 There are no legal implications arising from the recommendation in this report.  
[TS/21022019/T]

## **6.0 Equalities implications**

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

## **7.0 Environmental implications**

- 7.1 There are no environmental implications arising from the recommendation in this report.

## **8.0 Human resources implications**

- 8.1 There are no human resources implications arising from the recommendation in this report.

## **9.0 Corporate landlord implications**

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

## **10.0 Schedule of background papers**

### **10.1 CIPFA Audit Committee Update – Issue 27**

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