



# Audit Committee

16 December 2013

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

**Venue** Civic Centre, St Peter's Square, Wolverhampton WV1 1SH

**Room** Committee Room 3 (3<sup>rd</sup> floor)

## Membership

**Chair** Cllr Keith Inston (Lab)  
**Vice-chair** Cllr Mrs Wendy Thompson (Con)

| <b>Labour</b>   | <b>Conservative</b>    | <b>Independent members</b>   |
|---|------------------------|------------------------------|
| Cllr Harbans Bagri<br>Cllr Phil Bateman<br>Cllr Alan Bolshaw<br>Cllr Dr Mike Hardacre<br>Cllr Jasbir Jaspal | Cllr Matthew Holdcroft | Mr Mike Ager<br>Mr Terry Day |

Quorum for this meeting is two Councillors

## Information for the Public

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

**Contact** Dereck Francis  
**Tel** 01902 555835  
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Wolverhampton WV1 1RL

Copies of other agendas and reports are available from:

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**Tel** 01902 555043

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.            **Declarations of interest**
3.            **Minutes**  
              **(a) Audit committee – 23 September 2013**  
              [for approval]  
              **(b) Audit (monitoring of audit investigations) sub-committee – 21**  
              **October 2013**  
              (for information)
4.            **Matters arising**  
              [To consider any matters arising from the minutes]
5.            **Work programme 2013/14**  
              [for information]

### INFORMATION ITEMS

6.            **EXTERNAL AUDIT REPORTS AND INSPECTION:**
  - a            **Annual audit letter**  
              [To note the letter from PwC]
7.            **RISK MANAGEMENT – ASSURANCE ON CORPORATE RISKS:**
  - a            **Risk management and corporate risk register**  
              [To note the change in the council's strategic risk management arrangements  
              and an update on the corporate risk register]
8.            **INTERNAL AUDIT REPORTS:**
  - a            **Internal audit update – Quarter 2**  
              [To note the content of the internal audit report]

- b        **Audit Committee self- assessment exercise**  
[To note and comment where appropriate on the outcome of the exercise]
- c        **Benefit fraud sanctions 2012/13**  
[To note the sanctions results]
- d        **CIPFA Audit committee update – Issue 12**  
[To note the latest CIPFA update]
- e        **Payment transparency**  
[To note continued compliance with the Code of Recommended Practice]
- f        **Annual governance statement action plan update**  
[To note the progress made in addressing the key improvement areas identified in the 2012/13 annual governance statement action plan]
- g        **Benefit sanctions – amendment to arrangements**  
[To note minor changes to arrangements regarding approval of sanctions for housing and council tax benefit fraud]

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

NIL



# Audit Committee

## Minutes – 23 September 2013

### Attendance

#### Members of the Committee

Cllr Keith Inston (chair)  
Cllr Harbans Bagri  
Cllr Phil Bateman  
Cllr Alan Bolshaw  
Cllr Mike Hardacre  
Cllr Jasbir Jaspal  
Cllr Mrs Wendy Thompson

#### Independent members

Mike Ager

#### Employees

|                |                                       |
|----------------|---------------------------------------|
| Keith Ireland  | Strategic Director-Delivery           |
| Mark Taylor    | Assistant Director-Finance            |
| Peter Farrow   | Head of Audit                         |
| Fiona Davis    | Head of Service-Delivery              |
| David Johnston | Head of Risk Management and Insurance |
| David Kane     | Head of Finance-Delivery              |
| Richard Morgan | Senior Audit Manager                  |
| Mark Wilkes    | Principal Auditor                     |
| Martin Fox     | Democratic Support Officer            |

#### External Auditors

|                 |                        |
|-----------------|------------------------|
| Richard Bacon   | PricewaterhouseCoopers |
| Richard Vialard | PricewaterhouseCoopers |

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

| <i>Item No.</i> | <i>Title</i> | <i>Action</i> |
|-----------------|--------------|---------------|
|-----------------|--------------|---------------|

### MEETING BUSINESS ITEMS

#### 1. Apologies for absence

Apologies for absence were submitted on behalf of Cllr Matthew Holdcroft and Terry Day (Independent member).

2. **Declarations of interest**

No interests were declared.

3. **Minutes**

Resolved:

Martin

Fox

**(a) Audit committee – 8 July 2013**

That the minutes of the meeting held on 8 July 2013 be approved as a correct record and signed by the Chair.

**(b) Audit (final accounts monitoring and review) sub-committee – 25 July 2013**

Resolved:

That the minutes of the meeting held on 25 July 2013 be noted.

**(c) Audit (monitoring of audit investigations) sub-committee – 15 July 2013**

Resolved:

That the minutes of the meeting held on 15 July 2013 be noted.

4. **Matters arising**

There were no matters arising.

5. **Work programme 2013/14**

Resolved:

That the work programme be received.

- **Agenda**

Resolved

(a) That the order of the agenda be changed to enable agenda items 8a/b to be considered prior to agenda item 6 (Audited statement of accounts 2012/13).

(b) That an additional urgent item be considered in the exempt part of the agenda in accordance with Section 100b(4) of the Local Government Act 1972 on the grounds as detailed in Part 2 of the agenda.

**INFORMATION ITEMS 1**

8. **EXTERNAL AUDIT REPORTS AND INSPECTION:**

a **2012/13 Report to those charged with governance**

The external auditors presented their annual report to those charged with governance. They responded to a question about materiality levels raised by Cllr Mrs Thompson. They also congratulated the

Mark

Taylor

officers involved for the work represented by the preparation of the audited accounts for 2012/13.

Resolved:

That the report be noted.

**b Medium term financial strategy review – Report of Pricewaterhouse Coopers**

Mark  
Taylor

The external auditors presented their review of the Council's medium term financial strategy.

Resolved:

That the report be noted.

**DECISION ITEMS**

**6. FINAL ACCOUNTS/ANNUAL GOVERNANCE STATEMENT**

**a Audited statement of accounts 2012/13**

Mark  
Taylor

The audited accounts for 2012/13 were submitted for approval. The Assistant Director-Finance indicated that further adjustments may be necessary prior to the final publication date of 30 September and he undertook to keep the committee informed of any changes. The Chair thanked employees and the external auditors for arranging a briefing for committee members on the accounts prior to the meeting.

Resolved;

- (a) That the formal publication of the 2012/13 statement of accounts, as required by the Accounts and Audit Regulations 2011 and which require publication by 30 September, be approved, subject to subject to any necessary minor amendments, which the Chair be authorised to agree in consultation with the Assistant Director-Finance.
- (b) That the Chair be authorised to agree subsequent changes to the statement of accounts in consultation with the Assistant Director-Finance.
- (c) That it be noted that the Council's external auditors are nearing completion of their audit of the 2012/13 draft statement of accounts and intend to issue an unqualified opinion, subject to final review of the amended accounts and a small number of other matters.
- (d) That it be noted that the external auditors have identified no material errors which are expected to remain unadjusted in the amended statement of accounts.

**7. INTERNAL AUDIT REPORTS**

- a **Internal audit charter** Peter Farrow  
The Head of Audit submitted the internal audit charter for approval, the charter being a formal document which defines the activity, purpose authority and responsibility of internal audit and its position within the Council.  
Resolved:  
That the internal audit charter be approved.

**INFORMATION ITEMS 2**

**9. RISK MANAGEMENT- ASSURANCE ON CORPORATE RISKS**

- a **Risk management- Benchmarking** David Johnston  
The Head of Risk Management and Insurance submitted a report which detailed the results of the Council's participation in a risk management benchmarking exercise by The Public Risk Management Association and the Chartered Institute of Public Finance and Accountancy.  
Resolved:  
That the outcome of participation in the benchmarking exercise be noted.

**10. INTERNAL AUDIT REPORTS:**

- a **Internal audit update-quarter 1** Peter Farrow  
The Head of Audit updated the committee on progress made against the 2013/14 audit plan and on recent work which has been completed.  
Resolved:  
That the content of the latest internal audit update at the end of quarter one be noted.
- b **Audit services management arrangements update** Peter Farrow  
The Head of Audit provided an update on arrangements to continue the partnership with Sandwell MBC for the role of Head of Audit and the further development of audit services to include taking on the management of the Council's existing Benefits Fraud Investigation Team. Cllr Hardacre referred to the table on page 3 of the report which showed the wider client base for the combined audit team, advising that Heath Park and Moseley Park schools now operate as a consortium.

Resolved:

That the continuing management arrangements for internal audit and a further extension of the service as detailed in the report be noted.

**c CIPFA Audit committee update- Issue 11**

Peter  
Farrow

The Head of Audit submitted the latest audit committee update issued by the Chartered Institute of Public Finance and Accountancy-helping audit committees to be effective. Cllr Mrs Thompson referred to the reference to the introduction of independent panels in the future and expressed the hope that the independent members will have experience in accountancy and finance. The Head of Audit responded that further information on the panels will be brought before the committee when this is available.

Resolved:

That the report be noted

**d Payment transparency**

Peter  
Farrow

The Head of Audit Services submitted the latest review of the Council's compliance with the Code of Recommended Practice regarding the publication of all payments over £500 and also the publication of all payment data with effect from 1 April 2013 and not only that with a value of over £500. Cllr Hardacre questioned whether the code applies to schools and the Head of Audit undertook to respond to the councillor after the meeting.

Resolved:

That the report be noted.

## **EXCLUSION OF PRESS AND PUBLIC**

### **11. Exclusion of press and public**

Resolved:

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

| <i>Item No.</i> | <i>Title</i>                          | <i>Applicable paragraph</i> |
|-----------------|---------------------------------------|-----------------------------|
| 12.             | <b>Current internal audit reports</b> | 1                           |



## Part 2 – exempt items, closed to the press and public

12. **Current internal audit reports**

Keith Ireland

The Strategic Director for Delivery briefed the committee about 3 recent internal audit reports and their implications for the Council.

Resolved:

That the report be noted.



# Audit (Monitoring of Audit Investigations) Sub-committee

## Minutes – 21 October 2013

### Attendance

#### Members of the Sub-committee

Cllr Wendy Thompson (chair)  
Cllr Mike Hardacre  
Cllr Matthew Holdcroft  
Cllr Keith Inston

#### Independent members

Terry Day

#### Employees

|                |                             |
|----------------|-----------------------------|
| Peter Farrow   | Head of Audit               |
| Mark James     | Fraud Manager               |
| Simon Lunn     | Head of Operational Finance |
| Katy Morgan    | Principal Auditor           |
| Richard Morgan | Senior Audit Manager        |
| Mark Wilkes    | Principal Auditor           |
| Martin Fox     | Democratic Support Officer  |

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

| <i>Item No.</i> | <i>Title</i> | <i>Action</i> |
|-----------------|--------------|---------------|
|-----------------|--------------|---------------|

### MEETING BUSINESS ITEMS

- 1. Apologies for absence**
- 2. Declarations of interest**

Cllr Mike Hardacre declared a personal interest in agenda items 7/8 as far as they relate to the City of Wolverhampton College, the Central Learning Partnership Board and the Board of Wolverhampton Homes.

Martin Fox

3. **Minutes of the previous meeting (15 July 2013)** Martin Fox  
Resolved:  
That the minutes of the meeting held on 15 July 2013 be approved as a correct record and signed by the Chair.
4. **Matters arising**  
There were no matters arising.
5. **Briefing – Good practice/assurance in schools** Katy Morgan  
The Sub-Committee received a briefing on the work of Audit Services in schools from Katy Morgan, Principal Auditor. The Sub-Committee was pleased to receive the presentation and noted that the work detailed in the presentation is providing increasing levels of assurance.

## EXCLUSION OF PRESS AND PUBLIC

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

| <i>Item No.</i> | <i>Title</i>                                       | <i>Applicable paragraph</i> |
|-----------------|--|-----------------------------|
| 7               | Audit services – Counter fraud report October 2013 | 3                           |
| 8               | Audit update                                       | 1,2,3                       |

## Part 2 – exempt items, closed to the press and public

7. **Audit services – Counter fraud report October 2013** Peter Farrow/  
Richard Morgan/  
Mark Wilkes  
Mark Wilkes presented a report which updated the Sub-committee on the current counter fraud activities undertaken by the counter fraud unit within Audit Services. Mark James was in attendance to provide further information about the plan to bring the Council's

Benefit Fraud Investigation Team under the Audit services umbrella.

Resolved:

That the current position with regard to the Council's counter fraud activities be noted.

8. **Audit update**

Mark Wilkes presented a report on current audit investigations. A concerned discussion took place regarding case ref WBP 108 (disabled facilities grant) and a course of action was suggested. Discussion also took place regarding case ref IL17W (BSF public art works), case ref IL 18I (extended schools) and case ref IL46I (fraudulent activity by an organisation carrying out a community service contract for the Council). The Sub-Committee also asked whether Katy Morgan, Principal Auditor, could attend future Sub-Committee meetings in view of the issues relating to educational establishments which regularly arise.

Peter  
Farrow/  
Richard  
Morgan/  
Mark Wilkes/  
Katy Morgan

Resolved:

- (a) That the current position with regard to audit investigations be noted.
- (b) That, in connection with case ref WBP 108 (disabled facilities grant), employees in adult social care, legal and planning be asked to reconsider whether any further action is possible, to include action of an enforcement nature.
- (c) That progress reports be requested regarding case ref IL17W (BSF public art works) and case ref IL18I (extended schools).
- (d) That, in connection with case ref IL46I (fraudulent activity by an organisation carrying out a contract), a further report be submitted to give an assurance that the organisation is operating correctly.



# Audit Committee Work Programme 2013/14

## The Governance & Assurance Framework

- Corporate **Objectives**
- Corporate (Strategic) **Risks**
- **Controls** to Mitigate the Risks
- Sources of **Assurance**
- Identifying and addressing the **Gaps**

## The Assurance Framework Life Cycle

|                   |                                    |   |
|-------------------|------------------------------------|---|
| Identification of | Corporate <b>Objectives</b>        | the Corporate Plan  |
| Assessment of     | Corporate (Strategic) <b>Risks</b> | Risk Workshops  |
| Identification of | Key <b>Controls</b>                | Risk Management Plans   |
| Identification of | Sources of <b>Assurance</b>        | Service Plans, Project Plans, Corporate Policies, External Reviews                            |
| Analysis of       | <b>Assurance</b> on Key Controls   | Risk Management & Insurance<br>Corporate Risk Management Group<br>Internal and External Audit |

Reports to **Audit Committee** on

**Assurance** on Key Controls  
**Gaps** in Key Controls  
**Gaps** in Sources of Assurance

Risk Management & Insurance  
Corporate Risk Management Group  
Internal and External Audit

Response

**Action Plans**

Directors, Management Teams, Project Teams

**Audit Committee Work Programme 2013/14**

| <b>Committee Meeting Date<br/>All at 2.00pm</b> | <b>Final Accounts /<br/>Annual Governance<br/>Statement</b>                          | <b>Internal Audit Reports<br/>*</b>   | <b>Risk Management –<br/>Assurance on<br/>Corporate Risks</b> | <b>Risk Management<br/>– Assurance on<br/>Service Risks <sup>Note 1</sup></b> | <b>External Audit<br/>Reports and<br/>Inspection</b>   | <b>Other<br/>Governance<br/>Issues</b>  |
|---|--|---|---|---|--|---|
| <b>8 July 2013</b>                              | 2012/13 Annual<br>Governance Statement<br><br>2012/13 Draft Statement<br>of Accounts | Annual Internal Audit<br>Report 2012/13<br><br>Annual Review of<br>Effectiveness of Internal<br>Audit<br><br>CIPFA Audit Committee<br>Update<br><br>Payment Transparency          | Corporate Risk<br>Register                                    |   | External Audit<br>Update Report  | Sub-<br>Committees:<br>Minutes and<br>Matters Arising<br><br>Audit Committee<br>– Annual Report |
| <b>23 September 2013</b>                        | 2012/13 Audited<br>Statement of Accounts   | Internal Audit Update<br><br>Payment Transparency<br><br>Internal Audit<br>Management<br>Arrangements Update<br><br>Internal Audit Charter<br><br>CIPFA Audit Committee<br>Update | Risk Management<br>Benchmarking                               |   | Annual Report to<br>those charged with<br>Governance (ISA<br>260)<br><br>Medium Term<br>Financial Strategy<br>Review | Sub-<br>Committees:<br>Minutes and<br>Matters Arising   |

| Committee Meeting Date<br>All at 2.00pm | Final Accounts / Annual Governance Statement                | Internal Audit Reports *   | Risk Management – Assurance on Corporate Risks                     | Risk Management – Assurance on Service Risks <sup>Note 1</sup> | External Audit Reports and Inspection | Other Governance Issues  |
|---|---|--|--|--|---------------------------------------|--|
| 16 December 2013                        | Annual Governance Statement action Plan Update              | Internal Audit Update<br>Payment Transparency<br><br>CIPFA Audit Committee Update  | Risk Management and Corporate Risk Register                        |  | Annual Audit Letter                   | Sub-Committees: Minutes and Matters Arising<br><br>Audit Committee Self-Assessment<br><br>Benefits Fraud Sanctions Report 2012/13<br><br>Benefit sanctions – amendment to arrangements |
| 10 March 2014                           | Annual Governance Statement – Significant Governance Issues | Internal Audit Update<br><br>Strategy for Internal Audit 2014/15 – 2016/17<br><br>Payment Transparency<br><br>Review of Fraud Related Policies | Risk Management Policy and Strategy<br><br>Corporate Risk Register | Delivery Directorate   | External Audit Plan 13/14             | Sub-Committees: Minutes and Matters Arising<br><br>Audit Committee Terms of Reference Review   |

[NOT PROTECTIVELY MARKED]

| Committee Meeting Date<br>All at 2.00pm | Final Accounts / Annual Governance Statement | Internal Audit Reports * | Risk Management – Assurance on Corporate Risks | Risk Management – Assurance on Service Risks <sup>Note 1</sup>    | External Audit Reports and Inspection | Other Governance Issues |
|---|--|--------------------------|--|---|---------------------------------------|-------------------------|
| 14 April 2014                           |  |                          | Corporate Risk Register                        | Community Directorate<br><br>Education and Enterprise Directorate | Annual Grants Certification Report    |                         |

**Also, to include:**

- As and when issued, CIPFA's Audit Committee Technical Updates will be brought before the Committee
- Audit fee letter – once further guidance issued as to when and where this should be presented



[NOT PROTECTIVELY MARKED]

**Final Accounts Monitoring & Review Sub-Committee  
Work Programme 2013/14**

| Sub-Committee Meeting Date<br>All at 2.00pm  | Final Accounts / Annual Governance Statement    | Revenue Budget & Capital Programme   | Other Finance Matters   |
|--|---|--|---|
| <b>22 July 2013</b>                          |   | Revenue Budget Outturn 2012/13<br>Capital Budget Outturn 2012/13 (incl Q1)<br>Reserves, Provisions and Balances 2012/13<br>Quarter 1 Revenue Budget Monitoring 2013/14<br>2014/15 Draft Budget Strategy & Medium Term Financial Strategy | Treasury Management Annual Report 2012/13<br>Quarter 1 – Treasury Management 2013/14 Monitoring |
| <b>16 September 2013 – Meeting cancelled</b> |   |  |   |
| <b>9 December 2013</b>                       |   | Quarter 2 – Revenue Budget Monitoring<br>Quarter 2 – Capital Budget Monitoring<br>2014/15 Draft Budget Strategy & Medium Term Financial Strategy   | Quarter 2 – Treasury Management 2013/14 Monitoring  |
| <b>24 February 2014</b>                      |   | Quarter 3 – Revenue Budget Monitoring<br>Quarter 3 – Capital Budget Monitoring<br>2014/15 Budget Strategy & Medium Term Financial Strategy – Update  | Quarter 3 - Treasury Management 2013/14 Monitoring  |
| <b>7 April 2014</b>                          | 2013/2014 Statement of Accounts Progress update |  |   |

[NOT PROTECTIVELY MARKED]

**Monitoring of Audit Investigations  
Sub-Committee Work Programme 2013/14**

| <b>Sub-Committee Meeting Date<br/>All at 2pm</b> | <b>Monitoring of Audit Investigations: to include details of completed investigations, implementation of recommendations, fraud risk register, pro-active testing, NFI updates, raising fraud awareness events, benchmarking and other fraud related activities</b> |
|--|---|
| <b>15 July 2013</b>                              | Counter Fraud Report<br>Audit Issues Update   |
| <b>21 October 2013</b>                           | Counter Fraud Report<br>Audit Issues Update   |
| <b>20 January 2014</b>                           | Counter Fraud Report<br>Audit Issues Update   |
| <b>28 April 2014</b>                             | Counter Fraud Report<br>Audit Issues Update   |

[NOT PROTECTIVELY MARKED]

### Audit Committee Member Training Programme 2013/14

| Date         | Training Event  |
|--------------|---|
| 24 June 2013 | <ul style="list-style-type: none"><li>• Raising Fraud Awareness</li><li>• The Statement of Accounts</li></ul> |



# Audit Committee

## 16 December 2013

|  |   |  |
|--|---|--|
| <b>Report Title</b>                            | Annual Audit Letter                                 |  |
| <b>Cabinet Member with Lead Responsibility</b> | Councillor Paul Sweet<br>Governance and Performance |  |
| <b>Accountable Strategic Director</b>          | Keith Ireland, Delivery                             |  |
| <b>Originating service</b>                     | Delivery/Audit                                      |  |
| <b>Accountable officer(s)</b>                  | Mark Taylor<br>Tel<br>Email                         | Assistant Director Finance<br>01902 55(6609)<br>Mark.taylor@wolverhampton.gov.uk |
| <b>Report to be/has been considered by</b>     | N/A   |  |

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### Recommendations for noting:

The Committee is asked to note:

1. The contents of the Annual Audit Letter from the council's external auditors, PricewaterhouseCoopers (PwC).

## 1.0 Purpose

- 1.1 PricewaterhouseCoopers' (PwC) annual audit letter is a public document which summarises the results of their 2012/13 audit for members of the Council and other stakeholders.

## 2.0 Background

- 2.1 PwC have already reported the findings from other work to those charged with governance in the following reports:

- External Audit Update Report (July 2013);
- Audit Report for the 2012/13 financial statements including the Value for Money conclusion; and
- Report to those charged with Governance (ISA (UK&I) 260).

The matters reported in the letter are those PwC consider to be the most significant for the Council.

- 2.2 Representatives from PwC will be in attendance at this meeting to present their report and respond to questions.

## 3.0 Financial implications

- 3.1 The report provides assurances on the arrangements the Council has in place to ensure effective stewardship and accountability for resources

[NA/03112013/X]

## 4.0 Legal implications

- 4.1 Statutory authority for the external auditor role set out in paragraph 1.1 of this report which provides external accountability and control is currently contained in the Audit Commission Act 1998

- 4.2 The existing audit regime, described in paragraph [ ] which still applies, is under review. The Local Audit and Accountability Bill ("the Bill") published in July 2012 contains proposals to abolish the existing regime and introduce a new local audit framework.

- 4.3 This Bill has not yet become law. The Bill was last considered in Parliament on 21 November 2013 and although it is well along its Parliamentary route it still has a number of stages to go before it becomes law.

[JH/05122013/S]

**5.0 Equalities implications**

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

**6.0 Environmental implications**

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

**7.0 Human resources implications**

7.1 There are no direct human resources implications arising from this report.

**8.0 Schedule of background papers**

None

# *Wolverhampton City Council*

*Annual Audit Letter*  
2012/13

Government and  
Public Sector

**October 2013**

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## **Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies**

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



*An audit is not designed to identify all matters that may be relevant to those charged with governance.*

*Accordingly, the audit does not ordinarily identify all such matters.*

# Introduction

## The purpose of this letter

We are pleased to present to Members our Annual Audit Letter summarising the results of our 2012/13 audit.

We have already reported the detailed findings from our audit work within our ‘Report to those charged with governance (ISA 260)’ document, presented to the Audit Committee in September 2013.

The matters reported here are those we consider the most significant for the Council.

## Scope of Work

You are responsible for preparing and publishing the Statement of Accounts, accompanied by the Annual Governance Statement. You are also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

As an administering Authority of a pension fund, you are also responsible for preparing and publishing Accounting Statements for the West Midlands Pension Fund.

Our 2012/13 audit work has been undertaken in accordance with the Audit Plan that we issued in March 2013 and is conducted in accordance with the Audit Commission’s Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

We met our responsibilities as follows:

| Audit Responsibility   | Results  |
|--|--|
| <i>Perform an audit of the accounts and pension fund accounting statements in accordance with the Auditing Practice Board’s International Standards on Auditing (ISAs (UK&amp;I)).</i>   | <p>▶ We issued an unqualified audit report on your financial statements (including those of the pension fund).</p> <p>Key points from our audit of the accounts can be found in the section ‘Audit Findings’.</p>    |
| <i>Report to the National Audit Office on the accuracy of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts.</i>  | <p>▶ We had no concerns to report as part of this work and concluded that your submission was consistent with the financial statements.</p>  |
| <i>Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources.</i>  | <p>▶ We issued an unqualified value for money conclusion on your arrangements for securing adequate Use of Resources.</p> <p>Key points from our work in this area can be found in the section ‘Audit Findings’.</p> |
| <i>Consider the completeness of disclosures in the Authority’s Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with CIPFA / SOLACE guidance.</i> | <p>▶ We identified no concerns with the content of your Annual Governance Statement, and found it to be compliant with relevant guidance.</p>  |

| Audit Responsibility  | Results   |
|---|---|
| <i>Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.</i>   | ▶ We identified no matters that would require us to issue a public interest report.                                 |
| <i>Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act.</i>   | ▶ We identified no matters that would require any other action to be taken in respect of our responsibilities here. |
| <i>Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.</i> | ▶ We have issued our completion certificate and have no relevant matters to report.                                 |
| <i>Issue an opinion on the pension fund annual report.</i>  | ▶ We have issued an unqualified opinion in respect of the pension fund annual report.                               |

*We issued an unqualified opinion on your financial statements, and on your use of resources.*

## **Audit Findings**

### **Accounts**

We audited your financial statements in line with approved Auditing Standards and issued an unqualified audit opinion on 30 September 2013.

Key points to bring to your attention are as follows:

- Your draft accounts (including pension fund) were submitted to us before the 30 June deadline and were of a high quality. Most working papers were provided on time and were of a good quality.
  - Key contacts in the finance team and elsewhere were available during the audit and responded readily to our questions and requests for information.
  - Significant areas of audit focus this year included:
    - Ensuring that revised valuations of Council land and buildings were based on accurate data;
    - Confirming the adequacy of the Provision for Equal Pay;
    - Determining that schools transferring to Academy status were correctly accounted for; and
    - Considering the financial standing of the Council over the medium term.
  - We identified errors in accounting for the in-year revaluation of land and buildings; adjustments were proposed by the audit team and the financial statements were updated as required.
- The West Midlands' Councils' shares in Birmingham Airport were revalued. You chose not to revalue your share upwards and we recorded this as an immaterial unadjusted difference. There was also an immaterial unadjusted misstatement relating to the valuation of specific investments within the Pension Fund accounts.
  - We reported two internal control weaknesses to the Audit Committee: processes ensuring the accuracy of asset data driving the Council's revaluation programme, and compliance with related accounting requirements. See the 'recommendations' section below for further details.
  - Though not impacting on our audit opinion, we stressed our concerns over your medium term financial standing, noting the extent of the financial challenge faced. We have provided further comment on this in the 'use of resources' section below.

### **Use of Resources**

We carried out sufficient, relevant work in line with the Audit Commission's guidance, to enable us to conclude on whether you had in place, for 2012/13, proper arrangements to secure economy, efficiency and effectiveness in your use of the Council's resources.

In line with Audit Commission requirements, our conclusion was based on two criteria:

- whether the organisation has proper arrangements in place for securing financial resilience; and

- whether the organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

To reach our conclusion, we carried out a programme of work that was based on our risk assessment. Specific areas of focus were:

- Savings plans and the Medium Term Financial Strategy (MTFS);
- Single Status implementation;
- Shared Services Transformation Programme (*replaced by FutureWorks*);
- Restructuring costs; and
- Procurement follow up.

As part of this programme of work we have issued separate reports to management and the Audit Committee in respect of your transformation programme, and Medium Term Financial Strategy.

***We issued an unqualified conclusion in respect of the two criteria above.***

However we highlighted the increasing difficulty in reaching a positive conclusion on your financial standing.

We identified the need for further work by the Council in a number of areas to ensure financial sustainability:

- **Budgetary control;** the Council overspent against its General Fund budget by £3.6m in 2012/13. This variance was in part due to errors in the misclassification of expenditure items as ‘non-controllable’ rather than ‘controllable’. As a result of this the budget monitoring and reporting of certain elements of spend was lacking and significant variances against budgets were overlooked by both budget holders and service accountants.

- **Taking a radical approach to service provision:** to continue to be able to demonstrate that you have sufficient resources available to meet your medium term commitments we think it is of paramount importance that the Council continues to consider a broad range of alternative service delivery models where appropriate, and works together to ensure there is a strong consensus about the need for change.

Cuts in Government funding mean that it is no longer possible for the council to carry on with 'business as usual' so tough decisions will need to be made and previously unpalatable options properly considered, including scaling back those activities which don't make a clear contribution to Corporate Plan priorities.

- **Information for decision making:** to be able to make the most appropriate decisions for your local circumstances it is vital that the Council is able to make tough decisions on cost reductions and cuts based on robust information on costs and cost drivers. Officers must ensure that sufficient information is available to make informed and rounded decisions based on thorough cost-benefit analysis and options appraisals.

The Council also needs to continue to develop an understanding of its cost base and unit costs to enable informed decisions to be taken on which areas have the greatest opportunities for savings, or where further investment is warranted.

- **Managing the financial impact of the redundancy programme:** the Council is planning a significant programme of redundancies in 2013/14, accompanied by restructures and business reviews.

We recognise the need to consider reducing your pay bill considering non-schools General Fund services have an associated pay bill of £140m per annum of your £256m net budget requirement. We also recognise that the Council has a number of reserves which could be utilised to support the upfront costs of such a scheme.

However, we note that the use of general fund reserves during 2013/14 is highly likely. Member approval must be obtained for any reduction in the General Fund below the £15m currently required by your own reserves policy.

It is imperative that once all upfront costs and longer term savings are taken into consideration you are still able to demonstrate the ability to set a balanced budget with an appropriate level of reserves.

Further work is needed in each of these areas over the coming year for us to continue to assess the Council as complying with Audit Commission guidance regarding our value for money code responsibilities.

### *Annual Governance Statement*

Local authorities are required to produce an Annual Governance Statement (AGS) that is consistent with guidance issued by CIPFA/SOLACE. The AGS accompanies the Statement of Accounts.

We reviewed your AGS to consider whether it complied with the CIPFA/SOLACE guidance and whether it might be misleading or inconsistent with other information known to us from our audit work.

We found no areas of concern to report in this context.

### *Whole of Government Accounts*

We undertook our work on your Whole of Government Accounts consolidation pack as prescribed by the Audit Commission. The audited pack was submitted on 4 October 2013. We found no areas of concern to report in this context.

### *Certification of Claims and Returns*

We presented our most recent Annual Certification Report for 2011/12 to those charged with governance in February 2013.

We certified eight claims and returns worth an aggregate net total of £234,816,279. Of these, four were amended following our certification work and four required qualification letters to set out matters arising from the certification of the claim or return.

We will issue the Annual Certification Report for 2012/13 in early 2014, following completion of our work programme.

# Recommendations

## Summary of significant internal control deficiencies

| Deficiency   | Recommendation   |
|--|--|
| <p><b>Valuations</b></p> <p>Land values are determined in accordance with site acreage and building values are calculated based on gross internal floor areas. Accordingly, it is important that this data is complete and accurate at each balance sheet date.</p> <p>At present this is not achieved which may result in over- or under-statement of the balance sheet. This is particularly relevant to schools, for which works are regularly being carried out, but applies to all asset types.</p> | <p>There is a need for the property and asset management teams to carry out a data validation exercise before every valuation and again at the end of the financial year to ensure that any increases or reductions in and or building size are recorded on a timely basis.</p> <p>This ought to include liaison with the Building School's for the Future team but may require consultation with other relevant departments within the Council who hold up to date information on the Council's assets.</p>   |
| <p><b>Academies</b></p> <p>We identified a small number of assets relating to academy schools that:</p> <ul style="list-style-type: none"><li>remained in the balance sheet after they should have been written out; or</li><li>were overvalued as a result of not being revalued to reflect the change in the future use of existing assets.</li></ul> <p>There seems to be a lack of clarity regarding which assets need to be revalued, when and on what accounting basis.</p>                        | <p>There is a need to strengthen procedures to ensure that the finance, property and valuation teams share a common understanding of what the accounting requirements are for assets associated with academy schools.</p> <p>A policy should be drafted and clear accountability defined to ensure that the valuation team is:</p> <ul style="list-style-type: none"><li>aware of any changes in use of school assets;</li><li>aware of any milestones being reached on any academy conversion or new build progress; and</li><li>clear what the accounting rules require.</li></ul> |

*Our final fees are expected to be lower than our original fee proposal.*

## Final Fees

### Final Fees for 2012/13

We reported our fee proposals in our audit plan. Our actual fees are as shown below.

|   | 2012/13<br>outturn | 2012/13<br>fee<br>proposal | 2011/12<br>final<br>outturn |
|---|--------------------|----------------------------|-----------------------------|
| <b>Audit work performed under the Code of Audit Practice:</b>   | 251,100            | 251,100                    | 418,500                     |
| Comprising:   |                    |                            |                             |
| - Statement of Accounts   |                    |                            |                             |
| - Value for Money conclusion  |                    |                            |                             |
| - Whole of Government Accounts  |                    |                            |                             |
| <b>Audit work performed under the Code of Audit Practice – Variation from scale fee for work on additional risks*</b> | 61,400             | 65,800                     | 72,000                      |
| <b>TOTAL potential fee</b>  | <b>312,500</b>     | <b>316,900</b>             | <b>490,500</b>              |

\* - We have sought approval from the Audit Commission for a variation from scale fee. We are awaiting confirmation from the Audit Commission whether this fee variation has been approved. The final fee will be in the range of £251,100 and £312,500. We will confirm the final fee as soon as it is confirmed.

### Non audit services

In addition to the statutory services provided as your Appointed Auditor, PwC has, during the year, provided a

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Wolverhampton City Council

small number of non-audit services which fell outside of the Code of Audit Practice.

These services, and the associated fees (excluding VAT), were:

- Accelerated Asset Review – Phase 4, Stage 1 office workstream pre-tender planning. The fee for this work during 2012/13 was £36,000.
- Exploring New Financial Models to Invest in Housing. The fee for this work was £9,000.

We confirm to you that we have appropriate safeguards in place to maintain our audit independence.

### Certification work

Our fee for certification of claims and returns is yet to be finalised for 2012/13 and will be reported to those charged with governance in early 2014 (following completion of our work programme) within the 2012/13 Annual Certification Report.



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

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

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# Audit Committee

16 December 2013

|  |   |  |
|--|---|--|
| <b>Report title</b>                            | Risk Management and Corporate Risk Register         |  |
| <b>Cabinet member with lead responsibility</b> | Councillor Paul Sweet<br>Governance and Performance |  |
| <b>Accountable director</b>                    | Keith Ireland, Delivery                             |  |
| <b>Originating service</b>                     | Audit   |  |
| <b>Accountable employee(s)</b>                 | Peter Farrow<br>Tel<br>Email                        | Head of Audit<br>01902 554460<br><a href="mailto:peter.farrow@wolverhampton.gov.uk">peter.farrow@wolverhampton.gov.uk</a>                  |
|  | Narinder Phagura<br>Tel<br>Email                    | Strategic Risk Manager<br>01902 554580<br><a href="mailto:narinder.phagura@wolverhampton.gov.uk">narinder.phagura@wolverhampton.gov.uk</a> |
| <b>Report to be/has been considered by</b>     | Delivery Directorate<br>Leadership Team             | 26 November 2013   |

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**Recommendations for noting:**  
The Committee is asked to note:

1. The change in the council's strategic risk management arrangements and an update on the corporate risk register.

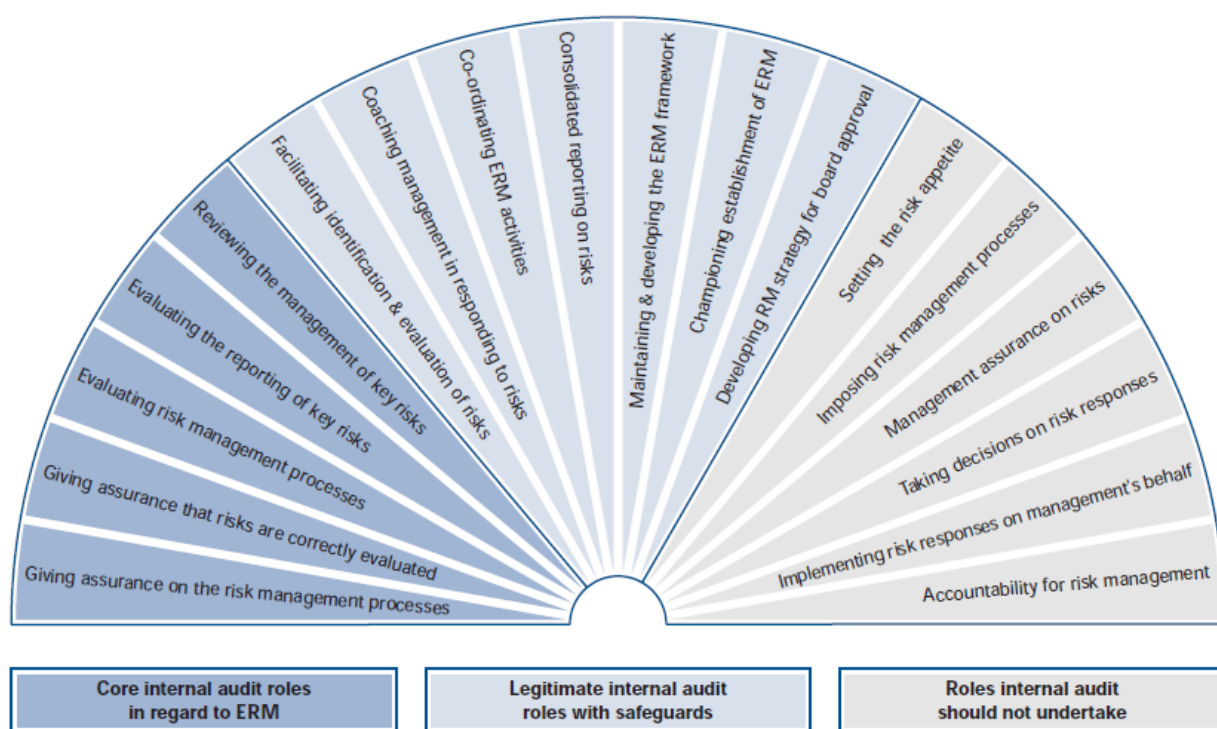
## 1.0 Purpose

- 1.1 To keep members of the Audit Committee informed of the change in the council's strategic risk management arrangements and of the key risks the council faces.

## 2.0 Background

- 2.1 There has been a move across local authorities in recent times, to strengthen the links between strategic risk management and internal audit, and this is becoming widely recognised to bring many benefits, including:
- Strengthening the assurance framework, in particular around the compilation of the annual governance statement.
  - Efficiency savings along with a reduction in potential duplication.
  - Internal auditors already have expertise in considering and commenting upon risks and how they could be controlled/mitigated, along with how this links with good governance.
  - Over time risk management has evolved from insurable and contractual risks, historically looking at hazard based risks and treating risks as an expense item mitigating through insurance. Current risk management is now concerned with making better decisions about uncertainties by establishing a risk framework which should help the achievement of strategic objectives and committee/board risk oversight.
  - Internal audit can champion and help further embed enterprise risk management across an organisation – providing advice, facilitating workshops and coaching on risk and control frameworks.
  - Internal audit can act as a central point for coordinating, monitoring and reporting on risks, and how they are being controlled and will lead in strengthening the assurance framework, including the preparation of the annual governance statement.
  - It allows a more risk focussed and balanced internal audit approach/plan, enabling resources to be more efficiently targeted towards assessing the adequacy of any key risk mitigation activities.
  - Finally, it brings functional reporting through the same reporting channels, including the Audit Committee.
- 2.2 Therefore, the internal audit team have now taken on the responsibility for risk management for Wolverhampton. This is being supported by the introduction of a strategic risk manager from Sandwell MBC, along similar lines to the arrangement entered into for the head of audit role.
- 2.3 It should be noted that management remains responsible for risk management and internal audit will not manage any of the risks on behalf of management. In order to provide guidance on the roles that are permissible and the safeguards needed to protect internal audit's independence and objectivity, the council will adopt the Chartered Institute of Internal Auditors (CIIA) position statement on the role of internal audit in risk management. Based on this position statement, the diagram below presents the range of

risk management activities and indicates which roles internal audit will and, equally importantly, will not undertake:



### The role of internal audit in risk management (including independency safeguards)

Source: The Chartered Institute of Internal Auditors

2.4 As part of these changes the corporate risk register requires a fundamental review by SEB to ensure that the risks last reported to the Audit Committee are still appropriate and reflect the council's risk profile. This includes the emergence of any new key risks and to enable it to incorporate the wider assurance framework. Following this review, the register will be updated, redesigned and presented at the next Committee meeting. In the meantime, the Committee are reminded that the following were the key risks in the corporate risk register as last presented (in summary form), although as noted above, some of these risks may now no longer be relevant and new ones may require inclusion.

| Risk @ July 2013                 | Risk rating |
|----------------------------------|-------------|
| Safeguarding                     | Red         |
| Welfare reform                   | Red         |
| Organisational change            | Red         |
| Revenue and capital budget       | Red         |
| Schools – equal pay arrangements | Red         |
| Life chances for young people    | Amber       |
| Increase in unemployment         | Amber       |
| Demographic pressures            | Amber       |

|  |       |
|--|-------|
| Perception of crime                            | Amber |
| Regeneration                                   | Amber |
| Business relationships and economic delivery   | Amber |
| Asset management and planning                  | Amber |
| Emergency preparedness/major incident response | Amber |
| Corporate responsibilities                     | Amber |
| Information governance                         | Amber |
| FutureWorks – systems to drive change          | Amber |
| FuturePractice – staff                         | Amber |
| Payroll system                                 | Amber |

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

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

### **4.0 Financial implications**

4.1 Sandwell will charge a contribution of £10,000 per annum towards the Strategic Risk Manager role, this will be met through the wider savings being achieved from within the delivery directorate. Other than this cost, internal audit will absorb the strategic risk management role from within its existing resources. (CN/06122013/U)

### **5.0 Legal implications**

5.1 There are no legal implications arising from this report (JH/281113/Q).

### **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 Schedule of background papers**

9.1 None



# Audit Committee

16 December 2013

|  |   |  |
|--|---|--|
| <b>Report title</b>                            | Internal Audit Update – Quarter 2                   |  |
| <b>Cabinet member with lead responsibility</b> | Councillor Paul Sweet<br>Governance and Performance |  |
| <b>Accountable director</b>                    | Keith Ireland, Delivery                             |  |
| <b>Originating service</b>                     | Audit   |  |
| <b>Accountable employee(s)</b>                 | Peter Farrow<br>Tel<br>Email                        | Head of Audit<br>01902 554460<br>peter.farrow@wolverhampton.gov.uk |
| <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 Internal Audit Update as at the end of quarter 2.

## **1.0 Purpose**

- 1.1 The purpose of this report is to update Committee members on the progress made against the 2013/14 audit plan and to provide information on recent work that has been completed.

## **2.0 Background**

- 2.1 The internal audit update report as at 30 September 2013 (quarter 2) 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 Committee members 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 The continued review of order processing and creditor payments has identified duplicate payments totalling £174,000. Of this, £137,000 was actually stopped prior to payment and £37,000 has been recovered from suppliers. In addition to this the processing of benefit matches reported through the National Fraud Initiative has resulted in the recovery of a further £2,000. These combined actions have either prevented or recovered a total expenditure of £176,000. (CN/06122013/C)

## **5.0 Legal implications**

- 5.1 There are no legal implications arising from this report (JH281113/QC).

## **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 Schedule of background papers**

- 9.1 Audit Services – Strategy for Internal Audit 2013/14 – 2015/16

# Wolverhampton City Council



## Internal Audit Progress Report – Quarter 2 Audit Committee: 16 December 2013

### Contents:

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



## 1 Introduction

The purpose of this report is to bring the Audit Committee up to date with the progress made against the delivery of the 2013/14 internal audit plan.

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

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

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



## 2 Summary of work completed

The following audit reviews have been completed to date in the current year:

Key: AAN = Assessment of Assurance Need

| Auditable Area   | AAN Rating | Recommendations |       |       |       |                 | Level of Assurance |
|--|------------|-----------------|-------|-------|-------|-----------------|--------------------|
|  |            | Red             | Amber | Green | Total | Number accepted |                    |
| Fallings Park Primary School                           | Medium     | 0               | 2     | 13    | 15    | 15              | Satisfactory       |
| Eastfield Nursery School                               | Medium     | 0               | 4     | 6     | 10    | 10              | Satisfactory       |
| Grove Primary School                                   | Medium     | 0               | 4     | 6     | 10    | 10              | Satisfactory       |
| FutureWorks Programme – High Level Design Phase Review | Medium     | 0               | 3     | 0     | 3     | 3               | Satisfactory       |
| Claregate Primary School                               | Medium     | 0               | 0     | 2     | 2     | 2               | Substantial        |
| St Mary's Catholic Primary                             | Medium     | 0               | 5     | 8     | 13    | 13              | Satisfactory       |
| Green Park Special School                              | Medium     | 0               | 2     | 8     | 10    | 10              | Satisfactory       |
| Duke Street Residential Bungalows                      | Medium     | 0               | 0     | 11    | 11    | 11              | Satisfactory       |
| Villiers Primary School                                | Medium     | 0               | 1     | 2     | 3     | 3               | Substantial        |
| Merry Hill House                                       | Medium     | 0               | 0     | 9     | 9     | 9               | Satisfactory       |
| St Alban's CE Primary School                           | Medium     | 0               | 5     | 7     | 12    | 12              | Satisfactory       |
| Lanesfield Primary School                              | Medium     | 0               | 3     | 9     | 12    | 12              | Satisfactory       |
| Goldthorne Park Primary School                         | Medium     | 0               | 1     | 7     | 8     | 8               | Satisfactory       |
| St Stephen's CE Primary School                         | Medium     | 0               | 6     | 6     | 12    | 12              | Satisfactory       |
| Bilston Nursery School                                 | Medium     | 0               | 1     | 12    | 13    | 13              | Satisfactory       |
| St Anthony's Catholic Primary School                   | Medium     | 0               | 1     | 7     | 8     | 7 *             | Satisfactory       |

| Auditable Area  | AAN Rating | Recommendations |       |       |       |                 | Level of Assurance |
|---|------------|-----------------|-------|-------|-------|-----------------|--------------------|
|   |            | Red             | Amber | Green | Total | Number accepted |                    |
| Ekta Day Centre   | Medium     | 0               | 0     | 7     | 7     | 7               | Satisfactory       |
| D'Eyncourt Primary School                                 | Medium     | 0               | 0     | 6     | 6     | 6               | Substantial        |
| Black Country Pathways to Enterprise Project              | Medium     | 0               | 2     | 0     | 2     | 2               | Satisfactory       |
| i54 Payment Processes                                     | High       | 2               | 1     | 1     | 4     | 4               | Limited            |
| Diploma Exemplar Building                                 | High       |                 |       |       |       |                 | Limited            |
| Play Services   | Medium     | 0               | 0     | 9     | 9     | 9               | Satisfactory       |
| Civic Halls Safe Check                                    | Low        | 0               | 1     | 1     | 2     | 2               | Satisfactory       |
| Carbon Reduction Commitment (CRC) Annual Assurance Review | High       | 0               | 2     | 2     | 4     | 4               | Substantial        |
| Senior Officers Emoluments                                | High       | 0               | 0     | 0     | 0     | 0               | N/A **             |
| Senior Officers Salaries >£50K Check                      | High       | 0               | 0     | 0     | 0     | 0               | N/A **             |
| Payroll Contribution Statements for WMPF                  | High       | 0               | 1     | 0     | 1     | 1               | N/A **             |
| CRC Assurance Statement                                   | High       | 0               | 0     | 0     | 0     | 0               | N/A **             |
| Section 106 Agreements – Monitoring Arrangements          | Medium     | 1               | 3     | 0     | 4     | 4               | Satisfactory       |
| Translation and Interpretation Budget                     | Medium     | 0               | 1     | 2     | 3     | 3               | Satisfactory       |
| Civic Centre Car Park Stamp Review                        | Low        | 0               | 0     | 7     | 7     | 7               | Satisfactory       |
| FutureWorks Detailed Design Phase                         | High       | 0               | 4     | 0     | 4     | 4               | Satisfactory       |
| Corpus Christi Catholic Primary School                    | Medium     | 0               | 0     | 4     | 4     | 2 *             | Substantial        |
| Vine Island – Contract Monitoring                         | Medium     | 0               | 1     | 0     | 1     | 1               | Satisfactory       |

| Auditable Area                     | AAN Rating | Recommendations |       |       |       |                 | Level of Assurance |
|------------------------------------|------------|-----------------|-------|-------|-------|-----------------|--------------------|
|                                    |            | Red             | Amber | Green | Total | Number accepted |                    |
| Strategic Construction Partnership | High       | 0               | 0     | 0     | 0     | 0               | Substantial        |

There were a number of other reviews underway as at 30 September 2013, and these will be reported back in later update reports.

\* Relatively minor recommendations not immediately agreed by schools but work on-going to identify acceptable solutions where necessary. Failure to agree recommendations did not affect the overall levels of assurance at the schools concerned.

\*\* Certification only – therefore, no audit opinion provided.

### Year on year comparison

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

| Opinion      | 2013/14<br>(Quarter 2) | 2012/13 | 2011/12 |
|--------------|------------------------|---------|---------|
| Substantial  | 6                      | 22      | 36      |
| Satisfactory | 23                     | 44      | 62      |
| Limited      | 2                      | 6       | 7       |

### Follow up of previous recommendations

The majority of follow up work is now being addressed appropriately by managers and once again, so far in the current year, there are no instances to report where audits have been carried out where significant recommendations have not been implemented as previously agreed.

## 3 Key issues arising since the last progress report

### i54 Payment Processes

An audit review of the i54 Payment Processes issued in July 2013 provided only limited assurance.

The i54 contract is a joint venture between Staffordshire County Council (SCC) and Wolverhampton City Council (WCC), with a funding agreement setting out project expenditure and funding arrangements between both parties.

Based on our audit work we concluded that although payment claims and variations were subject to approved payment procedures, due to the lack of documentation supplied by SCC, claims have only been able to be approved on the basis of checks to supporting invoices and more recently the introduction of due diligence checks by a consultant principal engineer.

Further, full access to documentation including valuation certificates has yet to be granted to the consultant principal engineer by SCC. Therefore, only limited assurance could be provided that the council has paid for those works / services actually undertaken / received to date, and that payments made have been in accordance with the contract agreement.

The draft financial payment protocol which is now understood to have been finalised and is ready to be signed off, should provide an appropriate mechanism for the receipt, review and authorisation of payments and variations. Further, the protocol should enable WCC access to documentation which to date has not been forthcoming from SCC.

Following the signing, implementation and embedding of the financial payment protocol, we will undertake further checks on the payment process, and compliance with the protocol, later in the year.

All of the recommendations arising from our audit were agreed with senior management for implementation, and these will be followed up where appropriate.

## **Diploma Exemplar Building Contract**

A contract audit review of the diploma exemplar building contract, covering the tendering and current contract stages, issued in August 2013 provided only limited assurance that risks were being adequately managed and controlled.

The main areas of concern arising from our review were as follows:

- The contract was signed by the contractor on 21 November 2012, although works commenced on site on 4 November 2010. A complete audit trail of events was not available and it was therefore not possible to identify the reasons for the delays during the signing process, or to establish where responsibilities for failings in the process lie. However, factors which contributed to the late signing of the contract include an unrealistic timescale for the completion of contract documentation and signature following notification to Legal Services by Property Services officers, and the contractor was identified as having referred contract documentation to officers within Legal Services and Property Services, rather than to a single point of contact.
- There was a key failure by Property Services officers in allowing the contractor to start on site without a signed contract being in place.
- No reporting mechanism was in place for instances where contract works were due to start on site, but contract documentation had not been signed.

A review of a sample of six contracts undertaken since October 2012 confirmed that the contract documentation was executed prior to commencement of works on site in each instance.

All recommendations arising from the audit review were agreed with senior management for implementation, and again will be followed up where appropriate.

## **Other areas of potential interest to the Audit Committee**

### **FutureWorks Detailed Design Phase Review**

Our review of the detailed design phase of the FutureWorks Programme concluded that there was satisfactory assurance that risks material to the successful delivery of the project were being effectively managed and controlled. The main issues arising from our review were as follows:

- Whilst overall attendance at workshops was considered good, with in excess of 300 staff participating across the high level and detailed design phases of the programme, concern remained that attendance was inconsistent across work streams / workshops. However, it was acknowledged that considerable effort was made to ensure attendance at workshops was appropriate. Risks associated with any of these workshops being poorly attended are mitigated to a large extent by the fact that the final solution is essentially 'vanilla' (i.e. not customised from the standard Agilisys / Agresso configuration) which has been successfully implemented in a number of councils. Nevertheless, it is considered imperative that training of all affected staff is addressed in sufficient time to allow operational issues to be resolved prior to implementation wherever possible.
- Final detailed design documents were signed off by the Assistant Director – Finance on 30 September 2013. As would be expected, the documents were subject to considerable change right up to the point of sign off and we subsequently reviewed the final documents

to ensure that all issues raised had been properly addressed. The following issues were raised:

1. Some sections of documents contained reference to issues for resolution during the build phase. This included instances where exemptions or exceptions to standard processes had yet to be finalised. It is accepted that some limited slippage of decisions into the build stage was likely given the very tight timescales involved.
  2. Documents contained references to manual processes which feed into the system which were considered outside the scope of the detailed design phase of the programme. Such processes should not affect the solution build and on the basis that they already operate in the current systems, they should not introduce any additional risk.
  3. Certain issues raised by us during the process had not been formally closed off, although none are considered serious enough to compromise the programme.
- Whilst delegation levels, limits and tolerances associated with the detailed design appear to be soundly based in principle, their actual operation will remain unclear until the system goes live. The appropriateness of delegations, limits and tolerances should therefore be specifically reviewed in the months following implementation and changes made where necessary.
  - Supplier engagement in relation to the P2P work stream remains at a relatively early stage. Whilst Agilisys staff have indicated that based on their experience of similar exercises, timescales should be sufficient, there remains a risk that implementation could be compromised if supplier engagement proves difficult.

All recommendations arising from the audit review were agreed with senior programme management for implementation.

### **Managed Audits**

Managed audits are the work we do on the council's key financial systems and incorporate the requirements of the external auditors (PwC), in order that they can place reliance on our work and thereby reduce their own year-end testing accordingly. All 2012/13 managed audits work was completed to the satisfaction of PwC and in all cases satisfactory or substantial assurance was provided. The 2013/14 programme of managed audits has now commenced and will be completed in the coming months.

### **Savings**

We monitor actual and potential savings identified during the course of our audit and other associated assurance work undertaken across the council, and we continue to review the order processing and creditor payments system for potential duplicate payments. The status of this work as at 30 September 2013 was as follows:

- 44 duplicate payments identified and stopped prior to payment.
- Total value of duplicate payments £174,583.
- 13 payments to the value of £37,241 had been recovered from suppliers.

In addition, a number of benefit matches reported via the National Fraud Initiative (NFI) have been processed. To date, 115 have been investigated 56 are in progress with 2 errors identified, resulting in savings of £1,756 being recovered.

Finally, we undertake the investigation work on single person discount (SPD) referrals via NFI and a total of 1,099 cases have been investigated. 67 customers were found to be over claiming the discount, resulting in potential savings of £54,537.

It should continue to be borne in mind that the above frauds and errors identified are very small relative to the total number of council transactions and are therefore not material when taking into account the size of the overall payments made. However, significant efforts will continue to be made in order to reduce these wherever possible.

### Counter Fraud Activities

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

### FutureWorks – the assurance framework and our role

We have agreed, and put in place, an internal audit assurance framework for the current FutureWorks programme as shown below:



A programme of further and on-going reviews will be required at key stages of the project to provide assurance in respect of compliance with this framework.

We continue to work closely with the external auditors (PwC) in relation to this programme so that our work is co-ordinated and assurance can be provided efficiently. This has included participating in a workshop with PwC to develop an assurance framework for the programme and a further session is planned to determine precise assurance activities required. As at 30

September 2013, the following combined assurances from internal and external audit had been given against the programme:

| Programme area  | External and independent assurance obtained to date (the third line of defence)   |
|---|---|
| Reported previously:  |   |
| <p><b>Project Governance</b><br/>The governance and reporting structure and the decision making process.</p>  | <p>Internal audit position statement – September 2012 gave substantial assurance on the project's governance arrangements regarding an appropriate structure being in place to approve key decisions and which addressed the recommendations laid out in the Patricia Hughes report.</p>                                |
| <p><b>Project Management</b><br/>The key project management controls in place i.e. project plan with clearly defined milestones, resourcing plans, and identification and management of key project risks.</p>  | <p>PwC health check – September 2012 concluded that the programme has robust project and risk management arrangements in place.</p> <p>Internal audit position statement – September 2012 gave substantial assurance on the project management arrangements.</p>  |
| <p><b>Procurement methodology</b><br/>The procurement methodology followed and compliance with the prescribed approach.</p>   | <p>Internal audit position statement – September 2012 gave substantial assurance on the sign-off arrangements in respect of documentation completed prior to publication of the OJEU notice.</p>  |
| <p><b>Tender evaluation and appointment process</b><br/>The evaluation approach/framework to be adopted for the review and evaluation of tender submissions to ensure there is a transparent process in place in the event of the process being challenged.</p> | <p>Internal audit was able to observe the appropriate conduct of the procurement process up to the appointment of the successful bidder. This included access to dialogue sessions with both shortlisted contractors. Observations and recommendations were fed back to key staff and the board as appropriate.</p>     |
| <p><b>Risk Management</b><br/>How the risks associated with the project are being managed and the role of the Audit Committee in reviewing these.</p>   | <p><b>In September 2012 the Audit Committee received the following reports:</b></p> <p>PwC health check - concluding that the programme has robust project and risk management arrangements in place.</p> <p>Internal audit update report – the first 'position statement' giving substantial assurance around both</p> |



|   |   |
|---|---|
|   | <p>the governance and project management framework put in place to oversee the future delivery of the project.</p> <p><b>In July 2013 the Audit Committee received the following report:</b></p> <p>PwC external audit update – who stated that they had carried out an audit ‘health check’ of the programme in March and April 2013. The scope of this review was to consider the council’s programme management controls as at 30 March 2013. Their work specifically focused on the overall programme structure, the council’s assurance framework and controls over the procurement phase of the programme. They reviewed key project documentation and discussed progress with the programme team. They concluded that as at April 2013 the council had good programme and risk management arrangements in place for the procurement phase of the programme but that more needed to be done to clarify and formalise its future assurance needs for the delivery phase.</p> |
| <p><b>Implementation Review</b><br/>How the programme is progressing.</p> | <p>Internal audit high level design review – June 2013 gave satisfactory assurance on the high level design documents for key work streams.</p>   |
| <p>Reported for the first time:</p>                                       |   |
|   | <p>Internal audit detailed design phase review – November 2013 provided satisfactory assurance on the development of the detailed design documents. Further details of this report are set out earlier in this report.</p>  |

We are continuing to support the programme through participation in additional workshops and the development of the testing strategy. Further assurance work is planned in relation to data migration and testing.

**Single Status Programme – the assurance framework and our role**

Similar to the FutureWorks programme above, we have agreed, and put in place, an internal audit assurance framework for the single status programme as shown below:



**Underpinned by Internal Audit representation at Programme Board level throughout**

**On-going assessment against the recommendations made by Patricia Hughes and the follow-up of recommendations made in previous audit reports**

**Availability of internal audit staff at all stages for additional 'deep dive' testing**

As at 30 September 2013 Audit Services had completed extensive assurance work in respect of payroll implementation which was the final phase of the single status project. Following the implementation of single status on-going assurance work has taken place in respect of the new transitional arrangements in order to monitor compliance with the collective agreement. It is proposed that a review of the council's appeals process will be captured under the 2013/14 audit plan. Throughout the single status process we have been embedded in the programme and have had a presence on the single status and pay strategy board. The purpose of these groups is to ensure on-going compliance with the collective agreement and to prevent any potential pay inequalities arising from the appeals process.

It is proposed that the single status board will be resurrected in January 2014 to explore ways of assisting employees with the loss of allowances on 1 April 2014. We will continue to be a member of this group.

In addition to the above areas we have also been actively involved in both the pensions auto-enrolment and real time information (RTI) projects, which were subsumed under the single status programme. We have been embedded into the project team and have audited both processes.

There are currently no outstanding red or amber issues relating to our work on the single status project.

### **Equal Pay**

We have played an active part in this project and we have previously undertaken assurance reviews around the council's settlement strategy, the accuracy of proposed settlement offers, and the accuracy of payments. Further work will be required in respect of this area following the recent outcome of the Birmingham City Council v Abdulla case. We continue to have an on-going role in terms of providing assurance around future settlements and have presence at equal pay project team meetings.

Finally, we are working closely with PwC in relation to single status and equal pay issues in order to ensure that audit resources are maximised, and that our work is co-ordinated to provide assurance efficiently and effectively. It is proposed that a health check review will be undertaken to assess whether previous recommendations have been implemented and review the system for managing future claims.

### **Introduction of new Procurement Procedures**

We are in discussions with the Head of Procurement in respect of providing assurance regarding the implementation of the new procurement procedures. Initially this has included a review of the new procedures and the implementation arrangements. Following their implementation we will review governance arrangements relating to their embedment across the council, including the establishment and operation of the procurement board.

In addition, at the request of the head of procurement we are currently undertaking an audit of the property services procurement processes prior to responsibility for this area of work transferring to corporate procurement.



# Audit Committee

16 December 2013

|  |   |  |
|--|---|--|
| <b>Report title</b>                            | Audit Committee Self-Assessment Exercise            |  |
| <b>Cabinet member with lead responsibility</b> | Councillor Paul Sweet<br>Governance and Performance |  |
| <b>Accountable director</b>                    | Keith Ireland, Delivery                             |  |
| <b>Originating service</b>                     | Audit   |  |
| <b>Accountable employee(s)</b>                 | Peter Farrow<br>Tel<br>Email                        | Head of Audit<br>01902 554460<br>peter.farrow@wolverhampton.gov.uk |
| <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 outcome from their 2013 self-assessment exercise, and comment where appropriate.

## 1.0 Purpose

- 1.1 To allow members of the Audit Committee to note and comment on the contents of the outcome from their 2013 self-assessment exercise.

## 2.0 Background

- 2.1 It is recognised good practice that Audit Committees annually measure their effectiveness, and compliance with best practice, by undertaking an annual self-assessment exercise. Such an exercise has been completed by self-assessing the Committee against a checklist provided by CIPFA in their *Toolkit for Local Authority Audit Committees*.
- 2.2 This exercise has demonstrated that the Audit Committee is effective and does comply with recognised best practice.
- 2.3 The Committee has also reviewed its effectiveness, and believes it continues to make a significant impact in the following areas:
- Raising the profile of risk and internal control issues across the council and reinforcing the need to ensure that audit recommendations are implemented.
  - The review of assurances and the challenge and questioning of council management on key issues, including the implementation of the FutureWorks programme.
  - The use of two additional Audit Sub-Committees in order to specifically focus on the annual accounts process and how the council tackles fraud.
  - Reviewing the risk register and risk management framework on a regular basis.
  - The Chair holding regular agenda setting meetings with the auditors.
  - Maintaining an on-going awareness of the future of local public audit following the abolition of the Audit Commission.
  - Recruiting two independent members in order to bring a specialist and outside perspective to the workings of the Committee.
  - Undertaking and meeting the requirements of a self-assessment exercise based on the CIPFA model for an adequate and effective Audit Committee.
  - Improving knowledge through regular consideration of CIPFA Audit Committee updates.
  - Regular review of the council's compliance with transparency through the publication of its spending data and any 'armchair auditor' requests.

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

3.1 The self-assessment exercise will continue to be undertaken annually.

### **4.0 Financial implications**

4.1 There are no financial implications arising from this report (CN/19112013/T).

### **5.0 Legal implications**

5.1 There are no legal implications arising from this report (JH/12112013/F).

### **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 Schedule of background papers**

9.1 CIPFA 'Toolkit for Local Authority Audit Committees'.



## Audit Committee Self - Assessment Checklist – December 2013

| Establishment, Operation and Duties |  |     |    |     |   |
|-------------------------------------|--|-----|----|-----|---|
| Role and remit                      |  |     |    |     |   |
| Prior<br>ity                        | Issue  | Yes | No | N/a | Comments/action   |
| 1                                   | Does the Audit Committee have written terms of reference?  | Yes |    |     | The Committee's terms of reference are based on the CIPFA model.  |
| 1                                   | Do the terms of reference cover the core functions of an Audit Committee as identified in the CIPFA guidance?                                | Yes |    |     | As above.   |
| 1                                   | Are the terms of reference approved by the council and reviewed periodically?  | Yes |    |     | They are reviewed annually by the Audit Committee and routinely approved by the council at its annual meeting through the Constitution.   |
| 1                                   | Has the Audit Committee been provided with sufficient membership, authority and resources to perform its role effectively and independently? | Yes |    |     | Via the terms of reference and the Constitution.  |
| 1                                   | Can the Audit Committee access other committees and full council as necessary?   | Yes |    |     | The terms of reference allow the Committee to submit recommendations and observations to the Council/Executive or any other body that the Committee considers appropriate or necessary. |
| 1                                   | Does the Authority's statement on internal control include a description of the Audit Committee's establishment and activities?              | Yes |    |     | This is included in the Governance Statement.   |

|   |   |     |  |  |  |
|---|---|-----|--|--|--|
| 1   | Does the Audit Committee periodically assess its own effectiveness?   | Yes |  |  | An annual self-assessment exercise is undertaken.  |
| 2   | Does the Audit Committee make a formal annual report on its work and performance during the year to full council?   | Yes |  |  | A report is prepared and submitted to the council annually.  |
| <b>Membership, Induction and training</b> |   |     |  |  |  |
| 1   | Has the membership of the Audit Committee been formally agreed and a quorum set?  | Yes |  |  | This was agreed and set upon the formation of the Committee.   |
| 1   | Is the chair independent of the executive function?   | Yes |  |  | The Chair is independent of the executive function.  |
| 1   | Has the Audit Committee chair either previous knowledge of, or received appropriate training on, financial and risk management, accounting concepts and standards, and the regulatory regime? | Yes |  |  | Training sessions are held and the Chair has attended where appropriate.   |
| 1   | Are new Audit Committee members provided with an appropriate induction?   | Yes |  |  | Induction training is provided, along with a programme of on-going training where applicable.  |
| 1   | Have all members' skills and experiences been assessed and training given for identifying gaps?   | Yes |  |  | Councillor training needs are identified through the Councillor Development Programme operated by Members' Support and the HR Workforce Development Section and delivered by peers and external facilitators as appropriate. A Committee skills audit is also carried out. |
| 1   | Has each member declared his or her business interests?   | Yes |  |  | Interests are declared annually and included as a regular standing agenda item.  |
| 1   | Are members sufficiently independent of the other key Committees of the council?  | Yes |  |  | Members are independent of the Executive and the Committee reports direct to Council. During the year two independent (external) members have also joined the Committee.   |



| <b>Meetings</b>         |   |     |  |  |  |
|-------------------------|---|-----|--|--|--|
| 1                       | Does the Audit Committee meet regularly?  | Yes |  |  | The Committee meets at least quarterly (and more often when the cycle of business requires). There is also an annual work programme. |
| 1                       | Do the terms of reference set out the frequency of meetings?  | Yes |  |  | The terms of reference set out the frequency of meetings.  |
| 1                       | Does the Audit Committee calendar meet the Authority's business needs, governance needs and the financial calendar?   | Yes |  |  | As per the work programme.   |
| 1                       | Are members attending meetings on a regular basis and if not, is appropriate action taken?  | Yes |  |  | Attendance is monitored and reported in the Audit Committee Annual Report.   |
| 1                       | Are meetings free and open without political influences being displayed?  | Yes |  |  |  |
| 1                       | Does the Authority's S151 Officer or deputy attend all meetings?  | Yes |  |  |  |
| 1                       | Does the Audit Committee have the benefit of attendance of appropriate officers at its meetings?  | Yes |  |  | The Head of Audit always attends and other officers are called in as and when required   |
| <b>Internal Control</b> |   |     |  |  |  |
| 1                       | Does the Audit Committee consider the findings of the annual review of the effectiveness of the system of internal control (as required by the Accounts and Audit Regulations) including the review of the effectiveness of the system of internal audit? | Yes |  |  | This is undertaken annually.   |

|   |   |     |  |  |   |
|---|---|-----|--|--|---|
| 1 | Does the Audit Committee have responsibility for review and approval of the Governance Statement and does it consider it separately from the accounts?      | Yes |  |  | Annual exercise.  |
| 1 | Does the Audit Committee consider how meaningful the Governance Statement is  | Yes |  |  | Annual exercise.  |
| 1 | Does the Audit Committee satisfy itself that the system of internal control has operated effectively throughout the reporting period?                       | Yes |  |  | Annual exercise.  |
| 1 | Has the Audit Committee considered how it integrates with other committees that may have responsibility for risk management?                                | Yes |  |  | The Committee can refer issues to other Committees and Scrutiny Panels of the Council as appropriate  |
| 1 | Has the Audit Committee (with delegated responsibility) or the full council adopted 'Managing the Risk of Fraud – Actions to counter Fraud and Corruption'? | Yes |  |  | <p>The Committee has a Sub Committee which receives regular fraud reports detailing the anti-fraud activities undertaken by the Council, and monitors fraud investigations.</p> <p>The Council has benchmarked itself against CIPFA's 'Managing the Risk of Fraud – Actions to counter Fraud and Corruption', and the Audit Commission's 'Protecting the Public Purse', the results of which were presented to the Sub-Committee.</p> |
| 1 | Does the Audit Committee ensure that the 'Actions to Counter Fraud and Corruption' are being implemented?   | Yes |  |  | As above  |

|   |   |     |  |  |   |
|---|---|-----|--|--|---|
| 2   | Is the Audit Committee made aware of the role of risk management in the preparation of the internal audit plan?   | Yes |  |  | This is laid out in the Strategy for Internal Audit.  |
| 2   | Does the Audit Committee review the authority's strategic risk register at least annually?  | Yes |  |  | The Committee receives regular reports from across the Council on how risks are being managed.  |
| 2   | Does the Audit Committee monitor how the authority assesses its risks?  | Yes |  |  | Through the work of Audit Services and the above.   |
| 2   | Do the Audit Committee's terms of reference include oversight of the risk management process?   | Yes |  |  | The Committee's terms of reference are based on the CIPFA model.  |
| <b>Financial Reporting and Regulatory Matters</b> |   |     |  |  |   |
| 1   | Is the Audit Committee's role in the consideration and/or approval of the annual accounts clearly defined?  | Yes |  |  | This is in the terms of reference.  |
| 1   | Does the Audit Committee consider specifically: <ul style="list-style-type: none"> <li>• The suitability of accounting policies and treatments</li> <li>• Major judgements made</li> <li>• Large write-offs</li> <li>• Changes in accounting treatment</li> <li>• The reasonableness of accounting estimates the narrative aspects of reporting?</li> </ul> | Yes |  |  | The Committee will consider such issues when they examine the accounts, or if such issues are brought to their attention by the External Auditor (PwC). |

|                       |   |     |  |  |   |
|-----------------------|---|-----|--|--|---|
| 1                     | Is an Audit Committee meeting scheduled to receive the External Auditor's report to those charged with governance including a discussion of proposed adjustments to the accounts and other issues arising from the audit? | Yes |  |  | The External Auditors present their report to the Committee.  |
| 1                     | Does the Audit Committee review management's letter of representation?  | Yes |  |  | This forms part of the External Auditor's report to those charged with governance for information.  |
| 2                     | Does the Audit Committee annually review the accounting policies of the Authority?  | Yes |  |  | Would do so in considering the External Auditor's report.   |
| 2                     | Does the Audit Committee gain an understanding of management's procedures for preparing the Authority's annual accounts?  | Yes |  |  | Training sessions are held for Committee members.   |
| 2                     | Does the Audit Committee have a mechanism to keep it aware of topical legal and regulatory issues, for example by receiving circulars and through training?   | Yes |  |  | On-going training sessions are provided. Also, during the year the Committee receive the regular CIPFA Technical Updates for Audit Committee members.           |
| <b>Internal Audit</b> |   |     |  |  |   |
| 1                     | Does the Audit Committee approve, annually and in detail, the internal audit strategic and annual plans including consideration of whether the scope of internal audit work addresses the Authority's significant risks?  | Yes |  |  | These are approved annually.  |
| 1                     | Does the internal audit have an appropriate reporting line to the Audit Committee?  | Yes |  |  | Through regular progress reports and an Annual Report. The Head of Audit also attends each Committee meeting and has regular meetings with the Committee Chair. |

|   |   |     |  |  |  |
|---|---|-----|--|--|--|
| 1 | Does the Audit Committee receive periodic reports from the internal audit service including an annual report from the Head of Internal Audit?                             | Yes |  |  | As above.  |
| 1 | Are follow-up audits by internal audit monitored by the Audit Committee and does the Committee consider the adequacy of implementation of recommendations?                | Yes |  |  | Through Audit Services regular progress reports.   |
| 1 | Does the Audit Committee hold periodic private discussions with the Head of Internal Audit?   | Yes |  |  | The Head of Audit has briefing sessions prior to Committee meetings.   |
| 1 | Is there appropriate cooperation between the internal and External Auditors?  | Yes |  |  | Meet on at least a quarterly basis and on-going dialogue outside of this.  |
| 1 | Does the Audit Committee review the adequacy of internal audit staffing and other resources?  | Yes |  |  | Through a series of performance indicators and benchmarking against CIPFA's Role of the Head of Internal Audit in Public Sector Organisations.   |
| 1 | Has the Audit Committee evaluated whether its internal audit service complies with CIPFA'S Code of Practice for Internal audit in Local Government in the United Kingdom? | Yes |  |  | Through the annual review of the effectiveness of internal audit, and the External Auditors statement on this compliance in their annual report. From 1 April 2014 CIPFA'S Code of Practice for Internal audit in Local Government in the United Kingdom has been replaced by a new set of Public Sector Internal Audit Standards and in the future Audit Services will be assessed against these. |
| 2 | Are internal audit performance measures monitored by the Audit Committee?   | Yes |  |  | Through Audit Services regular progress and Annual Reports.  |
| 2 | Has the Audit Committee considered the information it wishes to receive from internal audit?  | Yes |  |  | Through the work programme.  |

| External Audit |   |     |  |    |   |
|----------------|---|-----|--|----|---|
| 1              | Do the External Auditors present and discuss their audit plans and strategy with the Audit Committee (recognising the statutory duties of external audit)?              | Yes |  |    | Yes the Annual Audit Fee letter and plan was presented by the External Auditor.   |
| 1              | Does the Audit Committee hold periodic private discussions with the External Auditor?   | Yes |  |    | The External Auditor has regular meetings with the Committee Chair, as well as briefing sessions prior to Committee meetings.   |
| 1              | Does the Audit Committee review the External Auditor's annual report to those charged with governance?  | Yes |  |    | On an annual basis.   |
| 1              | Does the Audit Committee ensure that officers are monitoring action taken to implement external audit recommendations?  | Yes |  |    | External Audit follow up and report back to the Audit committee on the implementation of their recommendations.   |
| 1              | Are reports on the work of external audit and other inspection agencies presented to the Committee, including the Audit Commissions annual audit and inspection letter? | Yes |  |    | All key External Audit reports are presented to the Committee.  |
| 1              | Does the Audit Committee assess the performance of external audit?  |     |  | NA | The DCLG proposed changes following the abolition of the Audit Commission, will result in the Committee having an increased involvement in the selection, and monitoring of, the performance of future External Auditors. |

|   |   |     |  |    |  |
|---|---|-----|--|----|--|
| 1   | Does the Audit Committee consider and approve the external audit fee?   |     |  | NA | <p>There is consultation on the proposed overall audit fees across all Authorities and each authority is able to put forward their views. However, once the consultation period has ended the fees are set. They are approved as part of the overall council's budget in March. However, the fee is brought to the attention of the Committee.</p> <p>The DCLG proposed changes following the abolition of the Audit Commission, will result in the Committee having an increased involvement in the selection and fees charged by future External Auditors.</p> |
| <b>Administration - Agenda Management</b> |   |     |  |    |  |
| 1   | Does the Audit Committee have a designated secretary from Committee/Member services?  | Yes |  |    | Democratic Support Officer.  |
| 1   | Are agenda papers circulated in advance of meetings to allow adequate preparation by Audit Committee members?                           | Yes |  |    | As per a pre-set timetable.  |
| 2   | Are outline agendas planned one year ahead to cover issues on a cyclical basis?   | Yes |  |    | These are included in the Committee work programme.  |
| 2   | Are inputs for Any Other Business formally requested in advance from Committee members, relevant officers, internal and external audit? | Yes |  |    | Councillors, employees and External Audit can ask for agenda items to be included on agendas through Democratic Services. These are considered at the regular agenda meetings held with the Chair. The Committee is not permitted to have 'any other business' on the agenda because of Access to Information legislation. The work programme is regularly consulted on.   |

| <b>Papers</b>          |   |     |  |  |   |
|------------------------|---|-----|--|--|---|
| 1                      | Do reports to the Audit Committee communicate relevant information at the right frequency, time, and in a format that is effective? | Yes |  |  |   |
| 2                      | Does the Audit Committee issue guidelines and/or a pro-forma concerning the format and content of the papers to be presented?       | Yes |  |  | This has recently been updated.   |
| <b>Actions arising</b> |   |     |  |  |   |
| 1                      | Are minutes prepared and circulated promptly to the appropriate people?   | Yes |  |  |   |
| 1                      | Is a report on matters arising made and minuted at the Audit Committee's next meeting?  | Yes |  |  | Any issues arising are picked up and timetabled in the work programme.  |
| 1                      | Do action points indicate who is to perform what and by when?   | Yes |  |  | Minutes will indicate a timescale for response where appropriate. Employees responsible for actions will be notified via an action column in the draft minutes /e-mail where necessary. |





# Audit Committee

## 16 December 2013

|  |   |   |
|--|---|---|
| <b>Report title</b>                            | Benefit Fraud Sanctions 2012/13                     |   |
| <b>Cabinet member with lead responsibility</b> | Councillor Paul Sweet<br>Governance and Performance |   |
| <b>Accountable director</b>                    | Keith Ireland, Delivery                             |   |
| <b>Originating service</b>                     | Audit   |   |
| <b>Accountable employee(s)</b>                 | Peter Farrow<br>Tel<br>Email                        | Head of Audit<br>01902 554460<br><a href="mailto:peter.farrow@wolverhampton.gov.uk">peter.farrow@wolverhampton.gov.uk</a>     |
|  | Mark James<br>Tel<br>Email                          | Benefit Fraud Manager<br>01902 554859<br><a href="mailto:mark.james@wolverhampton.gov.uk">mark.james@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 final position as at 31 March 2013 of the sanction results for the Benefit Fraud Investigation team.

## 1.0 Purpose

1.1 The purpose of this report is to update Councillors in accordance with the number of sanctions undertaken during 2012/13.

## 2.0 Background

2.1 The sanction policy reflects Department for Work and Pensions (DWP) legislation and guidance as interpreted by benefits staff and authorised by Councillors.

2.2 There are three sanction types considered for benefit fraud offences in addition to the action taken to recover any overpaid benefit.

- Local authority caution – These are offered to offenders as an alternative to prosecution. If a caution is refused, prosecution is always considered. This sanction is typically given for smaller offences committed by first time offenders who have cooperated in the investigation.
- Administrative penalty – These are also offered to offenders as an alternative to prosecution. Offenders are asked to pay a fine of 30% or 50% of the overpayment on top of the recovery. Offenders have 14 or 28 days to consider the offer, and prosecution is always considered if the offer is refused.
- Prosecution – This strongest sanction is administered by Legal Services or those at DWP and then the Courts service with the great majority heard by Magistrates. This sanction typically applies to larger offences or a very small number committed by repeat offenders. This deterrent includes a criminal record for those found guilty.

## 3.0 Details of Sanctions 2012/13

3.1 The following table shows a breakdown of the number of sanctions applied during the year, broken down by the type of sanction as described above.

|                | <b>Caution</b> | <b>Administrative Penalty</b> | <b>Prosecution</b> | <b>Total</b> |
|----------------|----------------|-------------------------------|--------------------|--------------|
| WCC            | 5              | 17                            | 24                 | 46           |
| Joint with DWP | 23             | 4                             | 41                 | 68           |
| <b>Total</b>   | <b>28</b>      | <b>21</b>                     | <b>65</b>          | <b>114</b>   |

3.2 A significant proportion of the 114 sanctions last year resulted in a prosecution (65). This was mainly due to the high value of the overpayments. Large overpayments also usually reflect longer periods of fraud, which can demonstrate a determined failure to apply for benefit truthfully, or to report changes in circumstances promptly.

3.3 In addition to overpayment recovery action, the most common sentences were community punishment orders - unpaid work in the community, totaling 2,600 hours. There were also five curfew orders (restricting people to their home during the evening and night time) three people sentenced to prison for 10 months, 6 months and 10 weeks, and a further nine people with prison sentences of 8 weeks to 12 months suspended for between 12 and 24 months.

#### 4.0 Financial implications

4.1 The value of all sanction based overpayments was as follows:

|                          | <b>Housing<br/>Benefit<br/>£000</b> | <b>Council Tax<br/>Benefit<br/>£000</b> | <b>Total<br/>£000</b> |
|--------------------------|-------------------------------------|---|-----------------------|
| Cautions                 | 14                                  | 6                                       | 20                    |
| Administrative Penalties | 19                                  | 10                                      | 29                    |
| Prosecutions             | 300                                 | 82                                      | 382                   |
| <b>Total</b>             | <b>333</b>                          | <b>98</b>                               | <b>431</b>            |

4.2 The value of all sanction based overpayments in 2012/13 was £431,000 and where possible appropriate action is being taken to recover these overpayments.  
(CN/26112013/C)

#### 5.0 Legal implications

5.1 There are no legal implications arising from this report (JH/12112013/D).

#### 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 Schedule of background papers - None



# Audit Committee

16 December 2013

|  |   |   |
|--|---|---|
| <b>Report title</b>                            | CIPFA Audit Committee Update – Issue 12             |   |
| <b>Cabinet member with lead responsibility</b> | Councillor Paul Sweet<br>Governance and Performance |   |
| <b>Accountable director</b>                    | Keith Ireland, Delivery                             |   |
| <b>Originating service</b>                     | Audit   |   |
| <b>Accountable employee(s)</b>                 | Peter Farrow<br>Tel<br>Email                        | Head of Audit<br>01902 554460<br><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 12 – helping audit committees to be effective.

## **1.0 Purpose**

1.1 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 covers, amongst other topics, reviewing the quality of internal audit.

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

3.1 Progress against any future reviews of the quality of internal audit will be brought before the Audit Committee.

## **4.0 Financial implications**

4.1 There are no financial implications arising from this report. (CN/19112013/M)

## **5.0 Legal implications**

5.1 There are no legal implications arising from this report. (JH/201313/U)

## **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 Schedule of background papers**

9.1 CIPFA Audit Committee Update – Issue 12

**CIPFA Better Governance Forum**

# Audit Committee Update

– helping audit committees to be effective

**Issue 12**

**Reviewing Internal Audit Quality**

**New CIPFA Publication, *Audit Committees Practical Guidance for Local Authorities and Police***

**Regular Briefing on Current Issues**

**November 2013**

## Introduction

Dear audit committee member,

This issue of Audit Committee Update focuses on reviewing internal audit quality. Ensuring the quality of internal audit is an important part of the professional standards for internal audit (the Public Sector Internal Audit Standards) and is an important responsibility for your head of internal audit. From the audit committee's point of view it is an area that you need to be satisfied that appropriate arrangements are in place, underpinning the important assurance work that your internal audit team provide.

This issue also outlines the new guidance from CIPFA's *Audit Committees, Practical Guidance for Local Authorities and Police* due out next month.

As usual we also feature a round-up of legislation, reports and developments that may be of interest to audit committee members.

We have included links to resources and further information on our website. To access these all you need to do is register. Further details on how to do this are at the bottom of the page.

We welcome feedback on these briefings and also any suggestions for future topics. Feel free to contact me and let me know.

Kind regards

Diana Melville  
Governance Advisor  
CIPFA Better Governance Forum

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01722 349398

## Previous Issues of Audit Committee Update

You can download all the previous issues from the CIPFA Better Governance Forum website. The earlier issues are on the archive site. Click on the links below to find what you need.

| Issue | Principal Content  | Link                     |
|-------|--|--------------------------|
| 1     | Reviewing the Audit Plan   | <a href="#">Issue 1</a>  |
| 2     | Reviewing the Annual Governance Statement  | <a href="#">Issue 2</a>  |
| 3     | Countering Fraud   | <a href="#">Issue 3</a>  |
| 4     | Strategic Risk Management, Governance Risks in 2011, Role of the Head of Internal Audit                                      | <a href="#">Issue 4</a>  |
| 5     | Understanding the Impact of IFRS on the Accounts, Key Findings from CIPFA's Survey of Audit Committees in Local Government   | <a href="#">Issue 5</a>  |
| 6     | Partnerships from the Audit Committee Perspective  | <a href="#">Issue 6</a>  |
| 7     | Assurance Planning, Risk Outlook for 2012, Government Response to the Future of Local Audit Consultation                     | <a href="#">Issue 7</a>  |
| 8     | Commissioning, Procurement and Contracting Risks   | <a href="#">Issue 8</a>  |
| 9     | Reviewing Assurance over Value for Money   | <a href="#">Issue 9</a>  |
| 10    | Public Sector Internal Audit Standards and Updates to Guidance on Annual Governance Statements                               | <a href="#">Issue 10</a> |
| 11    | Local Audit and Accountability Bill, the Implications for Audit Committees<br>Update of CIPFA's Guidance on Audit Committees | <a href="#">Issue 11</a> |

## Receive Our Briefings Directly

This briefing will be sent to all key contacts of organisations that subscribe to the CIPFA Better Governance Forum with a request that it be forwarded to all audit committee members.

If you have an organisational email address (for example [jsmith@mycouncil.gov.uk](mailto:jsmith@mycouncil.gov.uk)) then you will also be able to register on our website. This will give you access to governance material, guidance documents and you can receive these briefings directly.

Visit our website <http://www.cipfa.org/Services/Networks/Better-Governance-Forum> or [register](#) today.



# Workshops and Training for Audit Committee Members in 2013 and 2014 from CIPFA

## Improving the Standard of your Audit Committee

A new series of workshops that will explore the challenges and barriers to performing effectively as an audit committee.

### 2014 dates:

22 January London, 5 February Chester, 12 June Edinburgh, 9 July York, 10 July Birmingham, 4 December London

## Advanced Audit Committees

Have you cracked the basics? This workshop examines the audit committee role in strategic risk management, value for money, counter fraud and assurance gathering.

20 November 2013, London, Further dates available in 2014

## Essential Skills for Board Members

The role of a board member in a public sector body, featuring sessions on corporate governance, decision making, accountability and evaluating board performance.

3 December 2013 London

17 June 2014, London

<http://www.cipfa.org/events>

## In-house training

We have many years' experience in delivering training in-house for audit committees.

A range of options are available including:

- Key roles and responsibilities
- Effective chairing and support for the committee
- Working with internal and external auditors
- Corporate governance
- Strategic risk management
- Value for money
- Counter fraud
- Reviewing the financial statements
- Treasury management
- Assurance arrangements
- Partnership assurance

We can also develop bespoke training to meet your needs.

For more information please contact [inhousetraining@cipfa.org](mailto:inhousetraining@cipfa.org) or speak to Diana Melville.

# Internal Audit Needs You!

## **What have you done this year to maintain the quality of internal auditing?**

Nothing? Not your job? Think again.

Asked the external auditor? Well, have a care! External audit has an explicit and specific goal – to give an opinion on your financial statements. When external audit assesses your system of internal control, it does so against criteria related to how the system helps to ensure true and fair financial statements – and it assesses internal audit in this way too.

Internal audit has a much wider purpose – it is there to assess your system of governance, how you manage risks over operations and strategic matters as well as over financial reporting, and how you then control those risks. Internal audit is there to give you a report every year, including a conclusion on the effectiveness of governance, risk management and control. Internal audit is also there to help your organisation to take action to improve how the organisation controls its risks. If you discuss internal audit with your external auditor, make sure you know the context of their remarks.

Internal audit is a profession with standards of education and of performance. It recognises that to achieve the quality of work that you deserve every day of the year, it has to have a programme to ensure that quality. This is what the Quality Assurance and Improvement Programme (QAIP) is all about – it comprises a set of activities that your internal auditors will carry out and commission and it ensures that your internal audit activity is fit for purpose.

The UK Public Sector Internal Audit Standards, introduced from April 2013 to ensure a consistent standard of performance across the public sector, include the requirement for the QAIP. This is in line with international standards for the profession of internal auditing.

You may have heard people talking about needing a costly external assessment of quality. That's not the most important aspect of this. What is important is acknowledging that quality doesn't just happen; that to be fit for purpose, you must first agree what the purpose is and what good performance looks like. After that, achieving quality every day requires good people, good processes and hard work.

So, you can expect that your internal audit team will be talking to you and all their stakeholders about what "good" looks like to you. You can expect your internal audit team to be setting out procedures and templates and expectations that help every internal auditor to do their work to the standard required. You can expect your internal audit team to take some time out to review the work of the team to check if it is in line with procedures, and, perhaps more importantly, if it actually achieves the desired outcomes.

That's what quality is all about. And, you might say, that's what management is all about too – and it is. What the QAIP does is ensure that all professional internal auditors pay attention to quality.

The QAIP must include on-going checks, an internal assessment and an external assessment. That requires professional internal auditors to take care to establish the level at which they must work, to review it every day, to conduct a more thorough review once a year and to invite every few years a knowledgeable outsider to review what they are doing as an independent check.

The annual review is a chance for the internal audit team to step back and to look at what they are doing and how they are doing it. They will look at the standards and ask

themselves: How are we applying these principles? What do our processes say? Are we following them? And, is that achieving the outcomes we intended?

The value of an external assessment really comes out when you have someone who knows about internal auditing and who has no personal axe to grind. For that reason, it is worth following the professional standards to find an "Independent and Qualified Assessor".

Your head of internal audit will be reporting to you on the programme of quality assurance and improvement. In the annual report, they'll tell you about the programme itself and about its results, or, as standards say: "a statement on conformance with" them. They can report more frequently on the on-going monitoring part of the programme, if you wish.

It's worth familiarising yourself with the expected language of these reports. Quality isn't about a binary yes/no answer. It has to mould itself to each organisation and it works best when people focus on trying to apply the principles that the standards capture. That's why we use the word "conformance", not compliance. The statement will say your internal audit department generally conforms, partially conforms or does not conform with the standards.

### **As an audit committee member, what can you do to help?**

|  |
|--|
| 1. Think about what you want from internal audit.  |
| 2. Think about the value of their independent and objective but knowledgeable view of what the organisation is doing.  |
| 3. Give the internal auditors enough resources to do a good job and keep professionally up-to-date.  |
| 4. Encourage the internal audit team to take its on-going quality work seriously.  |
| 5. Ask for regular updates on the findings of the QAIP and what things the internal audit team is doing to improve the efficiency and effectiveness of its work. |
| 6. Support the need for an external assessment every few years and take part in interviews and other parts of the assessment.                                    |

### **Sources of further information:**

Public Sector Internal Audit Standards – a free document, available from the website of the UK Public Sector Internal Audit Standards Advisory Board. <http://www.cipfa.org/policy-and-guidance/standards/public-sector-internal-audit-standards>

Local Government Application Note for the UK Public Sector Internal Audit Standards 2013 - The PSIAS are new and complex, and CIPFA recognises the need to provide guidance for the bodies set out above in applying them, and has produced an Application Note to provide that guidance. The CD Rom version includes a Word version of the assessment tool that can be used as part of the QAIP. Check with your head of audit if they have a copy you can access. <http://www.cipfa.org/policy-and-guidance/publications/l/local-government-application-note-for-the-united-kingdom-public-sector-internal-audit-standards-cdrom>

Jackie Cain CMIIA  
Technical Manager  
CIPFA

# New Guidance from CIPFA for Audit Committees in Local Authorities and Police

CIPFA will be publishing a new position statement and guidance on audit committees in December 2013. This will replace the current CIPFA's publication *Audit Committees Practical Guidance for Local Authorities* and *Position Statement* which were published in 2005. Since then audit committees have become well established and a core part of good governance. During that time there have been some significant changes to governance to which audit committees have had to adapt. Taking these trends together, CIPFA felt it was timely to issue a fully revised position statement and guidance document.

The position statement sets out what CIPFA considers to be good practice for audit committees and the publication is an aid to achieving that. While CIPFA hopes that local authorities and police audit committees will review their arrangements against the new position statement, it is a recommendation and not mandatory to do so.

## What's new?

The new guidance reflects developments since the original document, for example Public Sector Internal Audit Standards and Annual Governance Statements. It also provides support on a wider range of topics where the audit committee may expect to be involved, for example, assurance over value for money and counter fraud arrangements. It recognises the significant changes affecting police audit committees following the Police Reform and Social Responsibility Act 2011 and also developments in Wales with the introduction of statutory audit committees.

The publication recognises that there isn't a "one-size fits all" template for audit committees so while the publication includes an updated terms of reference, authorities are encouraged to think more widely about how their audit committee adds value and supports the organisation's objectives. An important new section on effectiveness emphasises an evaluation of the impact of an audit committee rather than compliance with a checklist. For example, the audit committee can support improvement across a range of objectives such as good governance, arrangements to secure value for money and the operation of an ethical governance framework.

## What has stayed the same?

Many of the principles set out in the original position statement are unchanged. CIPFA is not recommending changes to the way most audit committees are constituted. There are a few key principles that CIPFA thinks form an essential platform on which to build a successful committee and the position statement includes these.

## Additional resources

The publication includes additional resources to support those reviewing their audit committee and working to make it as effective as possible. There is additional guidance on the knowledge and skills audit committee members should have and assessment tools to help you review your arrangements. There is also an analysis of the common problems an audit committee may experience and suggestions for addressing these.

The position statement and publication will be available in December from the CIPFA website. If you have queries relating to the purchase of the publication then please contact [publications@cipfa.org](mailto:publications@cipfa.org). If you have any queries about the latest guidance please contact me.

Diana Melville

Governance Advisor

[Diana.Melville@cipfa.org](mailto:Diana.Melville@cipfa.org)

# Developments You May Need to Know About

- **Legislation and Regulations**

## **Local Audit and Accountability Bill**

The July 2013 edition of the Audit Committee Update gave Audit Committee members an overview of how the provisions of the Local Audit and Accountability Bill could impact on the work of Audit Committees. As promised, this note provides a brief update.

The Bill completed its passage through the House of Lords on 24 July 2013 and received its 2nd Reading in the House of Commons on 28 October 2013. It goes into Committee on 5 November 2013 and is still expected to complete all parliamentary stages by the end of the year and receive Royal Assent early in 2014.

The government has promised to introduce amendments to the Bill to permit the creation of sector-led procurement bodies (one for principal authorities and one for smaller authorities) to appoint auditors. Authorities that opt to use such procurement bodies will not need to establish an Auditor Panel. There are clearly advantages in using sector-led procurement bodies, not least in that it will mean audit committees retaining their role in relation to external audit.

The Opposition suggested during the 2nd Reading that they might introduce an amendment during Committee stage to place local government audit committees, chaired by an independent person, on a statutory footing. This idea was raised during the Lords' Grand Committee stage and was supported by many peers from all parties, although an amendment was voted down. Peers believed that such a move would then obviate the need for auditor panels, as the audit committee could perform that function. It will be interesting to see if such a provision gains the same level of support in the Commons. If it were to become law, this could have significant implications for local authorities in terms of appointing audit committee chairs, but equally could enhance the role of audit committees in local government.

A further update will be provided in the next issue.  
David Watkins, Policy and Technical, CIPFA.

The progress of the Bill can be tracked on the [Parliament website](#).

## **Financial Management Code of Practice for the Police Forces of England and Wales**

The Home Office has issued an updated code of practice. The code refers to a number of CIPFA standards and guidance documents including *Public Sector Internal Audit Standards* (2013) and *Delivering Good Governance in Local Government: Guidance Note for Police* (2012). In establishing police audit committees the police and crime commissioner and chief constable should have regard to the CIPFA *Guidance on Audit Committees* due out in December 2013.

The code of practice comes into effect from 1 November 2013. This is statutory guidance applying to England and Wales.

[Financial Management Code of Practice](#)

## Local Authority Accounts (Scotland) Regulations 2013

The Scottish Government has recently conducted consultation on new accounts regulations for Scottish local authorities. The proposed regulations will amend regulations covering publication of annual governance statements, timing of publication of the financial statements and internal audit. The proposals in these areas are in line with the Accounts and Audit Regulations already in force in England.

Key points proposed are:

- the local authority must conduct a review of the effectiveness of its system of internal control and publish an annual governance statement
- a local authority must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with recognised practices in relation to internal control
- a local authority must, at least once in each financial year, conduct a review of the effectiveness of its internal audit
- the proper officer must certify the statement of accounts by 30 June each year and submit them for audit. The authority must publish the unaudited statements of accounts on its website
- approval of the audited accounts must take place by 30 September.

It is intended that the final regulations will come into force on 31 March 2014 and will apply to the financial year 2013/14. This means that audit committees in Scotland will need to ensure that the regulations are complied with in relation to the 2013/14 accounts, annual governance statement and annual review of internal audit.

[Consultation draft of Accounts Regulations 2013](#)

## • Reports, Recommendations and Guidance

### Audit regime compliance monitoring reports

The Audit Commission conducts monitoring of their outsourced audit contracts and publishes quarterly and annual reports on the results for each of the contracted firms. The latest quarterly reports relating to 2013/14 were published in September. The reports cover a range of performance indicators including the issue of annual audit letters, quality of data returns, complaints against the auditor upheld, fee variation requests and requests to undertake non-audit work.

It is helpful for audit committees to understand the monitoring that is undertaken by the Audit Commission and to review the results for their own external audit provider.

[Audit Quality Reports](#)

### Transparency International UK, Corruption in Local Government

This recent report investigated the risks and evidence of corruption in local government. It didn't find evidence of widespread corruption but it did conclude that there are conditions within local government that could enable corruption to thrive. The report is also critical that some checks and balances within local government are being reduced or removed, particularly in England. The report makes a number of recommendations to the government but also for individual local authorities, including:

- each local authority should have a nominated individual responsible for counter-corruption
- each local authority should undertake a periodic corruption risk assessment in relation to its own functions and operations
- there should be strict procedures requiring officers always to report (i) major price discrepancies among procurement bids and (ii) details of contract variations to the council's audit committee and senior management.

- internal auditors and those conducting internal investigations should be supported to ensure adequate resourcing and independence
- elected members' declared interests must be subject to monitoring and, where appropriate, investigation.

[Corruption in Local Government report](#)

### **Committee on Standards in Public Life Annual Report 2012/13**

The Committee's annual report outlines the work of the committee over the year but also reflects on the current evidence of standards and areas of risk. While the committee finds evidence of good practice it also highlights the need to review ethical governance and to continue to reinforce standards at the operational level. More specifically it recommends:

*'Ethical issues should feature regularly on the agendas of the boards of public bodies and, where appropriate, on risk registers. All such boards should as a matter of course monitor standards of behaviour throughout their organisation, either directly or through their audit and risk committees.'*

The report also expresses concern over the operation of local government standards and the committee has identified this area as one of the outstanding risks it will continue to monitor. Other risks areas it is likely to investigate include:

- how best to maintain high standards as new models of delivering public services are developed and
- the interchange between the public and private sectors (the so-called revolving door).

[Committee on Standards In Public Life Annual Report](#)

### **Severance agreements and confidentiality clauses – update on NAO report**

The National Audit Office has published a report containing further work on severance agreements and the use of confidentiality clauses. Their findings highlight the need for:

- better guidance on the use of confidentiality clauses and special severance payments
- improved transparency and oversight to identify and address patterns of behaviour.

The original report highlighted concerns that compromise agreements could potentially interfere with genuine whistleblowing under the Public Interest Disclosure Act 1998.

[National Audit Office report](#)

### **Single Fraud Investigation Service update**

An emerging issue is the latest proposal to form the Single Fraud Investigation Service (or SFIS) to undertake all benefit investigations as part of the universal credit development. The Department for Work and Pensions (DWP) is proposing that SFIS should be sited within the DWP rather than shared between local authorities and the DWP. If agreed this could mean that local authority fraud investigators and legal prosecutors transfer to SFIS or the Crown Prosecution Service during 2014/15. There is concern that some local authorities will have reduced capacity and expertise to tackle other areas of fraud risk such as council tax, business rates, housing and all other forms of corporate fraud as a result.

Audit committee members should consider what impact the proposals could have for their organisation's counter fraud capability.

The latest information is available by joining the LGA Knowledge Hub. Alternatively the following article summarises the new position. [SOLACE briefing on SFIS](#)

- Look out for

### **Protecting the Public Purse**

The Audit Commission report will be published on 14 November. The report is based on their annual data collection on fraud from English local authorities and gives valuable insight into the experience of fraud and emerging fraud risks in the sector. It will be available from the [Audit Commission website](#).

### **Fighting Fraud Locally update and conference**

Registration is now open for the third annual conference in London on 10 December. It will update on progress made over the year and consider the next steps for tackling fraud in local government. Details of the conference are available here:

<http://fightingfraudlocally.co.uk/>

[Download the Fighting Fraud Locally Strategy](#)

### **Whistleblowing Commission Report and Recommendations**

Public Concern at Work will be publishing the report of the Commission on 27 November. Details will be available on the [Public Concern at Work website](#).

## The Audit Committee Cycle

### **Take stock of your assurance needs**

Mid-way through the year it is helpful to take stock of the assurances planned, received and any emerging issues. Audit committees usually plan their agendas for the year to ensure that they are covering all the appropriate areas in their terms of reference and it is likely that the committee will have received regular updates or monitoring reports on assurance. For example you are likely to have had progress reports from internal audit outlining work done to date and performance against the audit plan and there may be regular reports outlining current risks or progress against action plans or strategies.

It is important to keep track of changes to ensure that adequate assurance is received to support the fulfilment of the committee's terms of reference and to underpin the annual governance statement. The committee should also be made aware of any resourcing issues that could impact on the head of internal audit's annual opinion.

Where any significant governance, risk or control issues emerge during the year the audit committee may need to re-assess their need for assurance and their agendas to respond to these.



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Published by:

**CIPFA \ THE CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY**

3 Robert Street, London WC2N 6RL

www.cipfa.org

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# Audit Committee

16 December 2013

|  |   |  |
|--|---|--|
| <b>Report title</b>                            | Payment Transparency                                |  |
| <b>Cabinet member with lead responsibility</b> | Councillor Paul Sweet<br>Governance and Performance |  |
| <b>Accountable director</b>                    | Keith Ireland, Delivery                             |  |
| <b>Originating service</b>                     | Audit   |  |
| <b>Accountable employee(s)</b>                 | Peter Farrow<br>Tel<br>Email                        | Head of Audit<br>01902 554460<br>peter.farrow@wolverhampton.gov.uk |
| <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 council's continued compliance with the Code of Recommended Practice, regarding the publication of all payments over £500. Also, that from 1 April 2013 the council has continued to publish all of its payment data, rather than just restrict it to that with a value of over £500.

## **1.0 Purpose**

1.1 This report is to update members of the Committee, that as part of the wider transparency agenda, internal audit continue to review the council's compliance with the Code of Recommended Practice issued by the Secretary of State for Communities and Local Government and associated guidance, regarding the publication of all payments over £500, to ensure the council meets the obligations placed upon it. Also, that in a move to increase transparency, from 1 April 2013 the council has continued to publish all spend data, rather than just that over £500.

## **2.0 Background**

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

- Internal audit is able to confirm that monthly spending data continues to be published in accordance with the Code of Recommended Practice. The raw data is available on the spotlightspend web site, which can be accessed via the council's transparency and accountability internet pages. Spotlightspend now includes all of the council's spending data rather than just the £500 as required by the Code of Recommended Practice.
- Since last reported to the Audit Committee, there have been no requests for information from the public (as an 'armchair auditor') via the mailbox available on the council's website.

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

3.1 Quarterly updates on the number of any such 'armchair auditor' requests, will continue to be reported to the Committee.

## **4.0 Financial implications**

4.1 There are no financial implications arising from this report (CN/06122013/Z).

## **5.0 Legal implications**

5.1 There are no legal implications arising from this report (JH/281113/Z).

## **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 Schedule of background papers - None**



# Audit Committee

## 16 December 2013

|  |   |  |
|--|---|--|
| <b>Report title</b>                            | Annual Governance Statement – Action Plan Update    |  |
| <b>Cabinet member with lead responsibility</b> | Councillor Paul Sweet<br>Governance and Performance |  |
| <b>Accountable director</b>                    | Keith Ireland, Delivery                             |  |
| <b>Originating service</b>                     | Audit   |  |
| <b>Accountable employee(s)</b>                 | Peter Farrow<br>Tel<br>Email                        | Head of Audit<br>01902 554460<br>peter.farrow@wolverhampton.gov.uk |
| <b>Report to be/has been considered by</b>     | Delivery<br>Directorate<br>Leadership Team          | 26 November 2013   |

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### Recommendations for noting:

The Committee is asked to note:

1. The progress made in addressing the key improvements areas identified in the 2012/13 Annual Governance Statement action plan.

## **1.0 Purpose**

- 1.1 The Council is required under Regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulation 2006 to produce an Annual Governance Statement to be included in the annual statement of accounts, which is signed by the Leader of the council and the Chief Executive.

The statement draws upon the management and internal control framework of the council, especially the work of internal and external audit and the council's risk management arrangements. In compiling the statement assurance is obtained from a range of sources in order that the signatories to the statement can assure themselves that it reflects the governance arrangements for which they are responsible. Following this exercise a list of key improvement areas was identified.

## **2.0 Background**

- 2.1 Appendix A of this report has an action plan listing the key areas for improvement that were identified at the time of the compilation of the Annual Governance statement, and updates the Committee on the actions that have been taken so far, towards their implementation.

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

- 3.1 A further update on progress made against the actions identified in the 2012/13 Annual Governance Statement will be reported to the Committee at the year end.

## **4.0 Financial implications**

- 4.1 There are no direct financial implications arising from the recommendations of this report. The Annual Governance Statement and delivery of the action plan is a significant element of the processes in place to ensure proper and effective use of resources. (CN/06122013/B)

## **5.0 Legal implications**

- 5.1 There are no legal implications arising from this report (JH/281113/F)

## **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 Schedule of background papers**

9.1 2012/13 Annual Governance Statement

| 2012/13 - Key improvement areas and actions for Implementation   | Responsibility and expected implementation date   | Update @ November 2013  |
|--|---|---|
| <p><b>FutureSpace: Corporate Landlord</b><br/>The management of and responsibility for the Council's property assets is currently split between two directorates. Several initiatives and proposals for maintenance programmes and better targeted use of properties have been put forward. It is necessary that clarity of ownership and control of decision making is determined to ensure effective progress is made. Also work is on-going to improve the co-ordination of responsibilities as the Council develops the role of a 'Corporate Landlord' between the Directorates, along with the continued development of a 'One Council' approach to the use of land and assets and the development of options and a strategy to utilise available properties for community use that are not Council owned property.</p> | <p>Strategic Director – Delivery<br/>Strategic Director – Education and Enterprise<br/>31 March 2014</p>    | <p>The FutureSpace Programme is being delivered to the set deadlines for the programme. The substantive issues for the next quarter are the detailed design work and confirmation of costs to enable the Full Business Case (FBC) to be presented to the Cabinet in February 2014. Approval of the FBC will enable the programme to progress to implementation. The governance arrangements also need to be fully consolidated during the next quarter.<br/>The detailed planning for the introduction of the Corporate Landlord model needs to be completed during the next quarter. This needs to be underpinned by the progression of the Strategy Asset Review that will confirm the land and property assets to be retained and managed going forward.</p> |
| <p><b>Information Governance</b><br/>Following critical in-year reviews by the Information Commissioners Office in August and December 2012, the Council is putting in place a robust framework and effective working practices, including:</p> <ul style="list-style-type: none"> <li>• An established and operational Information Governance Board</li> <li>• Mapped out work programme and resources</li> </ul>   | <p>Strategic Director – Delivery<br/>Chief Legal Officer (SIRO)<br/>Head of Policy<br/>31 December 2013</p> | <p>The Information Governance Board chaired by the Senior Information Risk Officer (SIRO) meets regularly to discuss Information Governance (IG) issues. Significant progress has been made on the delivery of the IG work programme, building on the policy framework and new IG structure. Mandatory training on protecting information has been developed for all staff via an eLearning module and further training on Freedom of Information and Data Protection is available. Information Protective Marking has</p>  |



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| <ul style="list-style-type: none"> <li>• A new Information Governance structure</li> <li>• Information Governance policies have been approved</li> <li>• Training programmes are underway</li> </ul>   |   | <p>been rolled out across the organisation and a new information incident reporting process implemented from July 2013. This has enabled increased reporting of low level IG incidents so the council can deal with problems and manage risk to information before issues escalate. This reporting also informs the newly established corporate Information Risk Register. Guidance on IG including undertaking Privacy Impact Assessments is also included in the corporate project toolkit.</p>   |
| <p><b>Partnership Governance</b><br/>         Partnerships are increasingly common and increasingly important to the Council, in order to deliver the corporate plan and respond to the Localism agenda. These partnerships take many forms. For example, formal arrangements such as strategic service delivery partnerships, statutory partnerships and looser, informal relationships with community groups or the ‘third sector’. Although each of these partnerships is formed to generate beneficial outcomes they also carry different types of risks and governance can be problematic.</p> <p>In addition, some of the Council’s partnerships have been in place for a number of years and the ‘health’ and governance arrangements of these partnerships have not been systematically reviewed to ensure they continue to contribute effectively to the corporate priorities. Therefore, the Council is to adopt a revised systematic and consistent approach to identifying its significant partnerships. Once the significant partnerships have been identified, a systematic review of the governance arrangements and the ‘health’ of each partnership will be carried out to ensure they continue</p> | <p>Strategic Director – Delivery<br/>         Chief Legal Officer<br/>         March 2014</p> | <p>A Governance Framework and Took Kit is being developed based on a model approved by the Audit Commission. This will then be evaluated by the Constitutional Review Group prior to following the approval routes for incorporation as formal policy and procedure under the Constitution. In addition, a partnership review will be undertaken and a register/directory will be created and kept updated.</p> <p>Going forwards a Governance Partnership Board will sit frequently to challenge, evaluate and consider whether or not partnerships are adding VFM and to decide on strategies which align with the Corporate plan.</p> <p>Training will be on-going for Members and Officers serving on partnerships. Regular reviews will also be undertaken and an Annual Report published.</p> |

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| <p>to contribute to the corporate priorities and provide value for money. The findings of the reviews and the risks associated with these partnerships will then be reported to officers and Councillors with portfolio responsibilities.</p>   |   |  |
| <p><b>Contract Management and Monitoring</b><br/>The Council has historically had an inconsistent approach to its contract monitoring. New processes are being put in place to ensure that contracts can be monitored and reviewed on an on-going basis for value for money in the future.</p>  | <p>Strategic Director - Delivery<br/>Head of Procurement<br/>31 December 2013</p>       | <p>A new guidance document has been prepared, and is now working its way through the various consultation and approval routes. It is estimated that this should be ready for a phased introduction around April 2014.</p>  |
| <p><b>Procurement</b><br/>The Interim Head of Procurement had raised concerns over past tendering processes and the failure to follow the Council's Contract Procedure Rules. Following an independent review, these concerns were supported by the findings of Internal Audit who identified a number of cases of inconsistencies and ambiguities at various stages of the procurement processes. The recommendations arising from the audit review were agreed with the Interim Head of Strategic Sourcing, who is putting in place a whole range of improved working practices over the coming months.</p> | <p>Strategic Director - Delivery<br/>Head of Procurement<br/>31 December 2013</p>       | <p>The revised Procurement Procedures are due to be considered at Council in December for incorporation into the Constitution. This will be followed and supported by a structured training programme utilising both e-learning and face-to-face sessions for all staff with responsibility for letting contractual agreements. The corporate Procurement Board will be convened in January to deliver the outputs listed within the Terms of Reference.</p> |
| <p><b>Savings Targets</b><br/>While the Council's current and historical savings targets have been largely delivered, there are still a limited number of such targets that have not yet been and also some, where proposals are yet to be developed. A failure to meet</p>   | <p>Strategic Director – Delivery<br/>Assistant Director – Finance<br/>31 March 2014</p> | <p>Close monitoring of the delivery of savings has been taking place throughout 2013/14 and updates have been reported to SEB and Councillors. The latest monitoring information indicates that £14 million has been banked and that there is a high level of confidence concerning the delivery of £10.2 million, however, a sum of £1.8 million is at risk of not being</p>  |

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| <p>these targets will adversely impact upon the Council's ability to meet its objectives. Close monitoring of the situation continues at both senior officer and Councillor level.</p>  |  | <p>delivered as originally intended.<br/>In addition a detailed budget review exercise is currently in progress to identify any underlying issues within the budget that relate to prior year savings proposals. The outcome of this exercise should be available by the end of the calendar year.</p>   |
| <p><b>Resilience Function (Emergency Planning and Business Continuity)</b><br/>The Council has identified issues in its ability to respond fully to its responsibilities under the Civil Contingencies Act. The Cabinet has approved the creation of a new Resilience Team in 2013/14 to bring together the separate Emergency Planning and Business Continuity functions. This is to underpin the delivery of the new Major Incident Plan and suite of subsidiary plans. The Resilience Team will operate within new governance arrangements and report to a Board. The Board will oversee the delivery of the annual work programme for Resilience that will be reviewed quarterly by the Strategic Executive Board. Annual audits will also be conducted to validate progress against the annual work programme.</p> | <p>Strategic Director – Delivery<br/>Assistant Director - Delivery<br/>31 March 2014</p> | <p>The initial project plan for resilience has been completed and reported to the C3 Scrutiny Panel. The Resilience Board has been constituted and will be chaired by the Director of Public Health. The substantive piece of work for the Board is to develop an integrated work programme for the Council and Public Health to direct matters in 2014/15.</p>  |
| <p><b>Equalities</b><br/>The Council has identified issues in its ability to respond fully to its responsibilities in respect of equalities and consultation. An Equalities Advisory Group has been formed and approved an equalities work programme. This programme identifies ways of mainstreaming and promoting best equalities practice. Appropriate measures will be implemented during 2103/14.</p>  | <p>Strategic Director – Delivery<br/>Head of Policy<br/>31 March 2014</p>                | <p>The Equalities Member Champion chairs the Equalities Advisory Group, which meets at least quarterly to monitor progress against the delivery of the equalities work programme. A new equalities analysis toolkit has been developed and rolled out across the organisation, so all services, functions, policies and procedures are screened for equalities implications. Equalities analysis advice is also included in the corporate project toolkit. An equalities</p> |

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|  |  | <p>eLearning course has been developed and is mandatory for all staff. A model equality monitoring form has been developed, and a series of key information briefings on equalities issues produced and disseminated across the organisation. Progress against the Equality Objectives Action Plan has been reviewed and updated and reported to Councillors and published on the website.</p> |
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# Audit Committee

16 December 2013

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| <b>Report title</b>                            | Benefit Sanctions – amendment to arrangements       |   |
| <b>Cabinet member with lead responsibility</b> | Councillor Paul Sweet<br>Governance and Performance |   |
| <b>Accountable director</b>                    | Keith Ireland, Delivery                             |   |
| <b>Originating service</b>                     | Audit   |   |
| <b>Accountable employee(s)</b>                 | Peter Farrow<br>Tel<br>Email                        | Head of Audit<br>01902 554460<br><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 minor changes to arrangements regarding the approval of sanctions for housing and council tax benefit fraud.

## **1.0 Purpose**

- 1.1 The purpose of this report is to update the committee regarding a minor change in the approval of sanctions, as a result of the revised management arrangements for the benefits fraud team.

## **2.0 Background**

- 2.1 The Audit Committee approved the current sanctions policy for housing and council tax benefit fraud on 20 July 2009. Under the provisions of this policy, decisions on sanctions are taken by 'the Chief Financial Officer or through delegation, by the Head of Benefits'. In practice, this is effected through the following process:

1. Benefit investigators investigate cases and recommend appropriate sanctions in accordance with the criteria set out in the approved sanctions policy.
2. Case files are passed to the benefit fraud manager for review, quality check and application of the public interest test.
3. Periodically, when a number of cases are accumulated, arrangements are made for the head of revenue and benefits to review the files and ensure that the recommended sanctions are in accordance with the approved sanctions policy.
4. Formal authorisation of the sanctions is provided by the head of revenue and benefits.

- 2.2 With effect from 1 December 2013 management of the benefit fraud team has transferred to internal audit.

## **3.0 Variation to Sanctions Policy**

- 3.1 Following the transfer of management responsibilities for the benefit fraud team to internal audit, it is considered logical that internal audit management (the head of audit and senior audit manager) should be responsible for the implementation and authorisation of sanctions in line with the sanctions policy, alongside the head of revenue and benefits. The sanctions policy has been revised to this effect.
- 3.2 All other provisions of the sanctions policy remain the same, although a review of the policy is to be undertaken in the coming months and further revisions may be sought if deemed necessary. If so, these will be brought before the Audit Committee.

## **4.0 Financial implications**

- 4.1 There are no financial implications arising from this report. (CN/06122013/V)

## **5.0 Legal implications**

- 5.1 There are no legal implications arising from this report. (JH/281113/V)

**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 Schedule of background papers - None**