



Audit Committee

10 March 2014

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

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

Room Committee Room 3 (3rd floor)

Membership

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

Labour	Conservative	Independent members
Cllr Harbans Bagri Cllr Phil Bateman Cllr Alan Bolshaw Cllr Dr Mike Hardacre Cllr Jasbir Jaspal	Cllr Matthew Holdcroft	Mr Mike Ager Mr Terry Day

Quorum for this meeting is two Councillors

Information for the Public

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

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Copies of other agendas and reports are available from:

Website <http://wolverhampton.cmis.uk.com/decisionmaking>
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Some items are discussed in private because of their confidential or commercial nature. These reports are not available to the public.

Agenda

Part 1 – items open to the press and public

Item No. *Title*

MEETING BUSINESS ITEMS

1. **Apologies for absence**
2. **Declarations of interests**
3. **Minutes**
 - (a) **Audit Committee – 16 December 2013**
[for approval]
 - (b) **Audit (Final Accounts Monitoring and Review) Sub Committee 9 December 2013**
[for information]
 - (c) **Audit (Monitoring of Audit Investigations) Sub-Committee – 20 January 2014**
[for information]
4. **Matters arising**
[To consider any matters arising from the minutes]
5. **Update Work Programme 2013/14**
[for information]

EXTERNAL AUDIT REPORTS AND INSPECTION:

6. **External Audit Plan 2013/14**
[To note the plan from the Council's external auditors]

RISK MANAGEMENT – ASSURANCE ON CORPORATE RISKS:

7. **Corporate Risk Register**
[To note the latest summary of the corporate risk register]

INTERNAL AUDIT REPORTS:

8. **Internal Audit Update – Quarter 3**
[To note the update as at 31 December 2013]
9. **Internal Audit Plan 2014/15**
[To review and approve the strategy]
10. **Payment Transparency**

[To note continued compliance with the recommended code of practice]

11. **Review of Fraud Related Policies and Procedures**
[To note the review and update of fraud related policies and procedures]

12. ***The FRAUDitor***
[To receive and note a copy of the Council's latest anti-fraud and corruption newsletter which is to be distributed across the Council].

OTHER GOVERNANCE ISSUES:

13. **Audit Committee Terms of Reference**
[To review the current terms of reference for the Committee and Audit Sub-Committees]

14. **Exclusion of press and public**
[To pass the following resolution:

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

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

<i>Item No.</i>	<i>Title</i>	<i>Grounds for Exemption</i>	<i>Applicable Paragraph</i>
INTERNAL AUDIT REPORTS:			
15.	Audit Investigations – Education and Enterprise Overspend [To note the outcome of the investigations]	Information relating to the identity of an individual	2
		Information relating to the financial or business affairs of any particular person (including the authority holding the information).	3
16.	Audit Investigations –Property Services [To note the outcome of the investigations]	Information relating to the identity of an individual	2
		Information relating to the financial or business affairs of any particular person (including the authority holding the information).	3



Audit Committee

Minutes – 16 December 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
Terry Day

Employees

Peter Farrow	Head of Audit
David Kane	Head of Finance-Delivery
Richard Morgan	Senior Audit Manager
Narinder Phagura	Strategic Risk Manager Delivery
Dereck Francis	Democratic Support Officer

External Auditors

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>
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MEETING BUSINESS ITEMS

- 1. Apologies for absence**
Apologies for absence were submitted on behalf of Cllr Matthew Holdcroft.
- 2. Declarations of interests**
No interests were declared.

3. **Minutes** Dereck
Francis
Resolved:
- (a) **Audit Committee – 23 September 2013**
Resolved:
That the minutes of the meeting held on 8 July 2013 be approved as a correct record and signed by the Chair.
- (b) **Audit (Monitoring of Audit Investigations) Sub-Committee – 21 October 2013**
Resolved:
That the minutes of the meeting held on 21 October 2013 be noted.
4. **Matters arising**
There were no matters arising.
5. **Work Programme 2013/14**
Resolved:
That the work programme be received.

INFORMATION ITEMS

6. **EXTERNAL AUDIT REPORTS AND INSPECTION:**
- a **Annual Audit Letter**
Richard Vialard from the Council's auditors PricewaterhouseCoopers' (PwC) presented their annual audit letter which summarised the results of their 2012/13 audit.
- Resolved:
That the contents of the Annual Audit Letter from the Council's external auditors, PricewaterhouseCoopers (PwC) be noted.
- 7 **RISK MANAGEMENT- ASSURANCE ON CORPORATE RISKS**
- a **Risk Management and Corporate Risk Register**
The Committee received, for information, a report on the change in the Council's strategic risk management arrangements and on the key risks the Council faces. As part of the changes, the internal audit team have now taken on the responsibility for risk management for Wolverhampton. This was 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. The corporate risk register would also be fundamentally reviewed to ensure that the risks that were last reported to the Committee were still appropriate and reflected the Council's profile.

Cllr Hardacre commented that given the 2010 Equalities Act and the duties it placed on the Council, he found it surprising that the report indicated that there are no equalities implications arising from the report. He queried whether all the risks had been cleared in terms of the equalities tool kit. He also reported that Audit Services needed to be sure that all of the schemes have been properly cleared and assessed via the tool kit, as this role was an audit function.

Peter Farrow advised that the cover report was the update and not the individual risk reports. The implications would be outlined where the risks are being managed.

Mr Ager welcomed the change in the risk register management arrangements. He also indicated that he had never seen an organisation with so many of the items on their key risks register being rated red RAG status. He hoped that the comprehensive review of the corporate risk register was completed as soon as possible and that the results be reported to the next meeting.

Resolved:

The change in the Council's strategic risk management arrangements and an update on the corporate risk register be noted.

8. INTERNAL AUDIT REPORTS

a Internal audit update-quarter 2

Peter Farrow, Head of Audit updated the Committee on progress made against the 2013/14 audit plan and on recent work which has been completed.

Peter
Farrow

Mr Ager asked that in connection with the 'Limited' assessments, the Audit Manager report back to the next meeting to confirm that the high level recommendations had been carried out. Peter Farrow confirmed that an update on action taken would be reported at the next meeting.

Mr Day asked whether there were any recommendations for systems changes from the findings on the 'duplicate payments'. Peter Farrow reported that the Council's had antiquated financial systems with manual controls. With the FutureWorks programme going live in April 2014 financial systems would be fully automated so there should be a dramatic reduction in duplicate payments. In response to a further point he also advised that he was not aware of any trends or concerns with any particular directorate regarding duplicate payments.

Peter Farrow also informed the Committee that early indications from a review of the Council's appraisals process was that there would be a poor outcome with long non-compliance with the process. A report on the findings would be reported to the next meeting.

Councillors on the Committee commented that they had raised the issue of appraisals on previous occasions and there would be concerned if only 'lip service' was being paid to the appraisal meetings. They posed the question what they as an Audit Committee could do to support Audit Services to nudge those employees who are responsible for the appraisal procedures.

Resolved:

- (a) That the content of the latest internal audit update at the end of quarter two be noted.
- (b) That the appropriate employ(s) responsible for the appraisal system to attend the next meeting to respond to the Committee's questions.

b Audit Committee Self-Assessment Exercise

The Committee received a report on the outcome from the 2013 self-assessment exercise.

Resolved:

That the contents of the outcome from their 2013 self-assessment exercise, be received and noted.

c Benefit Fraud Sanctions 2012/13

The Committee received a report on the final position in the number of sanctions undertaken during 2012/13.

Mr Ager asked whether there was comparative data on how other Councils were performing in this area. He was advised that comparative statistics were not available but through networking with other councils and anecdotally, the Council was in the 'middle of the park'.

Cllr Bolshaw asked how much of the £431,000 (the total value of sanction based overpayments) would the Council recover. He was advised that information on the amount recovered from overpayment of council tax benefit could be provided. The sanctions based on overpayments for housing benefit would be recovered by Sundry debtors' services. The Char asked that Cllr Bolshaw be provided with the information.

Resolved:

That the final position as at 31 March 2013 of the sanction results for the Benefit Fraud Investigation team be noted.

d Chartered Institute of Public Finance and Accountancy (CIPFA) Audit Committee Update – Issue 12

The Committee received, for information, the latest edition of regular briefings issued by CIPFA for audit committee members in public sector bodies.

Resolved:

That the contents of the latest CIPFA Audit Committee Update, Issue 12 – helping audit committees to be effective be noted.

e Payment transparency

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 Dr Hardacre commented that there was a democratic shortfall in that the code applied to council expenditure but did not apply to schools even though the Council acted as the banker for schools and the funding was administered by Council employees. Council tax payers could find out what the Council spent its money on but not what schools are doing with their funding.

Resolved:

That the Council's continued compliance with the Code of Recommended Practice, regarding the publication of all payments over £500 be noted. Also, that from 1 April 2013 the Council had continued to publish all of its payment data, rather than just restrict it to that with a value of over £500.

f Annual governance statement action plan update

The Committee received a report on progress against an action plan listing key areas for improvement that were identified at the time of the compilation of the Annual Governance statement.

Resolved:

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

g Benefit sanctions – amendment to arrangements

The Committee received an update report on minor changes in the approval of sanctions as a result of the revised management arrangements for the benefits fraud team.

Resolved:

That the minor changes to arrangements regarding the approval of sanctions for housing and council tax benefit fraud.

Merry Christmas

The Chair wished Councillors and employees a Merry Christmas.



Audit (Final Accounts Monitoring and Review) Sub-Committee

Minutes – 9 December 2013

Attendance

Members of the Sub-committee

Cllr Keith Inston (chair)
Cllr Phil Bateman
Cllr Matthew Holdcroft
Cllr Wendy Thompson

Independent member)

Mike A Ager

Employees

Nick Alderman	Chief Accountant
Richard Morgan	Senior Audit Manager
Dereck Francis	Democratic Support Officer

Apologies

Apologies for absence were received from Terry Day, Independent member.

Part 1 – items open to the press and public

<i>Item No.</i>	<i>Title</i>	<i>Action</i>
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MEETING BUSINESS ITEMS

- | | | |
|----|---|----------------|
| 2. | Declarations of interests
No interests were declared. | |
| 3. | Minutes of the previous meeting (25 July 2013)
Resolved:
That the minutes of the meeting held on 25 July 2013 be approved as a correct record and signed by the Chair. | Dereck Francis |
| 4. | Matters arising
There were no matters arising from the minutes of the previous meeting. | |

DECISION ITEM

5. **Budget risks update and review**

Nick Alderman, Chief Accountant outline the salient points of a report which detailed the risks and risk management arrangements relating to the Council's budget and finances and which asked the Sub-Committee to agree to receive further updates in accordance with the agreed work programme.

Mr Ager sought assurance that urgent action was being taken to identify further significant savings before the 2014/15 budget, as referred to in paragraph 3.7 of the report. Nick Alderman reported that budget consultation meetings were currently underway and the main focus from Council employees was to identify further savings. Work was ongoing to identify proposals to address the current £10.3 million gap in the Council's 2014/15 budget but it was not sufficiently progressed to provide detailed costings.

In response to a question from Cllr Bateman on treasury management activity, he confirmed that the Council was on course to achieve the revenue savings of £870,000 for the General Fund and £2.8 million for the Housing Revenue Account forecast from treasury management activity.

Resolved:

That the risks and risk management arrangements relating to the Council's budget and finances be noted and that further updates be submitted in accordance with the agreed work programme.



Audit (Monitoring of Audit Investigations) Sub-committee

Minutes – 20 January 2014

Attendance

Members of the Sub-committee

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

Independent members

Mike Agar

Employees

Anthony Ivko	Assistant Director Adult Social Care and Housing Support
Mark James	Fraud Manager
Simon Lunn	Head of Operational Finance
Katy Morgan	Principal Auditor
Richard Morgan	Senior Audit Manager
Mark Wilkes	Principal Auditor
Dereck Francis	Democratic Support Officer

External Auditors

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>
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MEETING BUSINESS ITEMS

- 1. Apologies for absence**
An apology for absence was submitted on behalf of Terry Day, Independent member.
- 2. Declarations of interest**
Cllr Mike Hardacre declared a personal interest in agenda items 7 and 8 as far as they relate to the City of Wolverhampton College, the Central Learning Partnership Board and the Board of Wolverhampton Homes. Dereck Francis

Mike Agar declared a no pecuniary interest in agenda item 7

3. **Minutes of the previous meeting (21 October 2013)**

Dereck
Francis

Resolved:

That the minutes of the meeting held on 23 October 2013 be approved as a correct record and signed by the Chair.

4. **Matters arising**

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

5. **Protecting the Public Purse 2013 - Fraud Briefing**

The Sub-Committee received a briefing from Richard Vialard of PricewaterhouseCoopers on a report that had been prepared by the Audit Commission specifically for the Council on Protecting the Public Purse – Fraud Briefing 2013.

Resolved:

That the briefing and paper from the Audit Commission specifically for the Council on 'Protecting the Public Purse – Fraud Briefing 2013' be received and noted.

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 January 2013**

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.

The Sub Committee discussed work taking place with social landlord groups within the city (excluding with Wolverhampton Homes) to tackle the issue of tenancy fraud. The Sub Committee also asked about any arrangements in place with the Tenant Management Organisations within the city to address the issue of fraud with various council house tenancies.

Cllr Inston also referred to the membership of the newly created Fraud Group and noted that it did not include a representative from procurement services. Mark Wilkes reported that initially the membership of the Group had been kept tight but if it was successful the membership would be extended to include representatives from other appropriate service areas

Resolved:

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

8. Audit update

The Sub Committee received updates on current audit investigations.

Resolved:

1. That the current position with regard to audit investigations be noted.
2. That in connection with case reference IL17W (BSF Public Arts Works), the Sub Committee receive a response from the Chair of the Local Education Partnership on the action proposed in light of the allegations and that response together with a detailed report on the matter also be referred to the Children and Young People Scrutiny Panel for its consideration.
3. That in connection with case reference IL181 (Extended Schools) a further report be submitted on the School's response to this matter; and that the Sub Committee placed on record its concern that more of this type of issue would occur and go undetected. .



Audit Committee Work Programme 2013/14

The Governance and 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 Objectives	the Corporate Plan
Assessment of	Corporate (Strategic) Risks	Risk Workshops
Identification of	Key Controls	Risk Management Plans
Identification of	Sources of Assurance	Service Plans, Project Plans, Corporate Policies, External Reviews
Analysis of	Assurance on Key Controls	Risk Management & Insurance Corporate Risk Management Group 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

Committee meeting date all at 2.00pm	Final Accounts / Annual Governance Statement	Internal Audit reports *	Risk Management – Assurance on Corporate Risks	Risk Management – Assurance on Service Risks Note 1	External Audit Reports and Inspection	Other Governance Issues
8 July 2013	2012/13 Annual Governance Statement 2012/13 Draft Statement of Accounts	Annual Internal Audit Report 2012/13 Annual Review of Effectiveness of Internal Audit Chartered Institute of Public Finance and Accountancy (CIPFA) Audit Committee update Payment Transparency	Corporate Risk Register		External Audit update report	Sub-Committees: minutes and matters arising Audit Committee – Annual Report
23 September 2013	2012/13 Audited Statement of Accounts	Internal Audit Update Payment Transparency Internal Audit Management Arrangements Update Internal Audit Charter CIPFA Audit Committee Update	Risk Management Benchmarking		Annual Report to those charged with Governance (ISA 260) Medium Term Financial Strategy Review	Sub-Committees: Minutes and Matters Arising

Committee meeting date all at 2.00pm	Final Accounts / Annual Governance Statement	Internal Audit reports *	Risk Management – Assurance on Corporate Risks	Risk Management – Assurance on Service Risks <small>Note 1</small>	External Audit Reports and Inspection	Other Governance Issues
16 December 2013		Internal Audit Update Payment Transparency Review of Fraud Related Policies CIPFA Audit Committee Update	Corporate Risk Register		Annual Audit Letter	Sub-Committees: Minutes and Matters Arising Audit Committee Self- Assessment Workshop Benefits Fraud Sanctions Report 2012/13
10 March 2014		Internal Audit Update Payment Transparency Internal Audit Plan 2014/15 Audit Investigations Review of Fraud Related Policies	Corporate Risk Register		External Audit an 2013/14	Sub-Committees: Minutes and Matters Arising Audit Committee Terms of Reference Review

This report is PUBLIC
[NOT PROTECTIVELY MARKED]

Committee meeting date all at 2.00pm	Final Accounts / Annual Governance Statement	Internal Audit reports *	Risk Management – Assurance on Corporate Risks	Risk Management – Assurance on Service Risks <small>Note 1</small>	External Audit Reports and Inspection	Other Governance Issues
14 April 2014					Annual Grants Certification report	

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

Sub-Committee meeting date all at 2.00pm	Final Accounts / Annual Governance Statement	Revenue Budget & Capital Programme	Other Finance Matters
22 July 2013		Revenue Budget Outturn 2012/13 Capital Budget Outturn 2012/13 (incl Q1) Reserves, Provisions and Balances 2012/13 Quarter 1 Revenue Budget Monitoring 2013/14 2014/15 Draft Budget Strategy & Medium Term Financial Strategy	Treasury Management Annual Report 2012/13 Quarter 1 – Treasury Management 2013/14 Monitoring
16 September 2013 – Meeting cancelled			
9 December 2013		Quarter 2 – Revenue Budget Monitoring Quarter 2 – Capital Budget Monitoring 2014/15 Draft Budget Strategy & Medium Term Financial Strategy	Quarter 2 – Treasury Management 2013/14 Monitoring

Sub-Committee meeting date all at 2.00pm	Final Accounts / Annual Governance Statement	Revenue Budget & Capital Programme	Other Finance Matters
24 February 2014		Quarter 3 – Revenue Budget Monitoring Quarter 3 – Capital Budget Monitoring 2014/15 Budget Strategy & Medium Term Financial Strategy – update	Quarter 3 - Treasury Management 2013/14 Monitoring
7 April 2014	2013/2014 Statement of Accounts progress update		

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

Sub-Committee meeting date all at 2pm	Monitoring of Audit Investigations: to include details of completed investigations, implementation of recommendations, fraud risk register, pro-active testing, National Fraud Initiatives updates, raising fraud awareness events, benchmarking and other fraud related activities
15 July 2013	Counter Fraud report Audit Issues update
21 October 2013	Counter Fraud report Audit Issues update
20 January 2014	Counter Fraud report Audit Issues update
28 April 2014	Counter Fraud report Audit Issues update

Audit Committee Member Training Programme 2013/14

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

Wolverhampton City Council

External Audit Plan 2013/14

Government and
Public Sector

February 2014

Contents

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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.

Executive summary

Background

This audit plan informs the Audit Committee of Wolverhampton City Council (the 'Authority') about our responsibilities as external auditors and how we plan to discharge them for the financial year ended 31 March 2014.

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

Framework for our audit

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

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

We look forward to discussing our report with you on 10 March 2014. Attending the meeting from PwC will be Richard Bacon and Richard Vialard.

Our Responsibilities

Our responsibilities are as follows:

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

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

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

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

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

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

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

Audit approach

Our audit is risk based which means that we focus on the areas that matter.

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

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

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

- Management override of controls:

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

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

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

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

A summary of the significant and elevated audit risks identified for 2013/14 is set out below, split by the element of our audit opinion (Accounts or Value for Money opinion) to which each risk relates.

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

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

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

Financial Statements Risks

Risk	Categorisation	Audit approach
<p data-bbox="607 256 1240 296">Management override of controls</p> <p data-bbox="607 336 1240 616">ISA (UK&I) 240 requires that we plan our audit work to consider the risk of fraud, which is presumed to be a significant risk in any audit. In every organisation, management may be in a position to override the routine day to day financial controls in order to manipulate the financial statements. Accordingly, for all of our audits, we consider this risk and adapt our audit procedures accordingly.</p>	<p data-bbox="1240 256 1503 296">Significant ●</p>	<p data-bbox="1503 256 2125 504">As part of our assessment of your control environment we will consider those areas where management could use discretion outside of the financial controls in place to misstate the financial statements. We will consider the level of assurance provided by Internal Audit regarding management’s ability to override controls.</p> <p data-bbox="1503 536 2125 568">We will perform procedures to:</p> <ul data-bbox="1503 576 2125 1238" style="list-style-type: none"> • Review the appropriateness of accounting policies and estimation bases, focusing on any changes not driven by amendments to reporting standards; • Test the appropriateness of journal entries and other year-end adjustments, targeting higher risk items such as those that affect the reported deficit/surplus; • Review accounting estimates for bias and evaluate whether judgment and estimates used are reasonable (for example pension assumptions, valuation and impairment assumptions); • Evaluate the business rationale underlying significant transactions outside the normal course of business; • Test exceptional and unusual items arising from bank and other reconciliations; and • Perform ‘unpredictable’ procedures targeted on fraud risks. <p data-bbox="1503 1270 2125 1334">We may perform other audit procedures if necessary.</p>

Risk	Categorisation	Audit approach
<p data-bbox="604 311 1232 375">Risk of fraud in revenue and expenditure recognition</p> <p data-bbox="604 422 1232 518">Under ISA (UK&I) 240 there is a presumption that there are risks of fraud in revenue recognition.</p> <p data-bbox="604 542 1232 606">We extend this presumption to the recognition of expenditure in local government.</p> <p data-bbox="604 630 1232 790">There is a risk that the Authority could adopt accounting policies or treat income and expenditure transactions in such as way as to lead to material misstatement in the reported revenue position.</p>	<p data-bbox="1232 311 1500 343">Significant ●</p>	<p data-bbox="1500 311 2105 438">We will obtain an understanding of revenue and expenditure controls and will seek to place reliance on internal audit work, where most efficient to do so.</p> <p data-bbox="1500 462 2105 614">We will evaluate and test the accounting policy for income and expenditure recognition to ensure that this is consistent with the requirements of the Code of Practice on Local Authority Accounting.</p> <p data-bbox="1500 646 2105 774">We will also perform detailed testing of revenue and expenditure transactions, focussing on the areas we consider to be of greatest risk including procedures in relation to:</p> <ul data-bbox="1500 782 2105 981" style="list-style-type: none"> <li data-bbox="1500 782 2105 845">• The appropriateness of journal entries and other adjustments; <li data-bbox="1500 853 2105 885">• Income and expenditure ‘cut off’; and <li data-bbox="1500 893 2105 981">• Accounting estimates and judgements made for income and expenditure (e.g.: accruals, deferred income and provisions).

Risk	Categorisation	Audit approach
<p>Property, Plant and Equipment Valuation</p> <p>Property, Plant and Equipment is the largest figure on your Balance Sheet.</p> <p>You value your properties at fair value using a range of assumptions and the advice of internal and external experts.</p> <p>During the 2012/13 audit process we identified that out-of-date base data had been used in the valuation of some assets. We also identified Academy schools on your balance sheet that should have been derecognised in prior periods.</p> <p>These findings resulted in a material net adjustment to the valuation of property, plant and equipment.</p> <p>Specific areas of risk for 2013/14 therefore include:</p> <ul style="list-style-type: none"> • asset valuation base data may be inaccurate or incomplete; • the Authority's valuation assumptions may not be appropriate; • assets' actual market values may fluctuate materially but may not have been re-valued in the accounts; • capital expenditure may not be accurately allocated between enhancing and non-enhancing; and • newly established Academy schools may not have been correctly treated in the accounts. 	<p>Significant ●</p>	<p>We will review the basis of any asset revaluations undertaken and in doing so consider:</p> <ul style="list-style-type: none"> • the judgements, assumptions and data used; • the reasonableness of any estimation techniques applied; and • the expertise of your valuation experts. <p>We will consider the Authority's response to control recommendations made in the previous year and will validate base data to underlying records.</p> <p>We will review the accounting treatment and corresponding valuation of schools that have achieved Academy status during 2013/14, and confirm that these have been dealt with in accordance with agreed accounting practice.</p> <p>Where assets are not re-valued in year we will understand the steps taken to ensure that your balance sheet is materially accurate at the year end. In particular, it is noted that the Code of Practice has been expanded and now explicitly states that <i>'where assets are re-valued (i.e. the carrying amount is based on fair value), revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period.'</i></p>

Risk	Categorisation	Audit approach
<p data-bbox="604 311 952 343">Provision for Equal Pay</p> <p data-bbox="604 375 1176 470">As in previous years, the Authority is expected to include a provision in the accounts to reflect its liability for Equal Pay and back pay claims.</p> <p data-bbox="604 502 1176 710">Over the last five years the Authority has received notification of employment tribunal claims against the Authority alleging breach of Equal Pay legislation. The Authority has engaged Solicitors to provide legal advice and conduct proceedings on behalf of the Authority in relation to these claims.</p> <p data-bbox="604 742 1176 933">On the basis of the advice provided and the information available the Authority concluded on what it felt was the most probable liability as at 31 March 2013. That provision figure reflected known claims as well as other potential claims.</p>	<p data-bbox="1232 311 1388 343">Elevated ●</p>	<p data-bbox="1500 311 2038 406">We will evaluate the accounting policies for recognising associated expenditure and liabilities.</p> <p data-bbox="1500 438 2083 598">We will test whether payments, journal entries and other adjustments in the financial statements relating to Equal Pay are materially accurate and whether they meet relevant financial reporting standards.</p> <p data-bbox="1500 622 2105 686">We will seek confirmation on these matters from the Authority's legal advisors.</p> <p data-bbox="1500 710 2105 837">We will review and challenge assumptions made by the Authority regarding relevant case law and the associated implications for the Authority's provision.</p>

Risk	Categorisation	Audit approach
<p>Implementation of Agresso</p> <p>Your new ledger system is due to go live on the 1 April 2014.</p> <p>Although the 2013/14 accounts will be prepared using the financial information contained within the old ledger system, we are required to consider post balance sheet date transactions in carrying out our audit work.</p> <p>As a result, in order for us to utilise the information contained within the new system we will need to perform additional procedures during the 2013/14 audit to satisfy ourselves that sufficient IT general controls are in place and are operating effectively within both the new and old ledger system.</p>	<p>Normal ●</p>	<p>We will understand, evaluate and validate that controls within the new ledger system are operating effectively in the following domains:</p> <ul style="list-style-type: none"> • Data transfer from the old to new ledger system; • Access control; • Computer operations; and • Change management.

Other Audit Code Responsibilities Risks

Risk

The Medium Term Financial Strategy and savings requirements

The Authority's February 2014 updated MTFS includes £66.7 million of savings proposals over the next five years, of which £32.1 million will need to be delivered by 2014/15 to prevent a budget deficit.

After taking into account these savings plans, a projected £59.2 million deficit by 2018/19 still remains.

The draft 2014/15 budget is balanced only after the use of £11.8m of General Fund reserves, leaving that reserve balance below the £10m required in the Council's Reserves Policy. £26.7m of additional savings need to be made by 2015/16 to meet that £10m requirement.

This represents a significant financial challenge and it is acknowledged that this must be addressed as a matter of urgency.

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

- The uncertainty about how much funding will be received from Government;
- Identified savings options may not be achieved;
- Further efficiency savings may not be identified;
- Spending may exceed budgets and/or income may fall short of budgets;
- The impact of the current economic climate, including increased inflationary pressures and interest rate changes;
- Demand for services may exceed estimates; and

Audit approach

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

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

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

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

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

The robustness of savings plans and response to the projected funding gap will significantly factor into our assessment of whether the Authority is able to demonstrate financial resilience.

Risk

- Future finance settlements may vary from current assumptions.

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

We need to be satisfied that the Council can demonstrate financial resilience over the medium term as well as ensuring that planned expenditure of the Authority in a financial year is not likely to exceed the resources (including sums borrowed) available to it. This looks particularly challenging for 2015/16.

Audit approach

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

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

Overall group Materiality:
£17.986 million

Group triviality threshold:
£0.899 million

Intelligent scoping

Group materiality

	£m
Overall group materiality	17.986
Clearly trivial reporting de minimis	0.899

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

Overall materiality has been set at 2% of total gross service expenditure for the year ended 31 March 2013. We will update this assessment as necessary in light of the Authority's 31 March 2014 actual results.

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

For the Authority we calculate this reporting threshold as £899,000, based on 5% of overall materiality.

We would like to seek the Audit Committee's views on this de minimis threshold which is a change from the agreed de minimis threshold in the previous year of £100,000.

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

For the 2013/14 financial year, we expect these benchmarks to be as follows:

Authority materiality

	£m
Overall group materiality	17.087
Clearly trivial reporting de minimis	0.854

Robust Testing

Where we do our work

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

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

When we do our work

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

Value for Money Work

Our value for money code responsibility requires us to carry out sufficient and relevant work in order to conclude on whether the Authority has put in place proper arrangements

to secure economy, efficiency and effectiveness in the use of resources.

The Audit Commission guidance includes two criteria:

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

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

Annual Governance Statement

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

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

Whole of Government Accounts

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

Meaningful conclusions

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

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

Audit value comes from the same source as audit quality so the work that we do in support of our audit opinion also

means that we should be giving you value through our observations, recommendations and insights. We have set out some recent developments in Appendix C and we will provide other insights and observations to you in our audit reports throughout the year.

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

Risk of fraud

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

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

Conditions under which fraud may occur



Your views on fraud

We enquire of the Audit Committee:

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

Fraud Briefing

The 2013 version of the annual Audit Commission report *Protecting the Public Purse (PPP)* was published on 14 November 2013. That report highlighted current and emerging fraud risks in local government. The report also provided summary information on fraud detection activities, based on the Audit Commission's annual detected fraud and corruption survey.

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

Following the release of the report the Audit Commission prepared fraud briefing packs for auditors to use as part of optional fraud briefings with their respective clients.

Purpose of a fraud briefing:

- Provide an information source to support councillors' consideration of fraud detection performance at their council, compared to similar local authorities;
- Opportunity to review counter fraud approach and priorities at the council;
- Support fraud risk management, to ensure local priorities are reflected as part of a proportionate response to fraud;
- Discuss national and local fraud risks; and
- Support auditor's communication with those responsible for governance.

A fraud briefing was provided to the Audit Sub-Committee on 20 January 2014 summarising the findings of the PPP survey.

Your PwC team

The individuals in your PwC team have been selected to bring you extensive audit experience from working with Local Authorities, the wider public sector and the commercial sector. We also recognise that continuity in the audit team is important to you and the senior members of our team are committed to developing longer term relationships with you.

The core members of your audit team are:

Audit Team	Responsibilities
<p><i>Engagement Leader</i> Richard Bacon 5th year on the audit 0121 232 2598 richard.f.bacon@uk.pwc.com</p>	<p>Engagement Leader responsible for independently delivering the audit in line with the Audit Code (including agreeing the Audit Plan, ISA 260 Report to Those Charged with Governance and the Annual Audit Letter), quality of outputs and signing of opinions and conclusions.</p>
<p><i>Engagement Senior Manager</i> Richard Vialard 8th year on the audit 0780 975 5784 richard.vialard@uk.pwc.com</p>	<p>Senior Manager on the assignment responsible for overall control of the audit engagement, ensuring delivery to timetable, delivery and management of targeted work and overall review of audit outputs. Completion of the Audit Plan, ISA 260 report and Annual Audit Letter.</p>

Engagement Manager

Jonathan Sawyer
6th year on the audit
0771 868 4878
jonathan.m.sawyer@uk.pwc.com

Manager on the assignment responsible for managing our accounts work, including the audit of the statement of accounts, and governance aspects of the Value for Money work.

Team Leader

Sophia Mouyis
5th year on the audit
0751 554 1313
sophia.mouyis@uk.pwc.com

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

Your audit fees

A breakdown of our proposed audit fee for 2013/14, in comparison to the prior year, is shown below:

Audit fee	Actual fee 2012/13 £	Indicative fee 2013/14 £
Audit work performed under the Code of Audit Practice	251,100	251,100
- Statement of Accounts		
- Conclusion on the ability of the organisation to secure proper arrangements for the economy, efficiency and effectiveness in its use of resources		
- Whole of Government Accounts		
Pension Fund	48,618	48,618
Certification of Claims and Returns	85,974	44,200
Sub - Total Audit Code work	385,692	343,918
Additional local risk based audit work (Note 1)	52,525	34,000
Sub – Total Audit Fees	438,217	377,918
Planned non-audit work (Note 2)	45,000	80,000
Total fees (audit and non-audit work): Note 3	483,217	457,918

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

The initially proposed fee for the work on these additional risks was £65,800 for 2012/13, as discussed and agreed with you. The final approved fee for this work was £52,525.

As part of our 2013/14 audit planning process we have tailored a programme of audit work in response to the additional local audit risks relevant to this Authority for the period in question.

In most areas the risks have reduced significantly since last year and the fee has been removed completely or reduced. In a small number of areas, the risk remains and an associated programme of audit work (and hence fee) is required for 2013/14. Our current analysis of these local considerations, which have been discussed with Senior Officers, is set out in the table below. We will seek approval from the Audit Commission for these fees.

Analysis of local additional audit work

Additional risk based audit work:	2012/13 Actual	2013/14 Plan
Property, Plant and Equipment Valuation	16,000	12,000
Equal Pay and Single Status	9,000	8,000
Savings Plans	4,100	6,000*
Procurement	5,000	0
System changes and redesign	12,800	8,000
Restructuring costs	5,625	0
Total additional local risk based audit work	52,525	34,000

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

Note 2 – The planned non-audit work relates to the FutureSpace business case and critical friend support PwC are providing to the Authority outside of the work performed for the external audit. An assessment of the potential threats to our independence as external auditors and corresponding safeguards is included within Appendix A.

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

- Officers meeting the timetable and content of deliverables, which we will agree in writing;
- We are able to place reliance, as planned, upon the work of internal audit and we are able to draw comfort from your management controls;
- We are able to take sufficient assurance from the additional work performed by internal audit on the budgetary control issue identified in the year and as a result will not have to perform additional audit procedures;
- No significant changes being made by the Audit Commission to the use of resources criteria on which our conclusion will be based;
- Sufficient staff are available throughout the course of our work to respond to our queries on a timely basis;
- There is no significant departure from our pre-agreed timetable;

- We receive only two sets of accounts to audit; being a draft and a final set with all changes tracked;
- An early draft of the Annual Governance Statement being available for us to review prior to the final audit;
- Our use of resources conclusion and accounts opinion being unqualified;
- There are no significant changes to core financial systems in year (that we have not already been made aware of); and
- You have satisfactorily addressed the issues we have raised in the prior year.

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

Appendices

Appendix A: Independence threats and safeguards

At the beginning of our audit process we are required to assess our independence as your external auditor. We have made enquiries of all PwC teams providing services to you and of those responsible in the UK Firm for compliance matters. We have set out below the relationships that, in our professional judgement, may be perceived to impact upon our independence and the objectivity of our audit team, together with the related safeguards.

Other services

Support provided by PwC	Value	Threats to independence and safeguards in place
FutureSpace: Final Business Case & Critical Friend Approval from the Audit Commission to undertake this work has been received.	Capped at £80,000	Self Review Threat: The work will be conducted by a separate engagement team who have no involvement in the audit of the financial statements. There is no self review threat as the results of the reviews will not be used by the audit team as they do not impact on the financial statements. Self Interest Threat: As a firm, we have no financial or other interest in the results of the Authority. We have concluded that this work does not pose a self interest threat. Management Threat: PwC is not required to take any decisions on behalf of management as part of this work, the work is to undertake a 'critical friend' review and then oversee preparation of a final business case report. Advocacy Threat: The nature of this assignment will not give rise to any advocacy threat. Familiarity Threat: The work will not be used by the audit team and does not present a familiarity threat. Intimidation Threat: We have concluded that this work does not pose an intimidation threat as all officers and members have conducted themselves with utmost integrity and professionalism.

Certification of claims and returns

£44,200

Self Review Threat: The audit team will conduct grant certification work, as required under the terms of our engagement. We use the results of our certification work to support our audit work in specific areas; because this work forms part of the same overall engagement self-review is not relevant.

Self Interest Threat: As a firm, we have no financial or other interest in the results of the Authority. We have concluded that this work does not pose a self interest threat.

Management Threat: PwC is not required to take any decisions on behalf of management as part of this work.

Advocacy Threat: We will not be acting for, or alongside, management and we have therefore concluded that this work does not pose an advocacy threat.

Familiarity Threat: Work complements our external audit appointment and does not present a familiarity threat.

Intimidation Threat: We have concluded that this work does not pose an intimidation threat as all officers and members have conducted themselves with utmost integrity and professionalism.

Relationships and Investments

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

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

Appendix B: Communications Plan

Planning (January - March)

- Discussion of business risks with key management and plan detailed audit approach.
- Detailed planning meetings with Finance, HR and IT.
- Audit strategy and timetable agreed with management.
- Presentation of the audit strategy to those charged with governance

Interim (April)

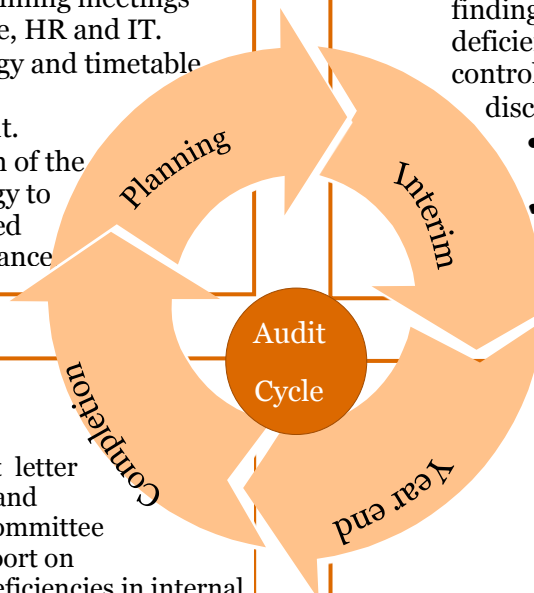
- Update understanding of key processes and controls.
- Key accounting and audit findings/significant deficiencies in internal control identified, discussed and resolved.
- Early substantive testing.
- Update our planning work.

Completion (September)

- Management letter to the Audit and Standards Committee including report on significant deficiencies in internal control.
- Statutory audit opinions.
- Representation Letter.
- Annual Audit Letter

Year end audit (August)

- Detailed audit testing.
- Review of financial statements.
- Clearance meetings with management.



Continuous Communication

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

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Appendix C: Recent developments

The Future of Government



Delivering on the Citizen Promise

In the face of recurrent budget cuts to reduce fiscal deficits in many countries, affordable government has become the watchword. This means doing more for less – meeting rising citizens' expectations by doing things differently to deliver services more effectively and efficiently.

Where Next for public services?

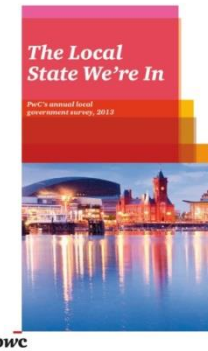
Public sector organisations need to re-evaluate their purpose and role and decide if current visions and missions, and ways of operating to achieve them, are relevant enough to ride the waves of these shifts, or be overwhelmed by them. Government and public sector organisations will also need to respond to these shifts proactively and pre-emptively, to avoid falling one or more steps behind.

What guides and shapes the future public body?

As such, tomorrow's public bodies need to navigate themselves by first formulating a strong and clear vision and mission. Together, these will capture the organisation's

strategic ambition and purpose and serve to influence decisions and behaviour within the organisation.

The Local State We're In



Over the past few years, local government has demonstrated its ability to deliver ambitious and far reaching savings programmes. While Authority Chief Executives are still holding on to their confidence in meeting savings targets for 2013/14, our third annual local government survey shows that confidence in being able to protect services as well has fallen by 40% over the past year. Beyond 2013/14, confidence in meeting savings targets falls further.

Tough choices are ahead as the cracks begin to show and decisions get closer to the frontline. Authorities need to act urgently to transform themselves into agile organisations and shape a role for themselves through a future of continued austerity.

Appendix D: Audit quality

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

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

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

Procedure	Description
Technical updates	<p>PwC prepares numerous publications to keep both PwC staff and our clients abreast of the latest technical guidance.</p> <p>These include:</p> <ul style="list-style-type: none"> • A weekly publication covering the week’s accounting and business developments; • A periodic publication providing in-depth analysis of significant accounting developments; and • A publication issued shortly after meetings of standard setters, including IFRIC and the EITF, to provide timely feedback on issues discussed at the meeting. <p>We also provide Local Government specific technical updates through regular publications issued by our Local Government Centre of Excellence and weekly conference calls for all Local Authority engagement teams during the final audit period. We will share our technical updates with you throughout the year.</p>
Independence standards	<p>PwC has policies and systems designed to comply with relevant independence and client retention standards. Before a piece of non-audit work can begin for the Authority, it must first be authorised by the engagement leader who evaluates the project against our own internal policies and safeguards and against your policy on non-audit services. Above a certain fee threshold, we then seek approval from the Audit Commission before proceeding with any work.</p>
Ethics	<p>Our Ethics and Business Conduct Programme includes confidential communication channels to voice questions and concerns 24 hours a day, seven days a week. Confidentiality helps us to ensure that we receive the candid information and that we respond with the appropriate technical and risk management resources.</p>
Independent review	<p>Our audits are subject to ongoing review and evaluation by review teams within PwC and also by the Audit Quality Review Team (AQRT, formerly the Audit Inspection Unit). The most recent report on PwC was issued in May 2013 and although there are some areas for development identified the general theme was that audit quality has continued to improve. The firm has developed action plans for all areas for development identified by the AQRT.</p> <p>As auditors appointed by the Audit Commission we are also required to comply with their annual Regulatory Compliance and Quality Review programme. The results for our 2012/13 audits are expected in early 2014 and will be publicly available on the Audit Commission’s website should you wish to take a look.</p>

Smart People

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

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

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

Smart Approach

Data auditing

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

In 2013/14 we anticipate the work will include:

- Testing housing rental income using computer assisted audit techniques, allowing us to consider the complete population of transactions and target our detailed testing on exceptional items.
- Consideration and testing where possible new areas (e.g. council tax income) where computer assisted audit techniques could be utilised.

Centre of Excellence

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

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

Delivery centres

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

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

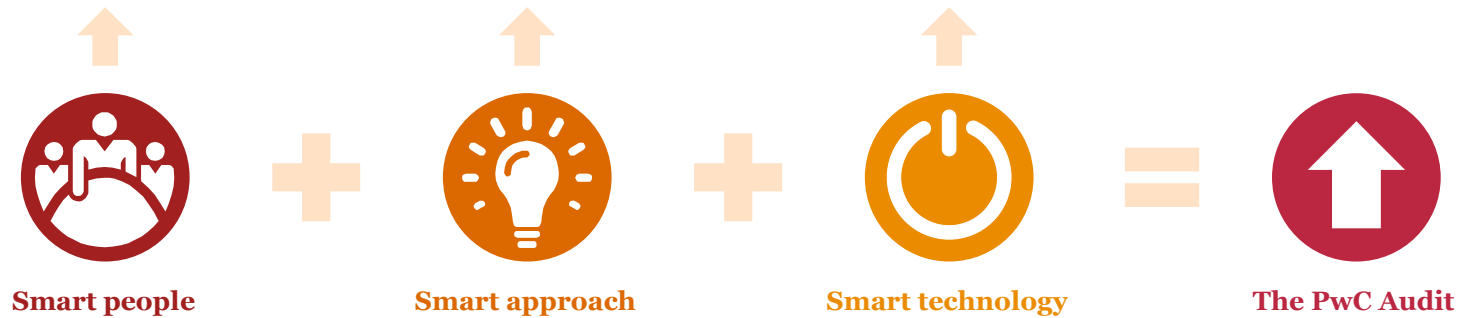
We have agreed a process with the Audit Commission, under which data can be off-shored to PwC Service delivery Centres in India and Poland for the facilitation of basic audit tasks, as highlighted earlier. We have also agreed with the Audit Commission how this will be regulated, together with their independent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

Smart Technology

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

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

We are committed to using technology smartly to make our audit experience better for our clients. We have a new tool, Client Connect, which will make your audit run more smoothly and securely. Client Connect is a web-based online workroom that facilitates the secure exchange of requested audit documents between you and us. Further information is included in Appendix E.



Our 'smart' approach underpins your audit

Appendix E: Other engagement information

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

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

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

Electronic communication

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

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

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

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

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

Access to audit working papers

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

Overseas processing of information

Recently, as with other firms, we have agreed a process with the Audit Commission, under which data can be off-shored to PwC Service Delivery Centres in India and Poland for the facilitation of basic audit tasks. Please refer to the letter at the end of this Appendix for further information on the types of tasks we may off-shore. We confirm that:

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

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

Quality arrangements

We want to provide you at all times with a high quality service to meet your needs. If at any time you would like to discuss with us how our service could be improved or if you are dissatisfied with any aspect of our services, please raise the matter immediately with the partner responsible for that aspect of our services to you. If, for any reason, you would prefer to discuss these matters with someone other than that partner, please contact Richard Bacon, our Government & Public Sector Assurance Lead Partner at our office at Cornwall Court, Birmingham, B3 2DT, or James Chalmers, UK Head of Assurance, at our office at 1 Embankment Place, London, WC2N 6NN. In this way we can ensure that your concerns are dealt with carefully and promptly. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to

you. This will not affect your right to complain to the Institute of Chartered Accountants in England and Wales or to the Audit Commission.

Events arising between signature of accounts and their publication

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

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

Client Connect: making the audit process easier

PwC is committed to using technology smartly to make our audit experience better for our clients. We have a new tool available, Client Connect, that we think will make your audit run more smoothly and securely. Over the last year, we've successfully piloted Client Connect in several major countries around the world, including the UK, US and Canada.

Benefits to you

Client Connect is a web-based online workroom that facilitates the secure exchange of requested audit documents between you and us. Based on the pilots, we believe that the benefits to you will be:

- Your team will be able to see exactly what information has been requested by PwC, when it's due and who's responsible for providing the information. Each user of Client Connect has a personalised page, showing the status of any tasks that they're responsible for. This makes it much **easier** for your team **to administer** the requests, reducing the time spent on managing the audit process at your end. It also **reduces the likelihood of** delays to the audit process and associated audit **overruns**;
- The use of templates within Client Connect requests make it clear what format the requested information needs to be in. This helps ensure requests are **right first time**, reducing the cost of re-work; and
- All information exchanged on Client Connect between your team and PwC is encrypted as it passes across the Internet, making this **more secure** than standard email traffic.

Security and user access administration

There'll be a dedicated Client Connect site for you, to which only your team and the PwC audit team will have access. The security and user access management works as follows:

- We'll grant access to your Client Connect site to those of your personnel whose names you provide to us, subject to their acceptance of specified on-line terms of usage;

- Users will then be able to access the Client Connect site via any web-enabled device (work or personal) – they have to authenticate themselves on entry to the Client Connect site;
- While Client Connect is very easy to use, we'll provide your users with access to suitable support and training to make sure they get the best out of the system;
- We'll remove access from any of your personnel on request – your team is responsible for notifying us when personnel leave or otherwise need their access terminated; and
- Within your Client Connect site, everyone who has been granted access to that site can normally view all documents on it.

Because requested data is normally visible to all users of your Client Connect site, we don't plan to use Client Connect to request any highly confidential information, such as price sensitive information, major restructuring plans/details, or sensitive personal data. You should ensure that any of your team that use Client Connect don't post highly confidential information onto the site without encrypting it.

Your Client Connect site will be hosted in the PwC European Regional Data Centre. This is located in Germany and so is subject to normal EU Data Protection laws.

We can share more information about the security over Client Connect (and how we've tested it) with your information security team if that would be helpful.

Your responsibilities

Client Connect is designed to be easy for both you and us to use in practice. To make the process run smoothly and keep your information confidential, there are certain responsibilities that we need you to carry out.

We recommend that you appoint a single point of contact who can work with our site administrator to carry out these responsibilities.

In the course of the services, we may provide access to your staff to some of our systems. You acknowledge that your people may be able to access our systems from any web-enabled device. You agree that you are solely responsible for:

- Providing details of those of your staff you believe should have access to our systems and ensuring those people are aware of and agree to be bound by the conditions for access;
- Notifying us by email to the designated PwC contact when such personnel leave or otherwise need their access terminated, and for periodically reviewing the access rights of your people to ensure that it remains appropriate; and
- Checking that your people don't post highly confidential information onto our systems without encrypting it.



Private & Confidential

Wolverhampton City Council
Civic Centre
St. Peter's Square
Wolverhampton
WV1 1SH

24 February 2014

Dear Mark,

Working more efficiently

As you know the Audit Commission has tendered the audit work previously delivered by the District Audit service. This realised significant savings which have been passed on to your organisation in a reduction to your scale fee of around 40%.

As a result of this tender, suppliers have sought for opportunities to increase efficiency, whilst maintaining the level of quality. One principle which has recently been established is that certain basic parts of the audit can be off-shored. This is common practice in the private sector. When work is off-shored the firm delivering the audit and thus your audit team, remains entirely responsible for the conduct of the audit. As such the data would be subject to similar data quality control procedures as if the work had not been off-shored, maintaining the security of your data.

Examples of the work that can be off-shored are:

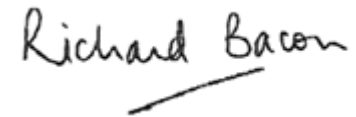
- Request for confirmations (Receivables, Bank or Payables);
- Verification/vouching of information to source documentation (e.g. agreeing a payable balance to invoice);
- Financial statements review;
- Mathematical accuracy checks of data;
- Research; and
- Preparation of lead schedules.

Recently, as with other firms, we have agreed a process with the Audit Commission, under which data can be off-shored to PwC Service delivery Centres in India and Poland for the facilitation of basic audit tasks, as highlighted above. We have agreed

with the Audit Commission how this will be regulated, together with their independent review of our internal processes to ensure compliance, with the Audit Commission requirements for off-shoring.

If you have any questions regarding the above, please do not hesitate to get in touch.

Yours sincerely

A handwritten signature in black ink that reads "Richard Bacon". The signature is written in a cursive style and is underlined with a single horizontal stroke.

Richard Bacon

Engagement Leader



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

10 March 2014

Report title	Corporate Risk Register	
Cabinet member with lead responsibility	Councillor Paul Sweet Governance and Performance	
Accountable director	Keith Ireland, Delivery	
Originating service	Audit	
Accountable employee(s)	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
	Narinder Phagura Tel Email	Strategic Risk Manager 01902 554580 narinder.phagura@wolverhampton.gov.uk
Report to be/has been considered by	Strategic Executive Board	4 February 2014

Recommendations for noting:

The Committee is asked to note:

1. The latest summary of the Council's corporate risk register.

1.0 Purpose

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

2.0 Background

- 2.1 A joint Strategic Executive Board/Corporate Delivery Board (SEB/CDB) risk workshop was held on 23 January 2014 in order to undertake a review of the key risks the Council faces. Appendix A of this report lists the initial risks identified in this exercise and that now form the basis of the Council's new corporate risk register. Additional risks are currently being considered by SEB/ CDB and the outcome of these will be reported to the Committee in due course.
- 2.2 Following the identification of these risks, a further exercise is now underway to develop individual risk management action plans, and an accompanying corporate assurance map (following the three lines of defence model), to identify how these risks are being managed and where the Committee can gain assurance on such activity.

The three lines of defence model:

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

- 2.3 The register will be reviewed by senior management on an ongoing basis and will be updated to reflect any emerging risks, changes in risk assessments and planned actions.

3.0 Progress, options, discussion, etc.

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

4.0 Financial implications

- 4.1 There are no financial implications associated with the recommendation in this report as Councillors are only requested to note the corporate risk register summary. Financial implications may arise from the implementation of strategies employed to mitigate

individual corporate risks, but these will be evaluated and reported separately if required.
[GE/25022014/N]

5.0 Legal implications

5.1 Although there may be some legal implications arising from the implementation of the strategies employed to mitigate individual corporate risks, there are no direct legal implications arising from the recommendations in this report. (JH/28022014/C)

6.0 Equalities implications

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

7.0 Environmental implications

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

8.0 Human resources implications

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

9.0 Corporate landlord implications

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

10 Schedule of background papers

10.1 None

Corporate Risk Register @ February 2014

Appendix A

The following are the key risks the council faces in delivering its corporate themes, which are:

- | | | | |
|----------------------------|-------------------------------------|----------------------------|------------------------------|
| • Encouraging new business | • Empowering People and Communities | • Re-Invigorating the City | • Confident, Capable Council |
|----------------------------|-------------------------------------|----------------------------|------------------------------|

Risk Ref.	Risk title and description	Risk rating @ Feb 2014	Risk owner	Cabinet Member
1 01/14	Looked After Children (LAC) If the number of LAC is not reduced this may result in an increase in costs, budget overspends and an increased demand on children's services.	Red	Sarah Norman	Cllr Val Gibson
2 01/14	Community Skills If the city residents do not have the appropriate skills that employers require then they will be unable to access the jobs and opportunities available resulting in high rates of unemployment and increased demand on council services.	Red	Tim Johnson	Cllr Philip Page
3 01/14	Information Governance If the Council does not put in place appropriate policies, procedures and technologies to ensure: <ul style="list-style-type: none"> • that the handling and protection of its data is undertaken in a secure manner and consistent with the provision of the Data Protection Act 1998; • compliance with the Freedom of Information Act; then it may be subject to regulatory action, financial penalties, reputational damage and the loss of confidential information.	Red	Keith Ireland	Cllr Paul Sweet

Risk Ref.	Risk title and description	Risk rating @ Feb 2014	Risk owner	Cabinet Member
4 01/14	<p>Medium Term Financial Strategy</p> <p>If the Council is unable to agree and operate within its medium term financial plan this may result in insufficient reserves to remain solvent, the potential loss of democratic control and the inability of the council to deliver essential services and discharge its statutory duties.</p>	Red	Simon Warren	Cllr Andrew Johnson
5 01/14	<p>FutureWorks</p> <p>If the Agresso system does not perform as expected then there will be a prolonged need to maintain the old system resulting in inefficiencies in service delivery; unplanned maintenance costs and delays in planned savings materialising.</p>	Red	Keith Ireland	Cllr Paul Sweet
6 01/14	<p>Compliance with Public Sector Network (PSN)</p> <p>If the Council fails to achieve the required technology controls required for connection to PSN, and other similar information security regimes, then it will experience significant interruption to the delivery of its services.</p>	Red	Keith Ireland	Cllr Andrew Johnson
7 01/14	<p>Safeguarding</p> <p>If the Council's safeguarding procedures and quality assurance processes are not consistently and effectively implemented then it will fail to safeguard children and vulnerable adults, and lead to reputational damage.</p>	Red	Sarah Norman	Cllr Val Gibson
8 01/14	<p>Business Continuity Management</p> <p>If the Council does not have adequate and tested business continuity plans in place then it will be unable to ensure the resilience of its supply chains and effective and timely recovery from disruptive challenge for the delivery of services.</p>	Red	Keith Ireland	Cllr Andrew Johnson

Risk Ref.	Risk title and description	Risk rating @ Feb 2014	Risk owner	Cabinet Member
9 01/14	<p>City Centre Regeneration</p> <p>If the city centre regeneration programme is not effectively managed in terms of project timings, costs and scope, then it will be unable to maximise opportunities including:</p> <ul style="list-style-type: none"> • creation of well paid employment • retention of skilled workers • sector and economic growth • increased prosperity and • reduced demand on Council services • 	Amber	Tim Johnson	Cllr Peter Bilson
10 01/14	<p>Anti-Poverty Strategy</p> <p>If the implications of the welfare reforms are not reflected in the Council's anti-poverty strategy and all anti-poverty work strands co-ordinated through effective and timely programme management and governance arrangements, then demand for Council services will continue to increase.</p>	Amber	Keren Jones	Cllr Peter Bilson
11 01/14	<p>The Care Bill</p> <p>If the Council does not have robust plans in place to implement the Care Bill it may fail to meet its statutory obligations.</p>	Amber	Tony Ivko	Cllr Steve Evans
12 01/14	<p>Health and Social Care Reforms</p> <p>If the Council and its partners fail to deliver the improved outcomes required by the Better Care Fund, demand on acute services will not be reduced, the reward money will not be received and the council will not receive the additional resources promised by the Better Care Fund.</p>	Amber	Sarah Norman	Cllr Sandra Samuels

Risk Ref.	Risk title and description	Risk rating @ Feb 2014	Risk owner	Cabinet Member
13 01/14	External services If cost pressures on external services including the minimum wage increase beyond levels the Council can afford to pay, then services may fail.	Amber	Keren Jones	Cllr Peter Bilson
14 01/14	School Improvement If the Council does not provide effective support, challenge and appropriate intervention to raise standards in schools, then the Council and these schools are at risk of underperforming, receiving inadequate Office for Standards in Education, Children's Services and Skills judgements and a potential loss of control and influence.	Amber	Tim Johnson	Cllr Philip Page
15 01/14	Emergency Planning If the Council does not have adequate and tested emergency plans in place then it will be unable to fulfil its responsibilities under the Civil Contingencies Act and ensure an effective and timely response during and after an emergency.	Amber	Keith Ireland	Cllr Andrew Johnson
16 01/14	Single Status and Equal Pay If schools do not comply with the Collective agreement and agree local pay scales and conditions then there is a potential for significant equal pay claims to materialise.	Amber	Keith Ireland	Cllr Paul Sweet

Profile of current corporate risk scores:

Red

1, 2, 3, 4, 5, 6, 7, 8

Amber

9, 10, 11, 12, 13, 14, 15, 16

Green



Audit Committee

10 March 2014

Report title	Internal Audit Update – Quarter Three	
Cabinet member with lead responsibility	Councillor Paul Sweet Governance and Performance	
Accountable director	Keith Ireland, Delivery	
Originating service	Audit	
Accountable employee(s)	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
Report to be/has been considered by	Not applicable	

Recommendations for noting:

The Committee is asked to note:

1. The contents of the latest Internal Audit Update as at the end of quarter three.

1.0 Purpose

- 1.1 The purpose of this report is to update the Committee on the progress made against the 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 31 December 2013 (quarter three) contains details of the matters arising from audit work undertaken so far this year. The information included in the report will feed into, and inform the overall opinion in our annual internal audit report issued at the year end. It also updates the Committee on various other activities associated with the internal audit service.

3.0 Progress, options, discussion, etc.

- 3.1 Quarterly internal audit update reports will continue to be presented to the Committee throughout the year.

4.0 Financial implications

- 4.1 The continued review of order processing and creditor payments has identified duplicate payments totalling £221,000. Of this, £167,000 was actually stopped prior to payment, £38,000 has been recovered from suppliers and £16,000 is in the process of being recovered. In addition to this the processing of benefit matches reported through the National Fraud Initiative (NFI) has resulted in the recovery of £86,000. Finally, a further potential saving of £95,000 has been identified in relation to single person discount referrals from the NFI and an additional £13,000 recovered in relation to Council Tax Rising 18's. The latter relates to households no longer eligible for single person discount as young people reach 18 years of age. [GE/26022014/H]

5.0 Legal implications

- 5.1 There are no legal implications arising from the recommendations in this report. (JH/24022014/R)

6.0 Equalities implications

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

7.0 Environmental implications

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

8.0 Human resources implications

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

9.0 Corporate landlord implications

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

10.0 Schedule of background papers - None

Wolverhampton

City Council



Internal Audit Progress Report – Quarter 3

Audit Committee: 10 March 2014

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 Councillors with information on recent audit work that has been carried out to assist them in discharging their responsibility by giving the necessary assurances on the system of internal control.

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

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

2 Summary of work completed

The following audit reviews 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	
Reported previously:							
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	2	1	1	4	4	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
Strategic Construction Partnership	High	0	0	0	0	0	Substantial

Auditable Area	AAN Rating	Recommendations					Level of Assurance
		Red	Amber	Green	Total	Number accepted	
Reported for the first time:							
Springdale Infant School	Medium	0	0	9	9	9	Satisfactory
Church Street Outreach Services	Medium	0	1	6	7	7	Satisfactory
Windmill Lane Children’s Short Break Respite Centre	Medium	0	13	4	17	17	Limited
Ashmore Park Nursery School	Medium	0	1	3	4	4	Substantial
West Park Primary School	Medium	0	0	3	3	3	Substantial
Christ Church CE Infant School	Medium	0	2	3	5	5	Satisfactory
Whitgreave Infant School	Medium	0	5	7	12	12	Satisfactory
St Patrick’s Catholic Primary School	Medium	0	0	15	15	15	Satisfactory
Cash Receipting and Banking Arrangements (Regeneration)	Medium	0	1	3	4	4	Substantial
Compliance with Birmingham City Council Agency Contract	Medium	2	3	0	5	5	Limited
Street Lighting – Repair and Maintenance	Low	0	2	0	2	2	Satisfactory
Employment Opportunities	Medium	0	3	14	17	17	Satisfactory
City Show Cash Collection Procedures	Low	0	2	3	5	5	Satisfactory
Bert Williams Leisure Centre Catering Income	Low	0	0	4	4	4	Satisfactory
TR17 Pensions Return Certification	High	0	0	0	0	0	Satisfactory
Capital Expenditure Managed Audit	High	0	1	0	1	1	Satisfactory
Contaminated Land Programme Grant Certification	Medium	0	0	0	0	0	N/A **

Auditable Area	AAN Rating	Recommendations					Level of Assurance
		Red	Amber	Green	Total	Number accepted	
FutureWorks - Data Migration and Reconciliation	High	5	0	0	5	5	Limited
Two additional pieces of work have also been completed as follows:							
Under Recovery of Property Services Recharges	NA	3	0	0	3	3	NA
Education and Enterprise Overspend	NA	6	7	0	13	13	NA

There were a number of other reviews underway as at 31 December 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

48 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 (Quarter 3)	2012/13	2011/12
Substantial	9	22	36
Satisfactory	34	44	62
Limited	5	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

FutureWorks - Data Migration and Reconciliation

As part of our on-going assurance work relating to the FutureWorks Programme, an audit review of the migration and reconciliation of data into Agresso was undertaken in respect of the January 2014 data upload. As a result of our work, we were only able to provide limited assurance in respect of the data migration and reconciliation process, as a significant proportion of reconciliations failed or could not be completed due to a lack of data.

Five 'red' recommendations were made as a result of our work, covering the following issues:

- Future data uploads being planned to allow sufficient time for problems to be resolved before cutover.
- Communications being improved to ensure that all appropriate officers are available to support future data migrations.
- Wolverhampton Homes and City of Wolverhampton Academy Trust data being uploaded into Agresso and testing commenced.
- Identified issues being logged on a timely basis onto the Bugzilla System (the Agilisys incident recording tool).
- Realistic arrangements being put in place to resolve significant issues identified in relation to employee work schedules.

All recommendations have been agreed with FutureWorks management and the FutureWorks Board.

Compliance with the Birmingham City Council Agency Contract

Following an audit to assess compliance with the Birmingham City Council framework contract for the provision of temporary agency workers, we were only able to provide limited assurance in respect of arrangements adopted. Two red and three amber recommendations were made in respect of the following issues:

- Roles and responsibilities in relation to contract management had not been established.
- Adequate arrangements for monitoring compliance with the framework were not in place.

- Details of the framework and procedures for its use had not been adequately communicated to all relevant staff.
- The agreed process for appointing agency staff was not being complied with. As a result, assurance that the necessary approvals to appoint workers had been obtained could not be provided.
- Services operating outside of the framework had not been subject to the necessary approvals in all instances.

All recommendations were agreed with management for implementation.

Windmill Lane Children's Short Break Respite Centre

An audit of the Windmill Lane Children's Short Break Respite Centre was undertaken at the request of the Interim Resource Manager. Our work identified a significant number of issues related to basic financial controls, including issues relating to payroll, attendance, purchasing, petty cash, income and grant administration. As a result, we were only able to provide limited assurance in respect of the Centre's financial administration.

Under Recovery of Property Services Recharges and Education and Enterprise Overspend

The outcomes of these two reports are being brought to the attention of the Audit Committee in separate reports due to the nature of the issues arising, in particular around the financial implications that the Council experienced as part of the 2012/13 accounts closedown process.

Other areas of potential interest to the Audit Committee

Appraisals review update

The new corporate performance appraisal process was introduced in April 2013 and our first appraisal review is now underway. We have scoped the review as follows:

- Identify the number of appraisals expected overall / by each directorate.
- Identify the number of appraisals completed at a certain date / over a certain time period by each directorate.
- Produce a breakdown of the number of completed appraisals by directorate and service area.
- Test compliance with the corporate policy / timescales throughout.
- Select a sample of performance appraisals undertaken across directorates to assess correct completion / compliance with the corporate policy.
- Select a sample of service areas across directorates where performance appraisals have not been completed to establish if any progress has been made / appraisals have been completed using old EPRS criteria etc.
- Make recommendations for improving the embedding of performance appraisal across the Council.

We have started to examine the corporate database recording the number of completed appraisals by directorate. In addition, 10 questionnaires have been issued to heads of service across each directorate who have not completed any appraisals for their staff, in order to determine the reasons why, and 17 to heads of service across each directorate who have completed appraisals to assess their understanding of the scheme, if any additional support was accessed and any problems encountered. Whilst a return date of 7 February 2014 was set, only 5 (50%) have been returned by heads of service who have not completed appraisals to date, and 11 (65%) from heads of service who had completed appraisals. Reminders have since been issued. Following completion of our analysis, we estimate that our final report will

be ready by mid-March. Further details on the outcome of our review will be reported back to the next Audit Committee.

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 31 December 2013 was as follows:

- 63 duplicate payments identified and stopped prior to payment.
- Total value of duplicate payments £221,000.
- 16 payments to the value of £37,985 had been recovered from suppliers.
- 9 payments to the value of £16,088 are being recovered from suppliers

In addition, a number of benefit matches reported via the National Fraud Initiative (NFI) have been processed. To date, 176 have been investigated 33 are in progress with 19 cases of fraud and error identified, resulting in savings of £85,992 being recovered.

Finally, we undertake the investigation work on single person discount (SPD) referrals via NFI and a total of 2,013 cases have been investigated. 128 customers were found to be over claiming the discount, resulting in potential savings of £95,063. Council Tax Rising 18's are also investigated via NFI and a total of 333 cases have been investigated with 2 frauds and 49 errors identified, resulting in savings of £12,878 being recovered.

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.

As at 31 December 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>Project Governance 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>Project Management 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>Procurement methodology 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>Tender evaluation and appointment process 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>Risk Management How the risks associated with the project are being managed and the role of the Audit Committee in reviewing these.</p>	<p>In September 2012 the Audit Committee received the following reports:</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 the governance and project management framework put in place to oversee the future delivery of the project.</p> <p>In July 2013 the Audit Committee received the following report:</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>Implementation Review How the programme is progressing.</p>	<p>In September 2013 the Audit Committee received details of the following: Internal audit high level design review – June 2013 gave satisfactory assurance on the high level design documents for key work streams.</p>
	<p>In December 2013 the Audit Committee received details of the following: Internal audit detailed design phase review – November 2013 provided satisfactory assurance on the development of the detailed design documents.</p>
<p>Reported for the first time:</p>	
	<p>PwC ‘FutureWorks Programme stage gate review – Testing phase’ in January 2014 - this concluded that: “The programme has a strong and committed team focussed on delivering the system by 1 April 2014. As with many large programmes of this nature, the team faces a number of challenges most of which have mitigations in place. We have not raised any high priority areas.” An agreed action plan has been produced in response to the PwC report and arrangements are in place for internal audit to monitor progress against this, in conjunction with programme management and Agilisys.</p> <p>An Internal Audit review focussing on the discreet area of data migration and reconciliation procedures associated with the January data upload identified a number of issues and therefore could provide only limited assurance regarding this particular process - further details are set out earlier in this report, and recommendations to remedy this have been accepted.</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 31 December 2013 we 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. We have been actively involved in the Single Status appeals process and currently have representation on the Equality and Governance panel. 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.

The Single Status Board was resurrected with effect from 15 January 2014 and meets fortnightly to explore ways of assisting employees with the loss of allowances on 1 April 2014. We 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 the successful implementation of both projects. 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 assurance work has been undertaken based on 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 at the end of March 2014 to assess whether previous recommendations have been implemented and review the system for managing future claims.

Introduction of new Procurement Procedures

A review was undertaken of the draft Procurement Code in September 2013 which has now been ratified by the Council and implemented. The review identified that the Procurement Code largely addresses compliance with relevant legislation, regulation, EU directives and the Public Service (Social Value) Act, and clearly reflects proposed governance and monitoring arrangements via the Procurement Board. We will continue to monitor the implementation of the Procurement Code and operation of the Procurement Board.

In addition, we are currently undertaking an audit of the property services procurement processes prior to responsibility for this area of work transferring to corporate procurement. This work has identified a number of issues which are currently in the process of being discussed with management. Further details will be provided to the next Audit Committee meeting.



Audit Committee

10 March 2014

Report title	Internal Audit Plan 2014/15	
Cabinet member with lead responsibility	Councillor Paul Sweet Governance and Performance	
Accountable director	Keith Ireland, Delivery	
Originating service	Audit	
Accountable employee(s)	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
Report to be/has been considered by	Delivery Directorate Leadership Team	25 February 2014

Recommendation(s) for action or decision:

The Committee is recommended to:

1. Review, assess and approve the risk based internal audit plan for 2014/15.

1.0 Purpose

The purpose of internal audit is to provide the Council with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving the Council's agreed objectives.

The purpose of this document is to provide the Council with a risk-based internal audit plan, incorporating a strategic statement for internal audit, and based upon an assessment of assurance needs. The assessment of assurance needs exercise is undertaken to identify the systems of control and determine the frequency of audit coverage. The assessment will be used to direct internal audit resources to those aspects of the Council which are assessed as generating the greatest risk to the achievement of its objectives.

2.0 Background

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

3.0 Progress, options, discussion, etc.

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

4.0 Financial implications

4.1 There are no financial implications arising from the recommendations in this report. The audit plan detailed will be implemented using current budgeted internal audit resources.
[GE/25022014/U]

5.0 Legal implications

5.1 There are no legal implications arising from the recommendations in this report.
(JH/28022014/R)

6.0 Equalities implications

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

7.0 Environmental implications

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

8.0 Human resources implications

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

9.0 Corporate landlord implications

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

10.0 Schedule of background papers - None



Audit Services



Internal audit plan for 2014/15



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A quick guide to the audit and assurance planning process

Step 1- Audit universe/auditable areas

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

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



Step 2 – Ranking

Score each auditable area as high, medium or low risk using the CIPFA scoring methodology: materiality/business impact/audit experience/risk/ potential for fraud.



Step 3 – Three year cycle

List the likely medium and high risk auditable areas for the next three years. High risk areas will be reviewed annually, medium risks usually once in a three year cycle, while a watching brief will remain on the low risks.



Step 4 - Next Years Plan

List the areas that will be subject to a review in 2013/14 in the internal audit plan.

A Glossary of Terms

Definition of internal auditing

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

Governance

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

Control environment

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

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

System of internal control

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

Risk Management

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

Risk based audit and assurance reviews

A review that:

- identifies and records the objectives, risks and controls
- establishes the extent to which the objectives of the system are consistent with higher-level corporate objectives
- evaluates the controls in principle to decide whether or not they are appropriate and can be reasonably relied upon to achieve their purpose, addressing the organisation's risks identifies any instances of over and under control and provides management with a clear articulation of residual risks where existing controls are inadequate

- tests the effectiveness of controls i.e. through compliance and/or substantive testing
- arrives at conclusions and produces a report, leading to management actions as necessary and providing an opinion on the effectiveness of the control environment.

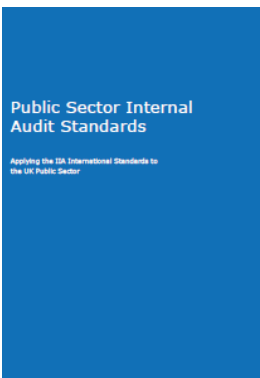
Audit Committee

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

Assurance

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

Internal Audit standards



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

1 Introduction

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

2 Assessing the effectiveness of risk management and governance

- 2.1 The effectiveness of risk management and governance will be reviewed annually, to gather evidence to support our opinion to the Chief Executive, Section 151 Officer and the Audit Committee. This opinion is reflected in the general level of assurance given in our annual report and within separate reports covering risk management and governance. This review will cover the elements of the risk analysis which we regard as essential for annual review in order to provide a positive, reasonable level of assurance.

3 Assessing the effectiveness of the system of control

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

- Establish and monitor the achievement of the Council's objectives and facilitate policy and decision making.
- Identify, assess and manage the risks to achieving the Council's objectives.
- Ensure the economical, effective and efficient use of resources.
- Ensure compliance with established policies, procedures, laws and regulations.

- Safeguard the council's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption.
- Ensure the integrity and reliability of information, accounts and data.

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

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

The framework of assurance

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

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

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

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

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

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

4 Assessment of assurance needs methodology

- 4.1 Internal audit should encompass the whole internal control system and not be limited only to financial control systems. The scope of internal audit work should reflect the core objectives of the Council and the key risks that it faces. As such, each audit cycle starts with a comprehensive analysis of the whole system of internal control that ensures the achievements of the Council's objectives.
- 4.2 Activities that contribute significantly to the Council's internal control system, and also to the risks it faces, may not have an intrinsic financial value necessarily. Therefore, our approach seeks to assign a relative risk value. The purpose of this approach is to enable the delivery of assurance to the Council over the reliability of its system of control in an effective and efficient manner.
- 4.3 We have undertaken our assessment using the following process:
- We identified the core objectives of the Council and, where available, the specific key risks associated with the achievement of those objectives.
 - We then identified the auditable areas that impact significantly on the achievement of the control objectives.
 - We assigned risk values to the auditable areas, based on the evidence we obtained.
- 4.4 The audit plan is drawn out of the assessment of assurance need. The proposed plan covers the 2014/15 financial year and is detailed at the end of this document.

5 The Assessment of Assurance Needs

Identifying the Council's organisational objectives, priorities and the associated risks

- 5.1 The following are the Council's key priorities:

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

Supported by:

- A Confident, Capable Council

At the time this plan was prepared, the Council was in the process of updating its risk register, and the initial risk identification exercise, identified the following risks:

- Looked After Children
- Community Skills
- Information Governance

• Medium Term Financial Strategy
• FutureWorks
• Compliance with the Public Sector Network
• Safeguarding
• Business Continuity Management
• City Centre Regeneration
• Anti-Poverty Strategy
• The Care Bill
• Health and Social Care Reforms
• External Services
• School Improvement
• Emergency Planning
• Single Status and Equal Pay

Identifying the “audit universe”

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

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

Assessing the risk of auditable areas within the assurance framework

- 5.3 Risk is defined as “The threat that an event or action will adversely affect an organisation's ability to achieve its business objectives and execute its strategies.”
Source: Economist Intelligence Unit - Executive Briefing.
- 5.4 There are a number of key factors for assessing the degree of risk within the auditable area. These have been used in our calculation for each auditable area and are based on the following factors:

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

Deriving the level of risk from the risk values

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

Full coverage intensity approach (key financial systems)

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

6 Developing an internal audit plan

- 6.1 The internal audit plan is based, wherever possible, on management's risk priorities, as set out in the Council's own risk analysis/assessment. The plan has been designed so as to, wherever possible, cover the key risks identified by such risk analysis.
- 6.2 In establishing the plan, the relationship between risk and frequency of audit remains absolute. The level of risk will always determine the frequency by which auditable areas will be subject to audit. This ensures that key risk areas are looked at on a frequent basis. The aim of this approach is to ensure the maximum level of assurance can be provided with the minimum level of audit coverage.

In the course of the period covered by this plan, the priority and frequency of audit work will be subject to amendment in order to recognise changes in the risk profile of the Council.

Auditor's judgement has been applied in assessing the number of days required for each audit identified in the strategic cycle.

- 6.3 The assessment of assurance need's purpose is to:
- determine priorities and establish the most cost-effective means of achieving audit objectives;
 - assist in the direction and control of all audit work

- 6.4 This exercise builds on and supersedes previous internal audit plans.
- 6.5 Included within the plan, in addition to audit days for field assignments are:
- a contingency allocation, which will be utilised when the need arises, for example, special projects, investigations, advice and assistance, unplanned and ad-hoc work as and when requested.
 - a follow-up allocation, which will be utilised to assess the degree of implementation achieved in relation to key recommendations agreed by management during the prior year.
 - an audit management allocation, which is used for management, quality control, client and external audit liaison and for preparation for, and attendance at various member meetings and Audit Committee etc.

7 Considerations required of the Chief Executive, Section 151 Officer Audit Committee and Council management

- Are the objectives and key risks identified consistent with those recognised by the Council?
- Does the plan include all those systems which would be expected to be subject to internal audit?
- Are the risk scores applied to the plan reasonable and reflect the Council?
- Does the plan cover the key risks as they are recognised?
- Is the allocation of audit resource accepted, and agreed as appropriate, given the level of risk identified?

8 How the internal audit service will be delivered

Resources required

It is estimated that approximately 2,560 internal audit days (including all fraud, assurance and contingency work) will be required to deliver the audit plan for 2014/15 as detailed at the end of this document.

Communication of results

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

Staffing

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

specialist skills which are provided by staff within the service with the relevant knowledge, skills and experience.

Quality assurance

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

Combined assurance

We work in conjunction with the Council's External Auditors (PwC) in order to ensure that the assurance both internal and external audit can provide, is focussed in the most efficient manner and that any duplication is eliminated. This plan also attempts to identify where our External Auditors will be undertaking work, and will be updated and amended as and when both plans are finalised and as the year progresses. However, it should be noted that the actual scope and time periods covered by internal and external audit, can on occasions differ. This will be taken into account when scoping out work in potential overlapping areas.

NOT PROTECTIVELY MARKED

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

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

NOT PROTECTIVELY MARKED

Community: Internal Audit Plan for the period 1 April 2014 to 31 March 2015

Auditable Area	Purpose	Risk Category
Children, Young People, and Families		
Placements (including Looked After Children)	A review of systems/processes in operation for the establishment of effective placements in accordance with assessed care needs from referral through to on-going monitoring of outcomes.	High
Contract Audit	A specific contract audit of a selected contract (to be selected in-year in liaison with Commissioners, Budget Holders and Quality Assurance).	High
Children's Centres Governance & Monitoring Arrangements	A review of compliance with the governance framework and monitoring of delivery of outcomes /use of funding.	Medium
Transitions Team (Care Leavers)	A review of systems/procedures in operation within the Transitions Team (Care Leavers) for the effective transition of care leavers.	Medium
Older People & Personalisation		
Rehabilitation Strategy	A review of the mechanisms in place for the effective transition of older people from rehabilitation to appropriate services (including suitably integrated re-ablement and enablement services as part of the Home Assisted Re-abled Programme) in order to meet assessed needs and achieve the best outcome as part of the service user's journey.	High
Commissioning Strategy	A review of the Commissioning Strategy and supporting framework of policy/procedures with reference to Financial Procedure Rules, Procurement Rules, best practice and specifically Society of Local Authority Chief Executives and Senior Managers (SOLACE) guidance.	High
Direct Payments	A review will be undertaken of the implementation of the payment card system and associated key controls and procedures within the Direct Payments scheme.	High
High Cost Care Packages	A review of the effectiveness of systems/processes in place for establishing and procuring high cost care packages in alignment with lead service area responsibility/accountability and collaboratively in liaison with other service areas to aggregate requirements and costs to achieve better procurement/service delivery outcomes.	Medium
Resource Centre Health Checks	A review of the adequacy of key procedures, internal controls and compliance with Constitutional Financial and Procurement Procedure Rules e.g. budgetary control, procurement, payroll, income, service users' finances and security.	Medium

NOT PROTECTIVELY MARKED

Auditable Area	Purpose	Risk Category
Health, Wellbeing, & Disability		
Budgetary Control	A high level review of the budgetary control framework in operation within Health, Wellbeing and Disability to ensure effective procedures are in place, budgetary support is suitably provided and utilised, and compliance with Financial Procedure Rules.	High
Delivery of Savings Plan	A high level review of the adequacy of the mechanisms put in to ensure delivery of the Health, Wellbeing and Disability Savings Plan.	High
Short Break Respite Centre Health Checks	A review of the adequacy of key procedures, internal controls and compliance with Constitutional Financial and Procurement Procedure Rules e.g. budgetary control, procurement, payroll, income, service users' finances and security.	Medium
Disability Team Safeguarding Procedures	A systems review of the operational procedures within the Disability Team for dealing with safeguarding issues in accordance with Safeguarding policy/procedure.	Medium
Public Health		
Safeguarding for Children and Adults	In-year coverage of specific areas will be determined in liaison with the Head of Service – Safeguarding Children and Adults and/or operational Heads of Service.	High
Budgetary Control Arrangements (Ring Fenced Public Health Budgets)	A high level review of the budgetary control framework in operation within Public Health to ensure robust and appropriate procedures are in place to manage ring fenced budgets effectively and in accordance with Financial Procedure Rules.	High
Independent Reviewing Officer Statutory Role (Looked After Children)	A review of the effectiveness of the procedures and processes operated by IROs to ensure that statutory requirements are appropriately met.	High
Transformational Fund	A systems review of the Transformational Fund Scheme to assess the adequacy of key controls and operation procedures in place to ensure that funding has been granted and utilised in accordance with its intended purpose and has achieved expected outputs / outcomes.	Medium
Community Wide		
Electronic Social Care Record	A follow on review from the 2013/14 review of Electronic Social Care Record – Information@Work, of compliance with relevant policy and legislation regards retention, use and sharing of personal information held within the ESCR solution relating to service users e.g. Retention and Destruction Policy, Information Governance and Data Protection.	High
CareFirst Finance Processes	A review of the adequacy of key procedures, internal controls and compliance with Constitutional Financial Rules and specifically the financial procedures laid down for CareFirst.	High

Education and Enterprise: Internal Audit Plan for the period 1 April 2014 to 31 March 2015

Auditable Area	Purpose	Risk Category
Partnerships, Economy and Culture		
Growth Factory	A review of the governance and monitoring arrangements for the administration of Growth Factory Regional Growth Fund funding where the Council is acting as the accountable body.	High
WVOne - Management of Business Improvement District (BID)	A review of the governance and monitoring arrangements for WVOne's management of the BID.	Medium
Regeneration		
City Centre Development	A review of the contract management and governance arrangements in respect of the City Centre development.	High
i54 - Project Closure	A review of the i54 project closure arrangements.	High
Tenant Management Organisations (TMOs)	A review of the Council's arrangements for the management/monitoring of TMOs.	High
Wobaston Road Expansion	A review of the contract monitoring arrangements and compliance with Local Pinch Point Funding grant conditions for works at Wobaston Road.	Medium
A41 Bilston Road Improvements	A review of the contract monitoring arrangements in respect of the A41 Bilston Road works funded through the Local Sustainable Transport Fund (LSTF).	Medium
Learning and Achievement		
Wolverhampton Schools' Improvement Partnership (WSIP)	A review of WSIP's management and financial arrangements where the Council acts as the company's supervising authority.	High
BSF - Collective Partnership Targets (CPTs)	A review of the arrangements for monitoring the Collective Partnership Targets (CPTs) as per the BSF Strategic Partnering Agreement.	High
Outreach Services - Special Schools	A review of the administration of Outreach Services in Special Schools.	Medium
City of Wolverhampton College - Learners with Learning Difficulties and/or Disabilities Post 16	A review to check compliance with eligibility and funding criteria as stipulated in the Service Level Agreement between the Council and the City of Wolverhampton College.	Medium
Schools Audits (covering each of the Authority's schools over a 3 year cycle)	A review of the governance and financial procedures in place at a sample of Nursery, Primary, Secondary and Special Schools, and Pupil Referral Units (PRU) to ensure coverage of all Local Authority maintained schools within Wolverhampton.	Medium

Delivery and OCE: Internal Audit Plan for the period 1 April 2014 to 31 March 2015

Auditable Area	Purpose	Risk
For the following key financial systems reviews, the control matrices (nature and type of tests, sample sizes etc.) used in our review include the requirements of the external auditors, in order that they can place reliance on our work and thereby reduce their own year-end testing accordingly.		
General Ledger Budgetary Control Payroll Sundry Debtors (including Domiciliary Care) Creditors Local Taxes (Council Tax and NNDR) Treasury Management Housing Benefits Capital Expenditure Housing Rents	A review of the high-level system controls - these areas include a detailed review of further key processes under a full coverage intensity approach (with all such processes being reviewed over a cyclical period) as agreed with the External Auditors. Agresso system As many of these areas are fundamental within the new FutureWorks Agresso system, they will form a key part of the work of internal audit during 2014/15. This will include not only a detailed full systems review undertaken on all systems replaced by the new Agresso System, but will also include representation on the board, attendance at workshops, in-year targeted testing and ongoing consultancy and advice.	N/A
The following grant certifications etc. will be undertaken, including where appropriate the use of established performance indicators and compliance with the grant conditions.		
Grant Certification Process: <ul style="list-style-type: none"> • TR17 Teachers Pensions Return Certification • Payroll Contribution Statements for WMPF • Senior Officers Salaries over £50k check • Senior Officer Emoluments • Carbon Reduction Credits (CRC) Assurance Statement 	A review of compliance with the various grant and/or legislative requirements regarding these returns.	N/A

Auditable Area	Purpose	Risk
FutureWorks		
Agresso - Post Implementation Review (end of May 2014)	To provide on-going assurance to the Project Executive and Board around the implementation of the new shared service system. The purpose of this review will be to identify good practice and lessons learnt which can be incorporated into future projects.	High
Agresso - Self Service Roll-Out (end of October 2014)	To provide assurance that the roll-out of self service is in accordance with the project's implementation plans.	High
Procurement		
Implementation of Procurement Code and Board	To provide consultancy and assurance to the Board that the procurement code has been implemented in accordance with agreed protocols and procedures.	High
E-Tendering (Due North) - Compliance Review	To provide an assurance and compliance review that all tendered contracts let by the Council are administered via the new e-tendering system (Due North).	Medium
ICT Contract Procedures and Processes	To provide assurance that all ICT contracts are procured in accordance with the Council's Procurement Rules.	Medium
Human Resources		
Employee Performance Appraisal Scheme	To provide half yearly compliance reviews to ensure that managers of the Council are undertaking performance appraisal reviews.	High
Single Status - Collective Agreement Compliance	To provide on-going consultancy and compliance reviews to ensure all employees on NJC terms and conditions are complying with the Council's collective agreement.	High
Equal Pay Claims	To provide on-going consultancy in respect of the on-going risks associated with equal pay claims against the Council. Audit work provides on-going assurance to the Project Executive/Section 151 Officer.	High
Financial Services		
Grant Accounting Arrangements	To provide a high level systems review of grants received by the Council to ensure they are accounted for and assurance that the appropriate funding terms are being complied with.	Medium
Debt Management Processes	To assess progress made against recommendations made as part of an external review of debt recovery processes.	Medium
Council Tax Reduction Scheme	To provide a systems and consultancy review around the proposed changes to Council Tax. These include the new localised Council Tax Support System and the revised discounts following the technical reforms to Council Tax.	Medium

Auditable Area	Purpose	Risk
Central Services		
FutureSpace Programme	To provide on-going consultancy and advice around the programme. It is proposed that Audit Services will have representation on the programme and undertake focussed reviews as a result of establishing an assurance framework.	High
Carbon Reduction Credits (CRC) - Annual Assurance Review	A review of the management systems in place for capturing all CRC information to allow the compilation of the annual assurance report.	High
Resilience Management (Emergency Planning & Business Continuity)	To provide focussed reviews of resilience management in order to meet the requirements of the Council's Resilience Management Board.	High
ICTS - Desktop Asset Management Review	This review is aimed to provide assurance that the Council has robust systems and processes in place to account for IT assets. The review will also focus on the arrangements in place for assessing the compatibility of current assets with new systems.	Medium
Elections Payroll	To provide assurance that payments to elections staff are processed in accordance with HMRC's Real Time Information requirements.	Medium
City Services		
Street Lighting - Capital Programme	To review the process of identifying capital schemes, costing requirements and delivery of work to ensure value for money is achieved.	Medium
Civic Centre Parking	To provide quarterly monitoring reviews of Civic Centre stamp usage in order to assurance that stamps are being used and administered in accordance with agreed procedures.	Medium
Pest Control Procedures	To review the end to end process for pest control work performed by the Council. This will include logging procedures, allocation of workloads, and the associated charging processes.	Medium
Street Cleansing - Investigation of Fly-tipping Incidents	To provide a consultancy based review in terms of the efficiency around the investigation of fly-tipping incidents identified and reported by Street Scene operatives.	Medium
Administration of Swimming Lessons	To review the processes and procedures for the booking and allocation of swimming lessons at all of the Council's wet side facilities. The purpose of this review is to ensure the Council is maximising its income in respect of this particular area.	Medium
Fit Card Scheme	To provide a focussed review of the Council's Fit Card Scheme with particular focus around the annual renewal process. The purpose of this review is to ensure cards are not being used fraudulently and customers are being charged correctly based on the current status of their membership.	Medium
Fleet Management - Hire and Replacement of Vehicles	To provide a high level review around the process for the hire and replacement of vehicles on the Council's fleet. The audit will focus on the business cases and approval mechanisms currently in place.	Medium

Auditable Area	Purpose	Risk
OCE		
Information Governance - Compliance Support	To provide ongoing advice and support in order to provide assurance that the Council is meeting its Information Governance obligations.	High
Information Governance - Information Sharing Agreements	To review the systems and procedures in place to ensure that agreements are in place prior to sharing information with other external organisations.	High
Information Governance - Protective Marking Compliance	To provide a compliance monitoring review to ensure that the organisation is complying with its protective marking obligations.	High



Audit Committee

10 March 2014

Report title	Payment Transparency	
Cabinet member with lead responsibility	Councillor Paul Sweet Governance and Performance	
Accountable director	Keith Ireland, Delivery	
Originating service	Audit	
Accountable employee(s)	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
Report to be/has been considered by	Not applicable	

Recommendations for noting:

The Committee is asked to note:

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 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 in December 2013, 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 the recommendations in this report.
(GE/25022014/Q)

5.0 Legal implications

5.1 There are no legal implications arising from the recommendations in this report.
(JH/28022014/R)

6.0 Equalities implications

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

7.0 Environmental implications

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

8.0 Human resources implications

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

9.0 Corporate landlord implications

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

10.0 Schedule of background papers - None



Audit Committee

10 March 2014

Report title	Review of Fraud Related Policies and Procedures	
Cabinet member with lead responsibility	Councillor Paul Sweet Governance and Performance	
Accountable director	Keith Ireland, Delivery	
Originating service	Audit	
Accountable employee(s)	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
Report to be/has been considered by	Delivery Directorate Leadership Team	7 January 2014

Recommendations for noting:

The Committee is asked to note:

1. The review and update of the Council's fraud related policies and procedures:
 - Whistleblowing policy and procedure
 - Anti-fraud and corruption policy and procedure
 - Anti-money laundering policy and procedure
 - Raising fraud awareness guide

1.0 Purpose

- 1.1 This report updates the Committee on the recent review of the Council's fraud related policies. The review has seen the various policies and guides that were previously in place in these areas, combined into four documents, which have then been updated to reflect current best practice.

2.0 Background

- 2.1 The Council has historically had a number of policies, plans and guides on fraud related issues. These have been reviewed, combined into four key documents and updated to reflect current best practice. In particular the whistleblowing policy and procedure has been updated in line with the recently issued British Standards whistleblowing arrangements code of practice, and issues around the public interest.

The new documents are as follows:

- Appendix A – Whistleblowing policy and procedure
- Appendix B – Anti-fraud and corruption policy and procedure
- Appendix C – Anti-money laundering policy and procedure
- Appendix D – Raising fraud awareness guide

Once reviewed by the Committee they will be widely promoted across the Council.

3.0 Progress, options, discussion, etc.

- 3.1 These policies and procedures will be reviewed on an annual basis by the Committee.

4.0 Financial implications

- 4.1 There are no financial implications arising from the recommendations in this report.
(GE/25022014/U)

5.0 Legal implications

- 5.1 There are no legal implications arising from the recommendations in this report.
(JH/24022014/H)

6.0 Equalities implications

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

7.0 Environmental implications

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

8.0 Human resources implications

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

9.0 Corporate landlord implications

9.1 There are no corporate landlord implications arising from the recommendations inn this report

10.0 Schedule of background papers - None



Whistleblowing Policy and Procedure

Policy statement

Every employer faces the risk that something will go badly wrong in their organisation and ought to welcome the opportunity to address it as early as possible. Whenever such a situation arises the first people to know of such a risk will usually be employees yet while these are the people best placed to speak up before damage is done, they often fear they have the most to lose if they do (otherwise known as “whistleblowing”). They may also feel that speaking up would be disloyal to their colleagues or to the Council and they may fear harassment or victimisation. In these circumstances it may be easier to ignore the concern rather than report what may just be a suspicion of malpractice.

The Council is committed to the highest possible standards of openness, probity and accountability. In line with that commitment we actively encourage employees, and others that we deal with, who have serious concerns about any aspect of the Council’s work to come forward and voice those concerns.

This document makes it clear that you can raise concerns without fear of victimisation, subsequent discrimination or disadvantage. This whistleblowing policy and procedure is intended to encourage and enable employees to raise serious concerns within the Council rather than overlooking a problem.

Whistleblowing is the popular term used when someone who works in an organisation raises a concern that could threaten customers, colleagues, the public or the organisation’s own reputation. As an early warning system, whistleblowing can help alert employers to risks such as:

- a danger in the workplace;
- fraud in, or by the organisation;
- offering, taking or soliciting bribes;
- damage to the environment;
- failure to comply with appropriate professional standards;
- gross waste or mismanagement of funds;
- serious misuse or abuse of authority;
- misreporting performance data; or
- neglect of people in care.

Whistleblowing concerns as distinct from grievances

Whistleblowing is where an employee has a concern about danger or illegality that has a public interest aspect to it. A grievance or private complaint is, by contrast, a dispute about the employee’s own employment position and has no additional public interest dimension.

Therefore, any issues surrounding an employees’ own contracts of employment, bullying or harassment, should be raised under the existing Council policies for these issues (copies of which can be obtained on the Council’s intranet site). Where issues involve potential cases of

fraud, bribery or corruption, employees should also refer to the Council's anti-fraud and corruption policy and procedure.

Aims of this policy and procedure

The aims of the whistleblowing policy and procedure are as follows:

- To encourage employees to feel confident about raising concerns and to question and act on those concerns.
- To provide ways for employees to receive feedback where appropriate on any action taken as a result.
- To reassure employees that if they raise concerns in the public interest and reasonably believe them to be true (*known as a public interest disclosure), the Council will not tolerate any reprisal against an employee because they have raised a concern under the policy, and will treat any such reprisal as a disciplinary matter which might lead to dismissal. However, this assurance is not extended to those who maliciously raise a concern that they know is false, which is also considered a disciplinary matter.
- To ensure that employees are aware of the options available to them if they are dissatisfied with the Council's response.

* No agreement made before, during or after employment, between an employee and the Council will preclude that employee from making a public interest disclosure.

Who is covered by the policy and procedure?

The Council's whistleblowing policy and procedure applies equally to employees, Councillors, job applicants, volunteers, agency workers and Council contractors, suppliers and partners.

Raising a concern

While it is hoped this policy and procedure will reassure employees to raise concerns internally, the Council accepts that employees can safely contact an appropriate external body. Therefore, you may wish to, or benefit from, talking the matter through in confidence with such an external body. If so, independent and confidential advice is available through the organisation Public Concern at Work, who can be contacted as follows:

Public Concern at Work

3rd Floor
Bank Chambers
6 -10 Borough High Street
London
SE1 9QQ
(Tel: 020 7404 6609)
(www.pcaw.org.uk)



Public Concern at Work is a whistleblowing charity that aims to protect society by encouraging workplace whistleblowing. They operate a free, confidential advice line for workers with whistleblowing dilemmas.

If you decide to go ahead with raising a whistleblowing concern, the Council hopes that you will feel able to raise it with your line manager. Where you do not feel that is an option or a sensible course (for example because the issue may involve your manager), or if the concern has been raised locally but remains unaddressed, the concern can be safely raised at a higher level by using the Council's confidential whistleblowing hotline:



Whistleblowing hotline: (01902) 550550

(24 hours a day, 7 days a week, answerphone out of office hours)

Alternately, concerns can be raised directly with the following officers:

Peter Farrow - Head of Audit Services

Tel: (01902) 554460

e-mail: peter.farrow@wolverhampton.gov.uk

Wendy Trainor - Chief Legal Officer

Tel: (01902) 554910

e-mail: wendy.trainor@wolverhampton.gov.uk

This policy and procedure is intended to provide you with an avenue within the Council to raise concerns. The Council hopes you will be satisfied with any action taken. If you are not, and if you feel it is right to take the matter outside the Council, the following may be useful contact points:

Public Concern at Work (contact details above)

The Council's external auditors:

PricewaterhouseCoopers (PwC)

Cornwall Court

19 Cornwall Street

Birmingham

B3 2DT

(Tel: 0121 265 5000)

Whilst anonymous allegations will be assessed and action taken where appropriate, it is much more difficult to properly investigate matters raised anonymously. The whistleblowing policy and procedure is designed to protect anyone raising concerns and individuals utilising the provisions of the policy are encouraged to identify themselves. Obviously, feedback relating to any investigation which has been undertaken can only be provided where contact details are known.

How will the Council respond?

Where a concern is raised, whether formally under the policy or not, the manager will listen carefully, avoid pre-judging the issue and decide whether it should be dealt with under the whistleblowing policy.

Some concerns may be more suitable to be investigated and dealt with by managers through alternative Council procedures such as the disciplinary or grievance processes. Also, concerns or allegations which fall within the scope of other specific procedures (for example, child protection issues) will normally be referred for consideration under those procedures.

Where it is decided that it is a whistleblowing concern, and in all cases where a concern is raised formally (by invoking the policy), the manager should notify the head of audit services. A decision will then be taken between both parties, as to the most appropriate way, dependent upon how serious and urgent the risk is, in which way the concern can be investigated, for example an audit services investigation, other internal investigation, referral to the police or other external organisation.

You will be told how and by whom your concern will be handled, and be given an estimate of how long any investigation will take.

If you would like an update or feedback following the raising of your concern, you will be told, where appropriate the outcome of the investigation. However, due to the legal obligations of confidentiality the Council owes other employees, it might not be able to freely provide feedback on the outcome of any disciplinary action taken against another employee.

The Council will respect confidentiality and your identity will be kept confidential if you request, unless disclosure is required by law. However, the Council cannot guarantee that others may not try to deduce (correctly or otherwise) your identity. If you are wrongly identified as having raised a concern, the protection offered to whistleblowers within the policy, will also apply to you.

Reporting

The Head of Audit Services will maintain a record of all key details of concerns raised under the whistleblowing policy and procedure and will report on whistleblowing concerns and their outcomes, as necessary to the Audit (Monitoring of Audit Investigations) Sub-Committee in accordance with the principles on confidentiality.

In the event that a member of the Audit Sub-Committee is dissatisfied with any aspect of how the concern has been dealt with, the matter will be referred back to the main Audit Committee or the Council's external auditors.

An annual report summarising activity undertaken under the Council's whistleblowing policy and procedure will also be submitted to the Audit Committee. This report will include:

- a record of the number and types of concerns raised and the outcomes of investigations;
- feedback from individuals who have used the arrangements;
- any complaints of victimisation;
- any complaints of failures to maintain confidentiality;
- a review of other existing reporting mechanisms, such as fraud, incident reporting or health and safety;
- a review of other adverse incidents that could have been identified by staff (e.g. complaints, publicity or wrongdoing identified by third parties);
- a review of any relevant litigation; and
- a review of staff awareness, trust and confidence in the arrangements.

Review of the whistleblowing policy and procedure

The Council's whistleblowing policy and procedure will be reviewed on an annual basis by the head of audit services and the Audit Committee to ensure that it remains up to date, fit for purpose and represents generally accepted good practice.



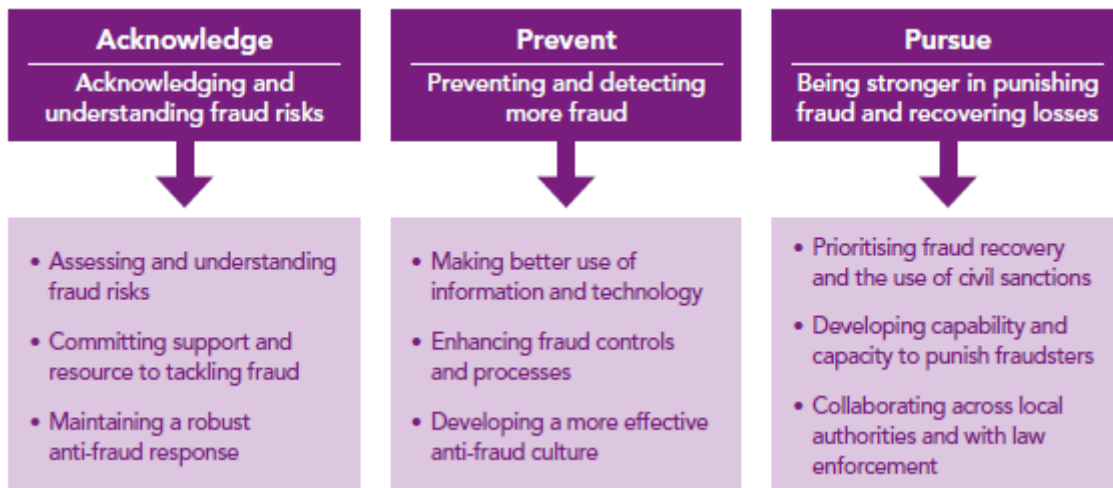
Anti- Fraud and Corruption Policy and Procedure

Policy Statement

Wolverhampton City Council is committed to creating and maintaining an environment where fraud, corruption and bribery will not be tolerated. The Council operates a zero tolerance on fraud, corruption and bribery whereby all instances will be investigated and the perpetrator(s) will be dealt with in accordance with established policies. Action will be taken to recover all monies stolen from the Council. Where appropriate arrangements will be made to ensure that such cases receive maximum publicity to deter potential fraudsters.

Links to the Council's corporate plan themes and aims

One of the Council's key corporate plan themes is to be a confident, capable Council. This is underpinned by a series of aims including improving value for money across all services and improving governance arrangements and internal controls. In order to achieve these aims it is important that a zero tolerance to fraud stance is taken, and the threat of fraud is acknowledged, any fraudulent practises are prevented, and where perpetrated are detected, investigated and wherever possible any loss of monies is recovered. These are the goals and intended outcomes of this Policy, and are based around those of the what was the National Fraud Authority's 'Fighting Fraud Locally Strategy' of "Acknowledge", "Prevent" and "Pursue":



1. Introduction

The public are entitled to expect the Council to carry out its business with integrity, honesty and openness and to demand the highest standards of conduct from those working for it. This policy and procedure outlines the Council's commitment to creating an anti-fraud culture and maintaining high professional and ethical standards.

What is Fraud?

For the Council's purpose fraud can be defined as the intentional distortion of financial statements or other records by persons internal or external to the Council which is carried out to conceal the misappropriation of assets or otherwise for gain (this covers theft, false accounting, bribery and corruption, deception, collusion, money laundering and identity theft). Examples of fraudulent activities include:

- The offering, giving, soliciting or acceptance of an inducement or reward that may influence the actions taken by the authority, its members or officers
- Destroying, defacing, concealing or falsifying any account, record or document required for an accounting purpose, with a view to personal gain or gain for another (including falsifying expenses claims and time records)
- Theft of cash and Council assets/property

Consequences of Fraud

Where there are any incidents of fraud within the council, it carries several negative effects, not only for the Council, but also for the council's partners, the public and Council employees. Negative effects include adverse publicity, loss of assets (anything from time to money), loss of morale, reduced performance and loss of trust.

Culture

The Council is committed to enhancing and actively promoting an anti-fraud and corruption culture where employees and the public can feel comfortable in voicing their concerns.

2. Responsibility

Who has responsibility for the detection of fraud, corruption and bribery within the Council?

Everyone has a responsibility for identifying and reporting any suspected instances of fraud, corruption and bribery to their line manager or, if required, direct to the Assistant Director, Finance (Section 151 Officer) or Audit Services.

Employees

Employees are often the first line of defence in preventing fraud and are an integral part in quickly identifying fraud, corruption and bribery. All employees of the Council should be aware of their role and responsibilities as well as the policies/rules that they need to comply with, and the Council encourages any employee who suspects any irregularity to report it initially to their line manager, the Assistant Director, Finance (Section 151 Officer) or the head of audit as necessary.

Senior officers

It is the responsibility of each senior officer to establish the internal control regime for their service areas and to ensure that all activities carried out are efficient, effective and well ordered. The systems in place should ensure that if there is a breach it is promptly identified and the necessary action taken to minimise any potential loss. Senior officers should also foster an environment where employees can feel able to approach them with any concerns regarding suspected irregularities. Any such suspected irregularities brought to their attention, should be reported to the Assistant Director, Finance or the Head of Audit.

Assistant Director, Finance (Section 151 Officer)

The Assistant Director, Finance has a statutory responsibility under Section 151 of the local government act to ensure that proper arrangements are made for the council's financial affairs. Therefore, all frauds have to be reported to the S151 Officer, or their nominated officer (generally the head of audit).

Head of Audit

In accordance with the local government act the Council maintains an internal audit function, known as Audit Services. It is the responsibility of Audit Services to investigate any instances of possible fraud, corruption and bribery being perpetrated against the Council.

The Head of Audit also has responsibility for administering the Council's whistleblowing policy and procedure. Therefore, all incidents of whistleblowing, including those made anonymously, shall be reported or passed on, to the Head of Audit.

Councillors

Councillors have a responsibility as the duly elected representatives of Wolverhampton for ensuring that the assets and resources of the Council are protected from all forms of abuse (including fraud, corruption and bribery).

External audit

Independent external audit is an essential safeguard of the stewardship of public money. Part of the role of external audit is to appraise the arrangements made by the Council to prevent and detect fraud, corruption and bribery.

Suppliers, contractors and external organisations

The Council expects all of its partners that it deals with to act with honesty and integrity. The Council will similarly act at all times on the same basis.

Other related documents

This document is not to be seen as the council's sole document in relation to fraud, corruption and bribery, as such the following documents/processes have also been introduced by the Council to promote an anti fraud and corruption culture:

- Fraud awareness guide
- Financial procedure rules
- Contracts procedure rules
- Whistleblowing policy and procedure
- Anti-money laundering policy
- Fraud awareness training
- Disciplinary procedures
- Code of conduct for councillors
- Code of conduct for employees
- Clear and robust recruitment procedures
- Clear lines of responsibility and accountability

The Bribery Act 2010

The Bribery Act defines bribery as "giving someone a financial or other advantage to encourage that person to perform their functions or activities improperly or to reward that person for having already done so". There are four key offences under the act:

- the giving or offering of a bribe
- the request for, or acceptance of a bribe
- bribing a foreign public official

- a corporate offence of failing to prevent bribery.

The act supports the council's principle of free and fair competition in contracting and procurement.

Anyone who, in the course of Council business, becomes aware that a bribe has been requested, offered, given or accepted should report their suspicions promptly, in accordance with the processes set out in this document.

Facilitation payments are considered bribes (payments to induce officials to perform routine functions they are otherwise obligated to perform).

Genuine hospitality or similar business expenditure that is reasonable and proportionate is allowable by the act and the codes of conduct for councillors and employees, details what is acceptable.

The penalties of committing an offence under the bribery act are up to 10 years imprisonment and an unlimited fine.

Training

The Council recognises that for a successful anti-fraud and corruption culture to be effective, suitable training should be available to all employees, and this will be provided through a variety of methods including seminars, on-line training and the production of helpful guides.

3. Investigations

Where someone knows, or suspects, that an irregularity or an instance of fraud, corruption or bribery is occurring, they should report it to their immediate line manager, or failing this the Assistant Director, Finance (Section 151 Officer), in effect this is passed on to the head of audit. Audit services shall, dependent upon the issue, prepare a response plan, carry out an investigation and report back appropriately.

Each allegation and their subsequent outcome shall also be reported by audit services to the Audit Investigations Sub-Committee. In the event that a member of the Audit Sub-Committee is dissatisfied with any aspect of how the concern has been dealt with, the matter will be referred back to the main Audit Committee or the council's external auditors.

Referrals to the Police

Decisions to refer a fraud, corruption or irregularity matter to the police will normally be taken by the Assistant Director, Finance or their nominee. Notwithstanding any action taken by the police, the Council is committed to recovering any losses incurred as a result of fraudulent activity wherever possible. This may include pursuing a civil action through the courts where this is deemed to be an appropriate course of action.

4. Conclusions

The Council maintains systems, procedures and guidelines that assist in the minimisation of fraud and corruption and will carry out a full investigation of any issues that arise. Such arrangements are regularly reviewed to ensure they are operating effectively and efficiently.

The Council, will wherever possible, publicise its continual commitment to establishing an anti-fraud and corruption culture.

This policy will be reviewed on an annual basis by the Head of Audit Services and the Audit Committee to ensure that it remains up to date, fit for purpose and represents generally accepted good practice.

Useful contact details

Anyone who has any concerns regarding the possibility of fraud, corruption or bribery taking place can contact the following:



Fraud Hotline: (01902) 550550

(24 hours a day, 7 days a week, answerphone out of office hours)

Peter Farrow - Head of Audit Services

Tel: (01902) 554460

e-mail: peter.farrow@wolverhampton.gov.uk

Mark Taylor - Assistant Director, Finance (S151 Officer)

Tel: (01902) 556609

e-mail: mark.taylor@wolverhampton.gov.uk

Wendy Trainor - Chief Legal Officer

Tel: (01902) 554910

e-mail: wendy.trainor@wolverhampton.gov.uk

The Council's external auditors:

PricewaterhouseCoopers (PwC)

Cornwall Court

19 Cornwall Street

Birmingham

B3 2DT

(Tel: 0121 265 5000)

Public Concern at Work

3rd Floor

Bank Chambers

6 -10 Borough High Street

London

SE1 9QQ

(Tel: 020 7404 6609)

www.pcaw.org.uk



Anti-Money Laundering Policy and Procedure

Introduction

Money laundering is any process whereby funds derived from criminal activity are given the appearance of being legitimate. The Council must be alert to the possibility that attempts could be made to utilise funds obtained from criminal activity to pay for Council services.

The Council is committed to preventing money laundering by having anti-money laundering systems in place to establish the legitimacy of the sources of income.

This Anti-Money Laundering Policy makes it clear that it is extremely important that all employees are familiar with:

- the legal responsibilities;
- the serious criminal sanctions that may be imposed for breaches of the money laundering legislation;
- the need to be vigilant and take appropriate steps to reduce the opportunities for breaches of the Money Laundering Regulations 2007 (the Regulations);
- The key requirement to promptly report (disclose) any suspected money laundering activity to the Money Laundering Reporting Officer.

Legal requirements

The regulations set out detailed requirements for the Council to establish procedures to prevent its services being utilised for the purposes of money laundering. In addition, to adherence with the Regulations the Council must also comply with the Terrorism Act 2000 which makes it illegal to financially support money laundering for the purposes of terrorism. The Proceeds of Crime Act (POCA) 2002 further defines the offences of money laundering, creates mechanisms for investigating and recovering the proceeds of crime as well as placing an obligation on the Council and its employees to report suspected money laundering activities.

What is money laundering?

Money laundering is any process which is intended to use, control, hide or disguise monies or property which are the proceeds of 'crime'. The primary money laundering offences are:

- concealing, disguising, converting, transferring or removing criminal property from the UK (section 327 of POCA);
- entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person (section 328 of POCA);
- acquiring, using or possessing criminal property (section 329 of POCA);
- becoming concerned in an arrangement facilitating concealment, removal from the jurisdiction, transfer to nominees or any other retention or control of terrorist property (section 18 of the Terrorist Act 2000).

There are also two secondary offences:

- failure to disclose any of the primary offences;
- tipping off the people suspected of being involved in money laundering, in such a way as to reduce the likelihood of them being investigated or prejudicing an investigation.

Which service areas are affected by money laundering?

The Money Laundering legislation defines 'regulated activity' as the provision 'by way of business' of advice about tax affairs, accounting services, treasury management, investment or other financial services, audit services, legal services, estate agency, services involving the formation, operation or arrangement of a company or trust or, dealing in goods wherever a transaction involves a payment of €15,000 (approx. £12,500) or more.

To help prevent money laundering, cash payments (including notes, coin or travellers cheques in any currency) above £5,000 will not be accepted for any Council service.

Establishing the identity of a customer (due diligence)

Where the Council is carrying out certain 'regulated activities', extra care is required to confirm the identity of the customer. Documents, data or information obtained from reliable and independent sources should be checked – this is known as carrying out customer due diligence. However, if the answer to any of the following three questions is no then there is no need to carry out customer due diligence.

- Is the service a regulated activity?
- Is the Council charging for the service?
- Is the service being provided to a customer other than a UK public authority?

If the answer to any of the questions is yes then customer due diligence must be carried out before any business is undertaken with the customer. If there is uncertainty whether customer due diligence is required then advice must be obtained from the Money Laundering Reporting Officer.

Due diligence can be used to evidence a customer's identity by, for example:

- checking with the customer's website to confirm their business address
- conducting an on-line search via Companies House to confirm the nature and business of the customer and confirm the identities of any directors
- Conducting personal identity checks for example, requesting that the customer provide their current passport/driving licence, birth certificates

In certain circumstances enhanced customer due diligence must be carried out, for example, where:

- the customer has not been physically present for identification
- the customer is a politically exposed person
- there is a beneficial owner who is not the customer – a beneficial owner is any individual who holds more than 25% of the shares, voting rights or interest in a company, partnership or trust.

If it is believed that enhanced customer due diligence is required then the Money Laundering Reporting Officer should be consulted prior to carrying it out. Customer due diligence should be completed for all relevant new customers and for existing customers, during the life of a business relationship, proportionate to the risk of money laundering and terrorist funding.

If, at any time, it is suspected that a client or customer for whom the Council is currently, or is planning to carry out a regulated activity with, is involved in money laundering activities, terrorist financing, or has lied about their identity then this must be reported to the Money Laundering Reporting Officer.

Reporting suspected cases of Money Laundering

Where an employee or Councillor knows or suspects that money laundering activity is taking/has taken place, or becomes concerned that their involvement in a matter may amount to a prohibited act under sections 327 to 329 of POCA, they must disclose this without delay or as soon as reasonably practicable to the Money Laundering Reporting Officer. Failure to report such activity may render the employee subject to prosecution and/or disciplinary action in accordance with the Council's disciplinary policy. The procedure for disclosure is:

- to complete a 'Disclosure Report to the Money Laundering Reporting Officer' (using a standard form) to include as much detail as possible e.g. name, date of birth, address, company names, directorships, phone numbers, nature of the activity etc;

The Council has appointed the following employee as the Money Laundering Reporting Officer (MLRO):

Peter Farrow - Head of Audit Services

Tel: (01902) 554460

e-mail: peter.farrow@wolverhampton.gov.uk

In the absence of the MLRO listed above, the following employee is authorised to deputise:

Richard Morgan, Senior Audit Manager

Tel: (01902) 555612

e-mail: richard.morgan@wolverhampton.gov.uk

Further advice on money laundering matters can also be obtained from:

Mark Taylor – Assistant Director, Finance (S151 Officer)

Tel: (01902) 556609

e-mail: mark.taylor@wolverhampton.gov.uk

Wendy Trainor - Chief Legal Officer

Tel: (01902) 554910

e-mail: wendy.trainor@wolverhampton.gov.uk

Investigating and Reporting Money Laundering

How will the Money Laundering Reporting Officer investigate a disclosure?

The Money Laundering Reporting Officer will:

- acknowledge receipt of the disclosure report;

- assess the information provided to make a judgment as to whether there are reasonable grounds for knowledge or suspicion of money laundering activities and;
- prepare a Suspicious Activity Report to the National Crime Agency (NCA), where appropriate;
- The employee or Councillor must follow any directions given by the Money Laundering Reporting Officer
- The employee or councillor must cease all involvement in the transaction (not make any further enquiries into the matter themselves) unless or until consent is provided by the NCA.
- The employee or Councillor must specify in the disclosure report if such consent is required to comply with any transaction deadlines.
- Any necessary investigation will be undertaken by the NCA. Employees and Councillors will be required to co-operate with any subsequent money laundering investigation.
- At no time and under no circumstances should the employee or Councillor voice any suspicions to the person(s) suspected of money laundering, even if the NCA has given consent to a particular transaction proceeding, without the specific consent of the Money Laundering Reporting Officer, otherwise a criminal offence of “tipping off” may be committed.
- Where the Money Laundering Reporting Officer concludes that there are no reasonable grounds to suspect money laundering then they shall mark the disclosure report accordingly and give their consent for any ongoing or imminent transaction(s) to proceed.
- All in-house disclosure reports and NCA Suspicious Activity Reports will be retained for a minimum of five years after the business relationship ends or an occasional transaction is completed.

Record Keeping

Each area of the Council which conducts relevant business must maintain suitable records of any completed due diligence checks and details of relevant transactions must be maintained for at least five years. This provides an audit trail and evidence for any subsequent investigation into money laundering, for example, distinguishing the client and the relevant transaction and recording in what form any funds were received or paid. In practice, the business units of the Council will be routinely making records of work carried out for clients in the course of normal business and these should suffice in this regard.

Review of the Money Laundering Policy

The Money Laundering Policy will be reviewed on an annual basis by the Head of Audit Services to ensure that it remains up to date, fit for purpose and represents generally acceptable good practice.



Raising Fraud Awareness

– a guide for employees and managers

Anti-Fraud and Corruption Policy Statement

Wolverhampton City Council is committed to creating and maintaining an environment where fraud, corruption and bribery will not be tolerated. The Council operates a zero tolerance on fraud, corruption and bribery whereby all instances will be investigated and the perpetrator(s) will be dealt with in accordance with established policies. Action will be taken to recover all monies stolen from the Council. Where appropriate arrangements will be made to ensure that the case receives maximum publicity to deter potential fraudsters.

Why you should read this

All public sector organisations are at risk of, or affected by, fraudulent or corrupt activity. Everyone has a key role to play in deterring and tackling such abuse, as this guide explains. Apart from costing all of us as taxpayers millions of pounds each year, the reasons you should not ignore fraud and corruption are that it:

- demoralises honest colleagues
- strengthens bullies and incompetents
- encourages others to behave in the same way
- diverts precious resources from those who need it
- undermines public and political confidence in public services
- makes your job harder

What is fraud?

For the Council's purpose fraud can be defined as the intentional distortion of financial statements or other records by persons internal or external to the Council which is carried out to conceal the misappropriation of assets or otherwise for gain (this covers theft, false accounting, bribery and corruption, deception, collusion, money laundering and identity theft). Examples of fraudulent activities include:

- The offering, giving, soliciting or acceptance of an inducement or reward that may influence the actions taken by the authority, its members or officers
- Destroying, defacing, concealing or falsifying any account, record or document required for an accounting purpose, with a view to personal gain or gain for another (including falsifying expenses claims and time records)
- Theft of cash and Council assets/property

How fraud occurs

At least one of the four following basic elements, are usually found to be present when fraud occurs:

- people are involved - they may be people or groups working inside or outside the Council
- assets are at risk
- intent/motive to commit the fraud is present

- opportunity

Managers have a responsibility to ensure that the opportunities for fraud are minimised. While some people would never contemplate fraud, others may if they thought they could get away with it. A high chance of being caught will deter them. Opportunities to commit fraud will be reduced by ensuring that a sound system of internal control has been established and that it is functioning as intended.

Example indicators of potential fraud in systems

To spot fraud indicators in individual areas or activities it is important that accepted practices have been established for the area or activity under review - the following are examples of possible fraud indicators in a number of areas:

- secretiveness or defensiveness
- when an employee is on leave, the work is left until they return
- annual leave not taken
- regular long hours working
- high staff turnover rates in key controlling functions
- understaffing in key control areas
- low staff morale/lack of career progression/weak management
- lack of rotation of duties
- inadequate or no segregation of duties
- an employee's lifestyle is more affluent than would be expected from their employment
- excessive variations to budgets or contracts
- bank and ledger reconciliations are not maintained or cannot be balanced
- excessive movements of cash or transactions between accounts
- numerous adjustments or exceptions
- key documents missing (e.g. invoices, contracts)
- absence of controls and audit trails
- inadequate monitoring to ensure that controls work as intended (periodic testing and evaluation)
- consistent failures to correct major weaknesses in internal control
- documentation that is photocopied or lacking essential information
- duplicate payments
- 'ghost' employees on the payroll
- large payments to individuals
- lack of senior management oversight
- PO boxes as shipping addresses
- defining needs in ways that can be met only by specific contractors

Some do's and don't's for managers who suspect fraud

do be open to staff concerns. We need to encourage staff to voice any genuine concerns. You should reassure staff that if they raise concerns with you that are in the public interest, they will be protected from victimisation or reprisal. If someone wishes to discuss a concern in confidence you should respect it, but tell them that there may be circumstances (for instance, where their evidence is needed in court) where the matter cannot be resolved unless their identity is revealed.

do note details. Get as much information as possible from the employee. If he or she has made notes, ask for a copy of these. In addition, note any documentary evidence that may exist to support the concern, but do not interfere with this evidence in any way.

do evaluate the information objectively - Before you take the matter further, you need to determine whether any suspicions appear justified. Be objective when evaluating it. Consider the facts as they appear, based on the information you have to hand.

do deal with the matter promptly. The sooner the problem is detected the sooner any damage caused can be repaired.

don't approach or accuse any individuals directly. If the concern seems credible, don't accidentally tip-off a fraudster in case incriminating evidence could be destroyed.

don't convey the concern to anyone other than someone with the proper authority. We have appointed and trained designated individuals able to deal with and help guide you on fraud matters.

don't try to investigate the matter yourself. If the concern seems credible don't rush into investigating the matter yourself. Pass it on or discuss it as soon as possible with the person or body who has been given that responsibility.

Some do's and don't's for employees who suspect fraud

do raise the matter. The sooner the problem is raised and looked into, the sooner any wrongdoing can be stopped and the sooner you, and others can be reassured things are in order.

do pass on any reasonable suspicion to someone in authority.

do remember key details. If possible, make a note of key details, such as what caused your suspicion, when things happened and who was involved.

don't ignore it. If you are worried that some wrongdoing is happening at work, please don't keep it to yourself.

don't investigate the matter. You may make matters worse if you do. It's your job to raise the concern, not to prove it.

don't report your suspicions to someone who doesn't have proper authority. There are special rules surrounding the gathering of evidence for use particularly in criminal cases. Attempts to gather evidence by people who are unfamiliar with these rules can inadvertently destroy the case.

don't delay. As you won't be asked to prove your concern, raise it when it's a concern. Don't wait for proof.

Investigating suspected fraud

Audit Services normally investigate cases of suspected fraud as investigations must be well managed and carried out by staff trained in handling fraud and corruption investigations in order to result in the right outcome. There are special rules surrounding the gathering of evidence for use in criminal cases and any attempt to gather evidence by people who are unfamiliar with these rules may adversely affect the outcome of the case.

Your primary responsibility is to report the issue and all associated facts promptly and accurately to an appropriate person. You should then be prepared to co-operate as instructed in any subsequent investigation.

Useful contact details

Anyone who has any concerns regarding the possibility of fraud, corruption or bribery taking place can contact the following:



Fraud Hotline: (01902) 550550

(24 hours a day, 7 days a week, answerphone out of office hours)

Peter Farrow - Head of Audit Services

Tel: (01902) 554460

e-mail: peter.farrow@wolverhampton.gov.uk

Mark Taylor - Assistant Director, Finance (S151 Officer)

Tel: (01902) 556609

e-mail: mark.taylor@wolverhampton.gov.uk

Wendy Trainor - Chief Legal Officer

Tel: (01902) 554910

e-mail: wendy.trainor@wolverhampton.gov.uk

The Council's external auditors:

PricewaterhouseCoopers (PwC)

Cornwall Court

19 Cornwall Street

Birmingham

B3 2DT

(Tel: 0121 265 5000)

Public Concern at Work

3rd Floor

Bank Chambers

6 -10 Borough High Street

London

SE1 9QQ

(Tel: 020 7404 6609)

(www.pcaw.org.uk)

The FRAUDitor

The council's anti-fraud and corruption newsletter



Finding out more about fraud and error

The council has developed an online fraud awareness training course which provides details of the types of frauds carried out against the council. The course is an eLearning module which is available on the council Learning Hub and will help you:

- Understand what fraud and corruption is and how it impacts upon the Council
- Know what Wolverhampton City Council is doing to tackle it.
- Explore different types of fraud and how they arise
- Know what you can do to help

If you already have specific concerns about fraud, we have two surgeries lined up for March 5 and March 23 between 11 am and 2pm in Interview Room 12 at the top of the stairs leading from the Keepers Desk where you can pop in for a confidential discussion about your concerns.

Inside this Issue

- Fraud costs jobs and services
- Fraud prevention is better and cheaper than detection
- Tackling Fraud at Wolverhampton
- Spotlight on Housing Benefit Fraud
- Where else is fraud occurring?

Fraud costs jobs and services

Fraud in all walks of life is a serious issue. In the public sector fraud impacts on anyone who pays taxes. The more money that the fraudster takes the more other law abiding people have to pay to cover the loss. It is estimated that fraud costs £2.1 billion per year in local government alone.

Every employee of the council can play an important role in prevention, we are the people who have a detailed knowledge of the councils systems and we know where fraudsters could be taking advantage.

In the current economic climate every penny taken by fraudsters is a further threat to jobs and services.

Fraud prevention is better and cheaper than detection

Preventing fraud is much cheaper than detecting it. It occurs where a person alters records, provides false information or abuses their position of power. Generally fraud is difficult to detect because someone has taken steps to hide what they have done.

The fraudster exploits any weaknesses in systems, unfortunately, fraud will never be eliminated but good controls and monitoring are key to preventing it. The council puts in place systems and controls which while delivering services also minimise and protect against the potential impact it can have.

Tackling fraud at Wolverhampton

The council provides numerous services to thousands of customers, while every effort is made to ensure only people who are eligible to receive these services, it can prove to be difficult to control. For example, in some cases customers provide false information, while in other cases a person's circumstances may change but they fail to inform us and continue to receive services to which they are no longer entitled. When fraud prevention is not successful it is necessary to investigate what has gone wrong.

It is recognised nationally that three major areas of fraud against councils are Housing Benefit, Housing Tenancy and Council Tax Discount. At Wolverhampton there are established methods for investigating these types of fraud.

Wolverhampton Homes is responsible for investigating tenancy fraud and since 2010 over 150 homes have been recovered from people who were not eligible to live in the property. This has enabled the properties to be re-allocated to people who have a genuine right to be a tenant.

The Revenues and Benefits Team have processes in place to identify households claiming council tax discounts to which they are not entitled. The most common of these is the 25% discount for single person occupancy. The council carry out exercises which match credit reference agency data to households claiming council tax discounts. The Audit Commissions National Fraud Initiative is another data matching exercise which matches discounts to the Electoral Register. Where a match indicates that more than one person is living at a property the householder is contacted and where appropriate the discount is removed and the falsely claimed discount has to be paid.

Spotlight on Housing Benefit Fraud

The Counter Fraud Team is responsible for investigating instances where people are receiving housing and council tax benefit to which they are not entitled. Typical frauds involve people being dishonest about their financial position in order to obtain benefits or where their original application was made genuinely but they intentionally fail to report a change in their circumstances, for example, they become employed, but they fail to notify the council and continue to receive the benefits.

The team has powers to obtain financial records for individuals suspected of committing benefit fraud. The information obtained enables a picture of a person's financial position to be determined, for example, if they have a job, regular salary payments may appear on their bank account. If the evidence suggests that a person has income or financial resources that they have not declared they will be interviewed. The interview will be under caution, similar to being interviewed by the police.

Where the evidence identifies that a person has fraudulently claimed housing and council tax benefit the council can either issue a caution, an administrative penalty or prosecute in court, depending on the value of the fraud. The objective is to recover the amount claimed and for the individual to receive appropriate punishment.

During 2012/13 the amount of housing and council tax benefit, identified by the council, to have been claimed through fraud or error was almost £800k.

Recent Case

In a recent case someone in receipt of Housing Benefit failed to declare that they part owned a property in Leeds with their daughter. They were successfully prosecuted for an overpayment totalling £8,819 for offences over a four year period and sentenced to a 12 month community order with 80 hours unpaid work and had to pay £250 costs.



Where else is fraud occurring?

No area of the council is immune from fraud. Areas that are susceptible to fraud include:

- Personal budgets
- Procurement
- Payroll
- Electoral
- Insurance
- Welfare assistance
- Business rates
- Blue badges
- Schools
- Grants

We put controls in place to minimise the opportunity of fraud occurring. However, while these controls are usually effective, it is essential that everyone is looking out for any indication that a fraud may be occurring.

I think I've uncovered a fraud – what should I do?

If you suspect that a fraud is being committed – report it immediately. Not only is it wrong, it is denying people access to services and impacting on jobs. Please contact one of the people listed below in confidence and we will look into whatever is concerning you.

Peter Farrow – Head of Audit Services
01902 554460
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Want more information?

Visit the fraud and corruption pages on the council's intranet.

If you have any comments concerning this newsletter, or have any suggestions for future articles, please contact Mark Wilkes.

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Audit Committee

10 March 2014

Report title	Audit Committee – Terms of Reference	
Cabinet member with lead responsibility	Councillor Paul Sweet Governance and Performance	
Accountable director	Keith Ireland, Delivery	
Originating service	Audit	
Accountable employee(s)	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
Report to be/has been considered by	Not applicable	

Recommendation(s) for action or decision:

The Committee is recommended to:

1. Consider absorbing the work of the Final Accounts Monitoring and Review Sub Committee, into the main Audit Committee, and if agreed, to refer the recommendation to the Special Advisory Group.
2. Consider increasing the membership of the Monitoring of Audit Investigations Sub Committee from four to six members, and if agreed, to refer the recommendation to the Special Advisory Group.

Recommendations for noting:

The Committee is asked to note:

3. The updated terms of reference for the committee in order to reflect the new Chartered Institute of Public Finance and Accountancy (CIPFA) Practical Guidance for Local Authorities Audit Committees.

1.0 Purpose

- 1.1 The terms of reference for the Audit Committee have been updated to reflect CIPFA's new position statement: Audit Committees in Local Authorities. This statement emphasises the importance of audit committees being in place in all principal local authorities and recognises that audit committees are a key component of governance.
- 1.2 The role of the Final Accounts Monitoring and Review Sub-Committee has reduced over the last 12 months. The last proposed meeting was cancelled due to a lack of business and on the occasions when it has met the level of business has resulted in very short meetings. Therefore, the work undertaken by this committee could and would be better absorbed within the main Audit Committee. The updated terms of reference for the Audit Committee reflect this.
- 1.3 The terms of reference for the Monitoring of Audit Investigations Sub-Committee remain as they were. However, with the expanding role played by this sub-committee in helping to focus attention upon combatting fraud, an increase in the membership from four to six would enable additional members to play a more active part in this high-profile area.

2.0 Background

- 2.1 The updated terms of reference for the Audit Committee are detailed below:

Audit Committee - Terms of Reference

Statement of purpose

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

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

Governance, risk and control

To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.

To review the annual governance statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.

To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.

To monitor the effective development and operation of risk management in the Council.

To monitor progress in addressing risk-related issues reported to the committee.

To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.

To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.

To monitor the counter-fraud strategy, actions and resources.

Internal Audit

To approve the internal audit charter.

To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.

To approve risk based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.

To approve significant interim changes to the risk-based internal audit plan and resource requirements.

To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.

To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:

- Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work;
- Regular reports on the results of the quality assurance and improvement programme;
- Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the annual governance statement.

To consider the head of internal audit's annual report:

- The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the quality assurance and improvement programme that supports the statement - these will indicate the reliability of the conclusions of internal audit.
- The opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control together with the summary of the work supporting the opinion - these will assist the committee in reviewing the annual governance statement.

To consider summaries of specific internal audit reports as requested.

To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.

To contribute to the quality assurance and improvement programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.

To consider a report on the effectiveness of internal audit to support the annual governance statement, where required to do so by the Accounts and Audit Regulations.

To support the development of effective communication with the head of internal audit.

External Audit

To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.

To consider specific reports as agreed with the external auditor.

To comment on the scope and depth of external audit work and to ensure it gives value for money.

To commission work from internal and external audit.

To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

Financial Reporting

To receive detailed training in respect of the process associated with the preparation, sign off, audit and publication of the Council's annual statement of accounts.

To monitor the on-going progress towards publication of the Council's annual statement of accounts, ensuring the statutory deadlines are achieved.

To obtain explanations for all significant variances between planned and actual expenditure to the extent that it impacts on the annual statement of accounts.

To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Accountability arrangements

To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.

To report to full Council on a regular basis on the committee's performance in relation to the terms of reference, and the effectiveness of the committee in meeting its purpose.

Monitoring of Audit Investigations Sub Committee – Terms of Reference

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

3.0 Progress, options, discussion, etc.

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

4.0 Financial implications

4.1 There are no financial implications arising from the recommendations in this report. (GE/25022014)

5.0 Legal implications

5.1 There are no legal implications arising from the recommendations in this report. (JH/24022014/P)

6.0 Equalities implications

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

7.0 Environmental implications

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

8.0 Human resources implications

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

9.0 Corporate landlord implications

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

10.0 Schedule of background papers

10.1 None