

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

Venue Online Meeting

Membership

Chair Cllr Alan Butt (Lab)
Vice-chair Cllr Jonathan Yardley (Con)

Labour

Cllr Mary Bateman
Cllr Philip Bateman MBE
Cllr Craig Collingswood
Cllr Roger Lawrence
Cllr Barbara McGarrity QN
Cllr Lynne Moran

Independent Member

Mr Mike Ager
Mr John Humphries

Quorum for this meeting is two Councillors.

Information for the Public

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

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Tel/Email Tel: 01902 552873 or kirsty.tuffin@wolverhampton.gov.uk
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Wolverhampton WV1 1RL

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

Agenda

Part 1 – items open to the press and public

Item No. *Title*

MEETING BUSINESS ITEMS

- 1 **Apologies for absence**
- 2 **Declaration of interests**
- 3 **Minutes of previous meetings** (Pages 5 - 12)
 - (a) Audit Committee – 26 November 2020
[For approval]
 - (b) Audit Committee – 07 December 2020
[For approval]
- 4 **Matters arising**
[To consider any matters arising from the minutes]

DECISION ITEMS

- 5 **External Audit Progress Report and Update** (Pages 13 - 28)
[To receive an update from the external auditors, Grant Thornton].
- 6 **External Audit - Informing the Audit Risk Assessment 2020-2021** (Pages 29 - 58)
[To receive an update on the audit risk assessment 2020-2021].
- 7 **Accounting Estimates** (Pages 59 - 76)
[To receive presentations on accounting estimates].
- 8 **Accounting Estimate Management Summary** (Pages 77 - 100)
[To receive a management summary on the accounting estimates].
- 9 **Covid-19 Risk Register and Strategic Risk Register** (Pages 101 - 144)
[To provide an update on the key risks the Council faces and how it can gain assurance that these risks are being mitigated].
- 10 **Audit and Risk Committee - Terms of Reference** (Pages 145 - 150)
[To review the audit and risk committee terms and conditions].
- 11 **Internal Audit Update** (Pages 151 - 160)
[To note the contents of the internal audit report].
- 12 **Internal Audit Plan 2021-2022** (Pages 161 - 184)
[To receive the contents of the latest Internal Audit Plan 2021-2022].

- 13 **CIPFA Audit Committee Update** (Pages 185 - 188)
[To receive an update on the CIPFA Audit Committee].
- 14 **Counter Fraud Update** (Pages 189 - 202)
[To note the current position regarding the counter fraud work undertaken].
- 15 **Payment Transparency** (Pages 203 - 206)
[To receive an update on the Council's current position with regards to the publication of all its expenditure].

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CITY OF WOLVERHAMPTON COUNCIL	Audit and Risk Committee Minutes - 26 November 2020
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Attendance

Members of the Audit and Risk Committee

Cllr Alan Butt (Chair)
Cllr Jonathan Yardley (Vice-Chair)
Cllr Mary Bateman
Cllr Philip Bateman MBE
Cllr Craig Collingswood
Cllr Roger Lawrence
Cllr Barbara McGarrity QN
Mike Ager

Employees

Emma Bland	Finance Business Partner
Ian Cotterill	Audit Business Partner
Peter Farrow	Head of Audit
Dereck Francis	Democratic Services Officer
Fabrica Hastings	Democratic Services Assistant
Jaswinder Kaur	Democratic Services Manager
Claire Nye	Director of Finance
David Pattison	Director of Governance
Hayley Reid	Senior Auditor
Alison Shannon	Chief Accountant

External Auditors, Grant Thornton

Mark Stocks
Nicola Coombe

Part 1 – items open to the press and public

Item No. Title

- 1 Apologies for absence**
Apologies for absence was submitted on behalf of Councillor Lynne Moran and Mr John Humphries.
- 2 Declaration of interests**
Councillor Roger Lawrence declared a non-pecuniary interest in item 7 (Audited Statement of Accounts - Exempt) in so far as he is a Director of Birmingham Airport Holdings.

3 **Minutes of the previous meeting - 28 September 2020**

Resolved:

1. That the minutes of the previous meeting held on 28 September 2020 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 **Audited Statement of Accounts**

Mark Stocks from the Council's external auditors Grant Thornton presented the key headlines and findings from their audit of the Council's Statement of Accounts for 2019- 2020. He anticipated that an 'unqualified opinion' would be given on the financial statements. He also took the Committee through the details of the Value for Money (VFM) work and the conclusions on Civic Halls refurbishment, Financial Resilience and Strategic Asset Management. An 'unqualified' conclusion would also be issued on the VFM work.

Members of the Committee were buoyed by the findings in the Auditors report which overall was a positive one for the Council, particularly on the Council's financial resilience in these unprecedented times.

Claire Nye, Director of Finance reported on work taking place and proposed on the valuation of Council assets in response to the audit findings on this area.

Mark Stocks also delivered an update on the audit of the West Midlands Pension Fund accounts that sits within the Council's financial statements as the responsible body for the Fund. The audit had been completed and the detail had already been reported to the Pensions Committee on 30 September 2020 and the Pensions Board on 20 October 2020. He was pleased to report that in summary there had been no adjustments required that would have a significant impact upon the financial position of the Fund and that an unqualified opinion had been issued on the Pension Funds financial statements.

Resolved:

1. That the formal publication of the 2019-2020 Statement of Accounts, as required by the Accounts and Audit Regulations 2015, which require publication by 30 November 2020 be approved.
2. That the draft Management Representation letter which would be signed by the Director of Finance on behalf of the Council be approved.
3. That authority be delegated to the Chair of the Audit Committee to agree subsequent changes to the Statement of Accounts and Management Representation letter in consultation with the Director of Finance, should there be any audit adjustments.
4. That the 2019-2020 report to those charged with governance from the Council's External Auditors, Grant Thornton be noted.

6 **Exclusion of the press and public**

Resolved:

1. That, in accordance with section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business as it involves the likely disclosure of exempt information falling within paragraph 3 of Schedule 12A to the Act.

7 **Audited Statement of Accounts (Exempt)**

Councillor Roger Lawrence took no part in the meeting whilst this item was being discussed as he was the Council's representative as a Director on Birmingham Airport Shareholdings and had been advised to declare a non-pecuniary interest and not to participate.

Mark Stocks from the Council's external auditors Grant Thornton presented an update on their audit findings in relation to Civic Halls, Birmingham Airport Holdings and WV Living, within the Council's Statement of Accounts for 2019-2020.

Claire Nye, Director of Finance and David Pattison, Director of Governance updated the Committee on the Council's Senior Management team's response to the auditor's findings on Birmingham Airport Holdings and WV Living.

Resolved:

1. That the Audit Findings Report be received.

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Attendance

Members of the Audit and Risk Committee

Cllr Alan Butt (Chair)
Cllr Jonathan Yardley (Vice-Chair)
Cllr Mary Bateman
Cllr Philip Bateman MBE
Cllr Craig Collingswood
Cllr Roger Lawrence
Cllr Barbara McGarrity QN
Cllr Lynne Moran
Mike Ager
John Humphries

Employees

Ian Cotterill	Audit Business Partner
Peter Farrow	Head of Audit
Fabrica Hastings	Democratic Services Assistant
Jas Kaur	Democratic Service Manager (Host)
Claire Nye	Director of Finance
David Pattison	Director of Governance
Hayley Reid	Senior Auditor
Kirsty Tuffin	Democratic Services Officer
Mark Wilkes	Audit Business Partner

External Auditors, Grant Thornton

Mark Stocks

Part 1 – items open to the press and public

Item No. *Title*

- 1 Apologies for absence**
There were no apologies for absence.
- 2 Declaration of interests**
Councillor Lynne Moran declared an interest as a Member of the Wolverhampton Homes Board.

Councillor Butt declared an interest as a Governor for Bushbury Nursery school.

3 **Covid-19 and Strategic Risk Register Update**

Hayley Reid, Regulatory Governance Manager, presented an update on the Strategic Risk Register and a Covid-19 Risk Register. The update detailed the risks faced by the Council as a result of the Covid-19 pandemic and, the latest summary of the Council's Strategic Risk Register as at Appendix 1 and 2. An update on Covid risk 12 – Employee Wellbeing was also provided at appendix 3.

David Pattison, Director of Governance, advised the Committee that work had taken place to ensure all employees had access to the employee assistance programme. The programme had provided employees with access to independent qualified councillors, Mental Health First aiders and additional health and safety assessments in relation to working from home. Facilities had also been put in place at the Civic Centre and Hickman Avenue for employees unable to work from home due to personal reasons or for the benefit of their mental health. The Stay Safe helpline and Stay Safe, Be Kind microsite had been providing help and support to City residents throughout the pandemic. Free school meals had been provided to children from low-income families during the October half-term.

Following questions around the safeguarding of children and education provision and the risk to Children as a result of rising cases on domestic violence, David Pattison, reassured the Committee that the Council had prioritised this risk and that the Wolverhampton Safeguarding Together Partnership Annual Report would be taken to Cabinet on 09 December 2020. It was agreed that David Pattison would provide Councillor Moran with an update on the work the Council had done in regard to monitoring the safeguarding of children. It was agreed that an update on the work the Council had done in regard to monitoring the safeguarding of children would be brought to the next meeting.

Following a question on the Civic Halls (Risk 30 in the Strategic Risk Register) it was clarified that while at this stage there had been no lack of resources or materials as a result of Covid-19, it was wise to identify this as a possible risk.

Resolved:

1. That the Council's Covid-19 risk register which detailed the risks faced by the Council as a result of the Covid-19 pandemic, as at Appendix 1, be noted.
2. That the latest summary of the Council's Strategic Risk Register, as at Appendix 2, be noted.
3. That the update on Covid-19, risk 12 - Employee Support and Health and Wellbeing, as at Appendix 3, be noted.
4. That it be agreed that David Pattison would provide Councillor Moran with an update on the work the Council had done in regard to monitoring the safeguarding of children and that this would also be brought to the next meeting.

4 **Internal Audit Update**

Peter Farrow, Head of Audit presented the report on the progress made against the 2020 - 2021 internal audit plan and provided information on recent work that had been completed.

The Committee were reminded that due to a significant amount of audit resources redeployed to focus on critical work surrounding the impact of covid-19, there had been a need to revisit the internal audit plan and how the remaining resources could be focussed in the most effective and risk based manner. Senior management across the Council had been consulted and some audit reviews had been deferred and would be included in the next internal audit plan where appropriate. However, assurance was given that there would still be sufficient audit coverage in key areas such as the key financial systems and across a range of operational areas. Also, many of the areas that the audit team had been working on in response to Covid-19 were naturally part of a wider assurance role – such as in business support grant checking and validation, and in verifying Covid-19 related returns. The Committee were advised that a number of audits from the current internal audit plan had already been completed and were pleased to report that no limited assurance reports had been issued.

Following questions around the fire safety checks within schools, Peter Farrow advised the Committee that an issue had been identified in a previous audit report whereby schools were not necessarily submitting their returns to the Council in a timely manner. Since the review this had improved, but would also be revisited in the future, and where appropriate reported back to the Committee.

Resolved:

1. That the contents of the latest internal audit update be noted.

5 **Counter Fraud Update**

Mark Wilkes, Audit Business Partner presented the update report on current counter fraud activities undertaken by Audit Service since the last meeting.

The Committee were advised that the Council had put in place a range of measures to ensure that pre and post payment checks were made on business support grant applications, discretionary grants and hospitality grants by Government to assist with the impact of the pandemic. The measures had been recommended by the Central Government Fraud Centre to mitigate the risk of fraud. All initial payments under these measures had been paid and further post-payment checks were underway, again in line with Government requirements. From nearly 4,000 applications, 30 had been identified as requiring further checks in order to determine their validity. Should any payments have been later found to have been fraudulent, or made in error, then their recovery would be sought. A monthly return to Central Government is now required on each grant scheme.

The Committee were advised that as a result of the second lockdown, additional grants/schemes had been put in place whereby a further range of both pre and post payment checks were required. The Council had also brought in an external provider to assist with the initial data capture and analysis of the latest applications.

Resolved:

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

6 **Payment Transparency**

Peter Farrow, Head of Audit, presented the report on the Council's current position with regards to the publication of all its expenditure.

The Committee were advised that no armchair auditor requests had been received in the last quarter.

Resolved:

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

7 **The Redmond Review**

Mark Stocks, representative from Grant Thornton, presented the report on the Redmond Review that looked into the effectiveness of audit in local authorities and the transparency of financial reporting.

The Review found that the current arrangements for the annual audit had not been working efficiently for a number of reasons and included a series of suggested recommendations for improvement. Mark Stocks advised the Committee that MHCLG were reviewing the findings and recommended the Council contact them expressing the Councils opinions.

Claire Nye, Director of Finance, advised the Committee that the Council had contributed their views as part of the consultation exercise that had been undertaken as part of the review, and would now also look to submit a response on the outcome.

Resolved:

1. That the contents of the update provided by Grant Thornton on the outcome of the recent Redmond Review be noted.

CITY OF WOLVERHAMPTON COUNCIL	Audit and Risk Committee 8 March 2021
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Report title	External Audit Progress Report and Update	
Accountable director	Claire Nye, Director of Finance	
Originating service	Strategic Finance	
Accountable employee	Alison Shannon	Chief Accountant
	Tel	01902 554561
	Email	alison.shannon@wolverhampton.gov.uk
Report to be/has been considered by	Not applicable.	

Recommendation for noting:

The Audit and Risk Committee is asked to note:

1. The Progress Report and Update provided by Grant Thornton.

1.0 Purpose

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

2.0 Background

- 2.1 Annually, Grant Thornton customarily report on progress made against their Audit Plan and provide an update on technical matters, sector issues and developments. A copy of the report is attached at Appendix 1.
- 2.2 Appendix 1 sets out Grant Thornton's progress in delivering its responsibilities as the Council's external auditors.

3.0 Financial implications

- 3.1 The statement, and the forthcoming audit of those statements by the external auditors, is an important element of the accountability and transparency of the Council's finances.
- 3.2 Audit fees are discussed in Appendix 1.

[EB/25022021/U]

4.0 Legal implications

- 4.1 The Secretary of State makes the Accounts and Audit Regulations in exercise of powers conferred by the Local Audit and Accountability Act 2014. The Accounts and Audit Regulations 2015 require the 2020-2021 Statement of Accounts be produced in accordance with proper practice.
- 4.2 This is exemplified by the Code of Practice on Local Authority Accounting which is published by CIPFA. These regulations also require that the accounts are approved and published by 30 September 2021.

[TS/25022021/Q]

5.0 Equalities implications

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

6.0 All other Implications

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

7.0 Schedule of background papers

- 7.1 None.

8.0 Appendices

- 8.1 Appendix 1: Audit Progress Report and Sector Update.

Audit Progress Report and Sector Update

City of Wolverhampton Council
Year ending 31 March 2021
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March 2021



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Introduction



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

The paper also includes a summary of emerging national issues and developments that may be relevant to you as a local authority.

Members of the Audit and Risk Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications www.grantthornton.co.uk.

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

Financial Statements Audit 2019/20

Financial Statements Audit

We issued unqualified audit opinions on the financial statements of the Council on 30 November 2020.

We included an emphasis of matter within our audit opinion which referred to the disclosures that management had made regarding the material uncertainties in the valuations of land and buildings (including investment properties) and the pension fund's property investments as at 31 March 2020. Our audit opinion was not modified as a result of this emphasis.

Value for Money opinion

We issued an unqualified value for money opinion for the year ended 31 March 2020 on 30 November 2020.

Certification of the Audit

We have not yet certified the completion of the audit for 2019/20, as at the time of writing we have not been able to issue our assurance statement over the consistency of the Council's WGA submission with the financial statements. This work has been protracted due to issues with the central system, which meant the Council are unable to demonstrate that they have made required changes to their submission.

Certification of claims and returns

Housing Benefits

The Department for Work and Pensions (DWP) moved the reporting deadline from 31 November 2020 to 31 January 2021. We were able to sign off and submit our assurance work on the Council's Housing Benefit subsidy claim on 28 January 2021, in accordance with procedures agreed with the DWP.

Pooling of Housing Capital Receipts

We issued our report on the Council's Pooling of Housing Capital Receipts Return for the 2019/20 year on 8 February 2021, in accordance with procedures required by MHCLG. This was a "clean" report with no exceptions identified.

Teachers Pensions

We issued our report on the Council's Teachers Pensions Return for the 2019/20 year on 5 November 2020 and submitted on 10 November, in accordance with procedures required by Teachers Pensions. This was a "clean" report with no exceptions identified.

Events

We provide a range of workshops, along with network events for members and publications to support the Council. Your officers were invited to our Financial Reporting Workshop in February, which will help to ensure that members of your Finance Team are up to date with the latest financial reporting requirements for local authority accounts. Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

Audit deliverables

2019/20 Deliverables	Planned Date	Status
Audit Findings Report	September 2020	November 2020
Auditors Report	September 2020	November 2020
Annual Audit Letter	October 2020	TBC pending completion of WGA
2020/21 Deliverables		
Audit Plan	June 2021	Not yet due
Audit opinion	September 2021	Not yet due
Audit Annual Report	September 2021	Not yet due

Financial Statements Audit 2020/21

Materiality

The concept of materiality

Materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

We have determined planning materiality to be £12m (PY £12.5m) for the group and £11.9m (PY £12.4m) for the Council, which equates to 1.34% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £595k (PY £620k). We have determined our preliminary materiality thresholds to be lower than in the prior year to reflect anticipated increased scrutiny of the accounts by external users in light of the impact of the Covid pandemic on the Council's activities.

Significant risks

We have not yet undertaken our planning work so cannot confirm at this stage the significant risks that we will be auditing. However, the sections below indicate likely areas that we will expect our work to focus on.

Presumed significant risks

ISA (UK) 240 includes two presumed risks as follows:

- Revenue recognition may be misstated due to the improper recognition of revenue. This is a rebuttable risk if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. We will consider the risk factors set out in ISA240 and the nature of the revenue streams at the Authority to determine whether there is a risk of fraud from revenue recognition. We are cognisant that the Authority has been in receipt of additional revenue streams this year and we will be documenting the business processes of these streams as part of our planning procedures to help inform our consideration of the revenue recognition risk.
- The risk of management over-ride of controls is present in all entities. The need to achieve a particular financial outturn to as to minimise impact on general fund reserves could potentially place management under undue pressure in terms of how they report performance.

Other expected areas of focus

- We set out on pages 15 and 16 detail pertaining to the new accounting standard on Estimates. This 'raises the bar' in terms of what both we and management are required to do. Therefore while in the past, we have focussed on the valuation of property plant and equipment, as well as the net pension liability, on the grounds that they are large and complex estimates in the accounts, this will occur to an even greater extent in 2020/21. This will also apply to any other material estimates made by management. For a Council the size and complexity of City of Wolverhampton we anticipate there will be further significant risks in addition to the presumed significant risks described above. We will confirm all the significant risks in our Audit Plan.

Value for Money arrangements

Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
- The replacement of the binary (qualified / unqualified) approach to VFM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. These are as set out below:



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information



Risks of significant VFM weaknesses

As part of our planning work, we will consider whether there are any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we need to perform further procedures on. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the table below.

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Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

Audit fees

The 2020/21 Code introduces a revised approach to our VFM work. This requires auditors to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach. Auditors now have to make far more sophisticated judgements on performance, as well as issue key recommendations if any significant weaknesses in arrangements are identified during the audit. We will be working with the NAO and other audit firms to discuss and share learning in respect of common issues arising across the sector.

The new approach will be more challenging, as well as rewarding, for audited bodies, involving discussions at a wider and more strategic level. Both the reporting, and the planning and risk assessment which underpins it, will require more audit time, delivered through a richer skill mix than in previous years. Our estimate is that for your audit, this will result in an increased fee of £25,000. This is in line with increases we are proposing at all our local audits.

Additionally, across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, in relation to the revised ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. We are also in discussion with MHCLG over the fee implications of its response to the Redmond Review, along with the additional funding that MHCLG has secured for this matter. These discussions are at a relatively early stage so we will update members more fully on the fee implications for our 2020/21 audit as soon as possible.

Assumptions

In setting the above fees, we assume that the Authority will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we will have regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

	Actual Fee 2018/19	Actual Fee 2019/20	Proposed fee 2020/21
City of Wolverhampton Council statutory audit	£158,360	£170,510	TBA
Total audit fees (excluding VAT)	£158,360	£170,510	TBA

Sector update

Councils continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

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

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

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

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



Public Sector



Local
government

New NAO Code of Audit Practice for 2020-21

The NAO issued a new Code of Audit Practice which came into force on 1 April 2020 and applies to audits of 2020-21. The key change is an extension to the framework for VfM work.

The NAO has prepared Auditor Guidance Note (AGN 03), which sets out detailed guidance on what VfM work needs to be performed.

Public consultation on this ended 2 September 2020.

The new approach to VfM re-focuses the work of local auditors to:

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- promote more timely reporting of significant issues to local bodies;
 - provide more meaningful and more accessible annual reporting on VfM arrangements issues in key areas;
 - provide a sharper focus on reporting in the key areas of financial sustainability, governance, and improving economy, efficiency and effectiveness; and
 - provide clearer recommendations to help local bodies improve their arrangements.

Under the previous Code, auditors had only to undertake work on VfM where there was a potential significant risk and reporting was by exception. Whereas against the new Code, auditors are required to undertake work to provide a commentary against three criteria set by the NAO – governance; financial sustainability and improving economy, efficiency and effectiveness.

A new Auditor's Annual Report presented at the same time as the audit opinion is the forum for reporting the outcome of the auditor's work on Value for Money. It is required to contain:



The 'Commentary on arrangements' will include a summary under each of the three specified reporting criteria and compared to how the results of VfM work were reported in previous years, the commentary will allow auditors to better reflect local context and also to draw attention to emerging or developing issues which may not represent significant weaknesses, but which may nevertheless require attention from the body itself. The commentary will not simply be a description of the arrangements in place, but an evaluation of those arrangements.

Recommendations: Where an auditor concludes there is a significant weakness in a body's arrangements, they report this to the body and support it with a recommendation for improvement.

Progress in implementing recommendations: Where an auditor has reported significant weaknesses in arrangements in the previous year, the auditor should follow up recommendations issued previously and include their view as to whether the recommendations have been implemented satisfactorily

Use of additional powers: Where an auditor uses additional powers, such as making statutory recommendations or issuing a public interest report, this needs to be reported in the auditor's annual report.

Opinion on the financial statements: The auditor's annual report also needs to summarise the results of the auditor's work on the financial statements. This is not a replacement for the AFR, or a verbatim repeat of it – it is simply a summary of what the opinion audit found

The new approach is more complex, more involved and will subsequently increase the cost of audit. We will be discussing this with the Chief Operating Officer shortly.

To review the new Code and AGN03 click [here](#)

Revised auditing standard: Auditing Accounting Estimates and Related Disclosures

In the period December 2018 to January 2020 the Financial Reporting Council issued a number of updated International Auditing Standards (ISAs (UK)) which are effective for audits of financial statements for periods beginning on or after 15 December 2019. ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit and Risk Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

Additional information that will be required for our March 2021 audits

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2021 in all areas summarised above for all material accounting estimates that are included in the financial statements.

Based on our knowledge of the Council we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings
- Depreciation
- Year end provisions and accruals
- Credit loss and impairment allowances
- Valuation of defined benefit net pension fund liabilities
- Fair value estimates
- Financial guarantees

The Council's Information systems

In respect of the Council's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Council uses management experts in deriving some of its more complex estimates, eg investments and asset valuations. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that::

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Council (and where applicable its management expert) over the models, assumptions and source data used in the preparation of accounting estimates.

Estimation uncertainty

Under ISA (UK) 540 (Revised December 2018) we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

- Where there is material estimation uncertainty, we would expect the financial statement disclosures to disclose:
- What the assumptions and uncertainties are;
- How sensitive the assets and liabilities are to those assumptions, and why;

- The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- An explanation of any changes made to past assumptions if the uncertainty is unresolved.

How can you help

As part of our planning risk assessment procedures we routinely make a number of enquiries of management and those charged with governance, which include general enquiries, fraud risk assessment questions, going concern considerations etc. Responses to these enquires are completed by management and confirmed by those charged with governance at an Audit and Risk Committee meeting. For our 2020/21 audit we will be making additional enquires on your accounting estimates in a similar way (which will cover the areas highlighted above).

Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540_Revised-December-2018_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

CITY OF WOLVERHAMPTON COUNCIL	Audit and Risk Committee 8 March 2021
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Report title	External Audit - Informing the Audit Risk Assessment 2020-2021	
Accountable director	Claire Nye, Director of Finance	
Originating service	Strategic Finance	
Accountable employee	Alison Shannon	Chief Accountant
	Tel	01902 554561
	Email	alison.shannon@wolverhampton.gov.uk
Report to be/has been considered by	Not applicable.	

Recommendation for action:

The Audit and Risk Committee is recommended to:

1. Consider and comment on the report of the external auditors, Grant Thornton.

1.0 Purpose

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

2.0 Background

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

3.0 Financial implications

- 3.1 There are no specific financial implications arising from the recommendation in this report.

[EB/23022021/L]

4.0 Legal implications

- 4.1 This report and its attachment sets out the legal implications which are in accordance with the Council's Constitution and relevant legislation.

[TS/24022021/R]

5.0 Equalities implications

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

6.0 All other implications

6.1 COVID implications are covered in the appendices attached. There are no other implications arising from this report.

7.0 Schedule of background papers

7.1 None.

8.0 Appendices

8.1 Appendix 1 – Informing the audit risk assessment for City of Wolverhampton Council 2020-2021.

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Informing the audit risk assessment for City of Wolverhampton Council 2020/2021

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between the Council's external auditors and the Council's Audit and Risk Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit and Risk Committee under auditing standards.

Background

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

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

Communication

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

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from City of Wolverhampton Council's management. The Audit and Risk Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2020/21?	Asset valuations and the net pension liability estimate, have the potential to have a significant impact on the financial statements due to their materiality and the fact that they are based on various assumptions, e.g. investment returns, retirement ages, mortality rates.
2. Have you considered the appropriateness of the accounting policies adopted by City of Wolverhampton Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies?	Accounting policies are kept under review throughout the year by Strategic Finance, but formally reviewed each year by the Chief Accountant in preparation of the financial statements. No changes to accounting policies, or new accounting policies are anticipated.
3. Is there any use of financial instruments, including derivatives?	Yes, the Council has equity instruments, investments, borrowings, finance leases, PFI arrangements, cash, receivables and payables. These are disclosed in the notes to the accounts.
4. Are you aware of any significant transaction outside the normal course of business?	In 2020-2021, the Council has received a number of grants in relation to Covid-19, including the distribution of business grants, and test and trace isolation payments.

General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	The outbreak of Covid-19 has impacted on the global financial markets and market activity. A material valuation uncertainty was disclosed in the property valuer's report in 2019-2020 and is likely to also be the case for 2020-2021.
6. Are you aware of any guarantee contracts?	<p>The Council has provided guarantees to: -</p> <ul style="list-style-type: none"> • a number of organisations at the point they were admitted to West Midlands Pension Fund, to fund any potential pension liability; • Walsall Metropolitan Borough Council for the University of Wolverhampton, in relation to grant funding through the Black Country Local Enterprise Partnerships (LEP); • Barclays for the City of Wolverhampton College.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	None as of today (15.02.2021). This will be reviewed through closedown.
8. Other than in house solicitors, can you provide details of those solicitors utilised by City of Wolverhampton Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	In terms of individual solicitors the Council has utilised locums from its in-house agency and an external agency; they have not worked on open litigation or contingencies from prior years. The Council has also, where appropriate, used external law firms to assist on some significant projects including contract advice and is happy to provide full details to auditors on this.

General Enquiries of Management

Question	Management response
9. Have any of the Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?	None of the Council's service providers have reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	There are a number of consultants used, mainly for regeneration projects, to provide financial, legal and professional advice. We have also used barristers for external expert advice. The Council will provide specific details to Grant Thornton.

Fraud

Issue

Matters in relation to fraud

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

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

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

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

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

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

Fraud risk assessment

Question	Management response
<p>1. Has City of Wolverhampton Council assessed the risk of material mis-statement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How does the Council's risk management processes link to financial reporting?</p>	<p>The collective processes for closedown, budget monitoring and outturn take into consideration the risk of material misstatement due to error or fraud. Senior finance officers meet regularly to consider any issues arising from budget monitoring and the closedown process. Should any fraud be reported as part of this or any other process, corrective action would be taken. A strategic and finance leadership risk register is also regularly updated and reviewed.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>There are no particularly high risk areas as such – but those around payments, journals and bank account changes would in all likelihood be most at risk.</p>

Fraud risk assessment

Question	Management response
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within City of Wolverhampton Council as a whole or within specific departments since 1 April 2020? As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>Yes, there have been a small number of cases – some ongoing (although nothing material) – and where appropriate, a report on instances of fraud will go to the Audit and Risk Committee meetings.</p>
<p>4. Have you identified any specific fraud risks? Do you have any concerns there are areas that are at risk of fraud? Are there particular locations within City of Wolverhampton Council where fraud is more likely to occur?</p>	<p>The areas of greatest risk are housing tenancy, council tax, personal budgets, Covid-19 related business and other support grants, procurement and business rates.</p> <p>As with all large organisations there is a likelihood that fraud will be taking place in some shape or form, and there are a small number of ongoing investigations into cases of suspected fraud. The Council takes into account the findings in publications such as the CIPFA “Fraud Tracker Survey” which identifies fraud trends, and those areas more susceptible to fraud. From this a Fraud Risk Register has been developed, which in turn, is used to inform and drive the Counter Fraud plan. The Council also works closely with Wolverhampton Homes in order to help tackle the risk of housing and tenancy related fraud.</p>
<p>5. What processes does City of Wolverhampton Council have in place to identify and respond to risks of fraud?</p>	<p>The Counter Fraud Team, which sits within Audit Services, leads in raising fraud awareness across the Council and in promoting an anti-fraud culture. The team carries out investigations into areas of suspected or reported fraudulent activity. The team maintains the Council’s fraud risk register and produces and maintains the Counter Fraud Plan. In addition, they lead on the Cabinet Office’s National Fraud Initiative (NFI) exercise.</p>

Fraud risk assessment

Question	Management response
<p>6. How do you assess the overall control environment for City of Wolverhampton Council, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>Audit Services have given an unqualified opinion on the adequacy and effectiveness of the Council's internal control system for a number of years. Individual internal audit reviews are undertaken in-year, and Audit Services report back, where appropriate, on individual areas where controls could be improved. Recommendations will then be made in order to improve any weaknesses found, and key recommendations are later followed up.</p> <p>Audit also report any key control weaknesses at each meeting of the Audit and Risk Committee. The Council's Counter Fraud Team which sits within Audit Services incorporates a broad skills base which provides the resources to perform counter fraud and investigation activities and strengthens the council's ability to respond to fraud. There are not any known areas where there is a potential for override of controls or inappropriate influence over the financial reporting process.</p>
<p>7. Are there any areas where there is potential for misreporting?</p>	<p>There are no known areas for potential misreporting. The fraud risk register, counter fraud plan and audit plan are in place to minimise the potential for misreporting.</p>

Fraud risk assessment

Question	Management response
<p>8. How does City of Wolverhampton Council communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud?</p> <p>Have any significant issues been reported?</p>	<p>The Council has the following policies and procedures (which broadly set out the nature of concerns they cover) to help raise the awareness of, and combat fraud:</p> <ul style="list-style-type: none"> • Anti-Fraud and Corruption Policy and Procedure • Whistleblowing Policy and Procedure • Anti-Money Laundering Policy and Procedure • Raising Fraud Awareness Guide <p>Where appropriate, these documents are reviewed by the Audit and Risk Committee, and are available on the internet. The internet page on fraud has been designed to help strengthen the ease in which potential fraud can be reported on-line. Employees will also learn about business practices and ethical behaviour through the following:</p> <ul style="list-style-type: none"> • Codes of Conduct • induction training • accountability arrangements signed by all senior officers • contracts and their standard exclusions • adherence to procurement procedures • aide memoires from Monitoring Officer around gifts & hospitality policy at key times of the year. <p>The policies referred to above encourage employees to report any concerns, and these include full contact details – including a confidential hotline. The Council's internet site allows on-line reporting.</p> <p>The Council has also recently entered into an arrangement with See Hear Speak Up who offer an independent whistleblowing service which allows employees to report any matters of concern they may have in a secure and confidential manner. The availability of this service has been well promoted across the Council.</p> <p>There have been no significant issues recently reported.</p>

Fraud risk assessment

Question	Management response
<p>9. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Senior Officers and Members who have powers to influence decisions are potentially the highest risk posts in respect of fraud and corruption.</p> <p>Senior Officers and Members are required to declare interests on a register of interests and at meetings.</p>
<p>10. Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>No instances of related party relationships or transactions are known to be fraudulent.</p> <p>Conditions of contact with third parties are in place to mitigate fraud risk, this includes refraining from providing gifts and payments.</p> <p>The Council's auditors would seek access where appropriate to third party records if fraud is suspected.</p>
<p>11. What arrangements are in place to report fraud issues and risks to the Audit and Risk Committee? How does the Audit and Risk Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control? What has been the outcome of these arrangements so far this year?</p>	<p>A Counter Fraud Update report is presented to each meeting of the Audit and Risk Committee detailing how the Council is tackling issues around fraud and where applicable includes details of any recent investigations into suspected fraudulent activity. The members of the Committee satisfy themselves that the outcomes are appropriate and any improvements in control have been identified.</p> <p>The committee also reviews and approves all of the Council's Anti-Fraud Policies and Procedures on a regular basis. This includes a detailed Counter Fraud Plan charting out the actions to be taken going forward, and the Council's Fraud Risk Register. As part of the Annual Internal Audit Plan, Audit Services undertake annual reviews of many of the Council's key financial systems – consideration of fraud forms part of these.</p> <p>The Council also fully participates in the Cabinet Office's National Fraud Initiative, and other national fraud benchmarking exercises, as appropriate.</p>

Fraud risk assessment

Question	Management response
12. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?	Any potential whistle blowing complaints are logged and investigated. Where appropriate disciplinary and prosecution action is taken against the individuals involved.
13. Have any reports been made under the Bribery Act?	The Council has not received any reports under the Bribery Act.

Law and regulations

Issue

Matters in relation to laws and regulations

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

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

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

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

Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does City of Wolverhampton Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements?</p>	<p>A number of controls are in place. Management place reliance on these controls. In addition, there is an annual programme of work from Audit Services which in part covers legal matters. Directors also meet daily in the morning to discuss issues of topical concern including any legal matters. SEB also meets weekly for wider briefings across the business.</p> <p>We are not aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements.</p>
<p>2. How is the Audit and Risk Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>The findings and recommendations from the work of Audit Services, with key issues being reported back to the Audit and Risk Committee. Also, each Director is required to sign an annual assurance statement, and this helps inform the Annual Governance Statement that is reported to the Audit and Risk Committee.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2020 with an on-going impact on the 2020/21 financial statements?</p>	<p>None as at today (15.2.2021)</p>
<p>4. Is there any actual or potential litigation or claims that would affect the financial statements?</p>	<p>None as at today (15.2.2021)</p>

Impact of laws and regulations

Question	Management response
5. What arrangements does City of Wolverhampton Council have in place to identify, evaluate and account for litigation or claims?	All litigation is commenced / defended / settled in consultation with the Monitoring Officer. All prospective prosecutions are evaluated against nationally adopted criteria. An annual appraisal of contingent liabilities is prepared and reported by the Monitoring Officer in consultation with the Risk Manager.
6. Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	None as at today (15.2.2021)

Related Parties

Issue

Matters in relation to Related Parties

City of Wolverhampton Council is required to disclose transactions with entities/individuals that would be classed as related parties. These may include:

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

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

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

Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties disclosed in City of Wolverhampton Council's 2019/20 financial statements? If so please summarise:</p> <ul style="list-style-type: none"> • the nature of the relationship between these related parties and City of Wolverhampton Council • whether City of Wolverhampton Council has entered into or plans to enter into any transactions with these related parties • the type and purpose of these transactions 	<p>Yes, Cabinet on 20 January 2021 recommended that the Council invest in a pilot for a new affordable housing product called 'Help to Own' (H2O). Subject to final approval this transaction, which will be in the form of an investment, is likely to take place before year end.</p>
<p>2. What controls does City of Wolverhampton Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>Forms re-devised to have prompts including aide-memoire to disclose Directorships. Letters to all councillors (or emails as appropriate) to remind them annually to update interests. Ability for councillors and officers to now update interests in "real-time" on-line through Modern.gov platform from home or wherever that have internet connectivity</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>The Council's Monitoring Officer reviews and approves transactions with related parties.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>The Council's Monitoring Officer reviews and approves transactions outside the normal course of business.</p>

Accounting estimates

Issue

Matters in relation to Related Accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit and Risk Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit and Risk Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	Valuation, depreciation and impairment of property, plant and equipment Expected credit losses Provision for liabilities (e.g. PFI) Financial guarantees Valuation of defined benefit net pension liability
2. How does the Council's risk management process identify and addresses risks relating to accounting estimates?	Officers undertake an annual risk assessment, identifying and addressing risks prior to closedown. Going forward, this will be included as an agenda item at the Audit and Risk Committee.
3. How do management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	Management consult guidance, e.g. the Code of Practice on Local Authority Accounting and RICS guidance.
4. How do management review the outcomes of previous accounting estimates?	Management look back retrospectively to assess whether previous accounting estimates were born out in reality. Going forward, this will be included as an agenda item at the Audit and Risk Committee.
5. Were any changes made to the estimation processes in 2020/21 and, if so, what was the reason for these?	So far, no changes have been made to the estimation processes in 2020-2021. This will be reviewed through closedown.

Accounting Estimates - General Enquiries of Management

Question	Management response
6. How do management identify the need for and apply specialised skills or knowledge related to accounting estimates?	Management commission specialist skills or knowledge when, for example when expert knowledge or resource is not available in-house.
7. How does the Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	The Council determines what control activities are needed through liaison with internal audit, referring to the Code of Practice on Local Authority Accounting and other guidance, attendance at seminars and workshops (e.g. Grant Thornton's annual Local Government Accountants Workshop and CIPFA's conference "Capital Valuations Avoiding the Pitfalls") and through liaising with other authorities (e.g. as part of the West Midlands Accountancy Officers Group)
8. How do management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	Management review the output of service providers and the assumptions underpinning them, challenging any discrepancies or unexpected outcomes.
9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: <ul style="list-style-type: none"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements. 	Accounting estimates are discussed at Audit and Risk Committee, as part of the financial statements and during training sessions provided to members prior to them receiving the audited financial statements. To further enhance oversight and governance, for 2020-2021 there will be a specific agenda item on accounting estimates, attended by external valuers and the Director of Pensions, where they will explain significant accounting estimates they make.

Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in the Accounting Estimate Management Summary (dated 3.2.21))?	None as of today (21.02.2021), however this will continue to be monitored through closedown.
11. Are the management arrangements for the accounting estimates, as detailed in the Accounting Estimate Management Summary (dated 3.2.21) reasonable?	Accounting estimates are kept under review throughout the year by Strategic Finance, but formally reviewed each year by the Director of Finance in preparation of the financial statements. The outcome of this formal review is reflected in the Accounting Estimate Management Summary (dated 3.2.21) , which will be presented to the Audit and Risk Committee in agenda item 8. This Committee provides the opportunity for challenge and any queries.
12. How is the Audit and Risk Committee provided with assurance that the arrangements for accounting estimates are adequate ?	Please see above.



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CITY OF WOLVERHAMPTON COUNCIL	Audit and Risk Committee 8 March 2021
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Report title	Accounting Estimates	
Accountable director	Claire Nye, Director of Finance	
Originating service	Strategic Finance	
Accountable employee	Alison Shannon	Chief Accountant
	Tel	01902 554561
	Email	alison.shannon@wolverhampton.gov.uk
Report to be/has been considered by	Not applicable.	

Recommendation for noting:

The Audit and Risk Committee is asked to note:

1. The presentations provided by the Council and the Council's external valuers: Bruton Knowles and JLL.

1.0 Purpose

- 1.1 To inform on all the key accounting estimates that will be included in the Council's financial statements this year.

2.0 Background

- 2.1 International Auditing Standards place obligations on auditors to document their understanding of an entity and its environment, including the entity's internal control, in identifying and assessing the risks of material misstatement in the financial statements.
- 2.2 ISA (UK) 540 (Revised) Auditing Accounting Estimates and Related Disclosures (revised in December 2018) is effective for audits of financial statements for periods beginning on or after 15 December 2019; and requires auditors to understand a number of matters related to the Council's key accounting estimates.
- 2.3 To assist in meeting these requirements, the Council has provided an overview of the key accounting estimates, attached in Appendix 1, and invited the Council's external valuers (Bruton Knowles and JLL) to discuss in more detail the estimates used to value the Council's assets (presentations to be made available on the day).
- 2.4 The Council has also responded to the Accounting Estimate Management Summary in agenda item 8.

3.0 Financial implications

- 3.1 There are no specific financial implications arising from the recommendation in this report.

[EB/25022021/G]

4.0 Legal implications

- 4.1 There are no specific legal implications arising from the recommendation in this report.

[TS/25022021/R]

5.0 Equalities implications

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

6.0 All other Implications

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

7.0 Schedule of background papers

- 7.1 None.

8.0 Appendices

- 8.1 Appendix 1: Accounting Estimates Presentation.

Accounting Estimates

8 March 2021

Presenter:

Emma Bland

Finance Business Partner

wolverhampton.gov.uk

Introduction

- Financial statements which include comprehensive income and expenditure, balance sheet and cash flow statements, require proper use of accounting theories and techniques.
- **Accounting policies** and **accounting estimates** serve this purpose by ensuring that the accounting data used is valid (in terms of regulatory requirements and financial reporting accuracy).
- **Accounting policies** are standards, rules, and principles used by the Council to prepare its financial statements, e.g. the method the Council uses to value its inventories.
- **Accounting estimates** are required when such clear cut standards are not available, requiring the Council to make an informed judgement, e.g. the use of certain assumptions.

Common areas

- Valuation, depreciation and impairment of property, plant and equipment
- Defined benefit pension liability
- Provisions
- Expected credit loss provisions
- Accruals

Property, plant and equipment

Valuers in attendance to discuss:

- JLL
 - Council dwellings
- Bruton Knowles
 - Other land and buildings
 - Investment properties
 - Surplus assets

Defined benefit pension liability

Estimates:

- Asset returns
- Mortality assumption
- Financial assumptions
 - Inflation expectations
 - Salary increases
 - Discount rate

The Director of Pensions will attend the next Committee to discuss in detail

Provisions

- A best estimate of the amounts that the Council would rationally pay to settle the obligations at the balance sheet date or to transfer them to a third party.
- In reaching these best estimates, the Council take into account the risks and uncertainties that surround the underlying events.
- Examples:
 - Insurance
 - Termination benefits, e.g. voluntary redundancy
 - Outstanding NNDR appeals
 - Court cases

Expected credit loss provisions

- Examples:
 - Short-term loans
 - Financial guarantees
 - Allowances for receivables
- Factors considered:
 - Business failure scores from Creditsafe (showing probability of failure)
 - Repayment profile
 - Knowledge of the customer's finances: cash flow, profits, funding
 - Knowledge of wider economy and its impact on the customer

Accruals

- Expenses or income that are recognised when they are incurred but not yet paid/received, for example a February utility bill paid in March.
- Accrual accounting requires revenues and expenses to be recorded in the accounting period that they are incurred.
- Examples:
 - Utilities
 - Salaries
 - Goods and services
 - Other expenses, e.g. fees
 - Insurance expenses

Auditing standard ISA 540 – auditing accounting estimates and related disclosures

- Increasing focus from regulators and other stakeholders on estimates (especially those which are complex or require significant judgement)
- ISA 540 has been enhanced to place increasing demands on auditors to understand and assess an entity's internal controls over accounting estimates.

Forming the accounting estimate

We need to:

- Identify the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these
- Understand the degree of estimation uncertainty related to each accounting estimate
- Address the estimation uncertainty when selecting the estimate

Internal controls over accounting estimates

We need to demonstrate:

- The nature and extent of oversight and governance
- How management identifies the need for and applies specialised skills
- How management identifies and addresses risks
- The information system and controls applied by management
- Control activities
- How management reviews the outcomes of previous estimates
- The role of those charged with governance.

Accounting Estimate Management Summary

The “**Accounting Estimate Management Summary**” in agenda item 8 sets out:

- how we meet this criteria and;
- continuing work we are undertaking to further enhance controls.

Questions

Emma Bland

**Finance Business Partner,
City of Wolverhampton Council**

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wolverhampton.gov.uk

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CITY OF WOLVERHAMPTON COUNCIL	Audit and Risk Committee 8 March 2021
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Report title	Accounting Estimate Management Summary	
Accountable director	Claire Nye, Director of Finance	
Originating service	Strategic Finance	
Accountable employee	Alison Shannon	Chief Accountant
	Tel	01902 554561
	Email	alison.shannon@wolverhampton.gov.uk
Report to be/has been considered by	Not applicable.	

Recommendation for action:

The Audit and Risk Committee is recommended to:

1. Consider and comment on the report of the external auditors, Grant Thornton.

1.0 Purpose

- 1.1 To inform on all the key accounting estimates that will be included in the Council's financial statements this year.

2.0 Background

- 2.1 International Auditing Standards place obligations on auditors to document their understanding of an entity and its environment, including the entity's internal control, in identifying and assessing the risks of material misstatement in the financial statements.
- 2.2 ISA (UK) 540 (Revised) Auditing Accounting Estimates and Related Disclosures (revised in December 2018) is effective for audits of financial statements for periods beginning on or after 15 December 2019; and requires auditors to understand a number of matters related to the Council's key accounting estimates.
- 2.3 To meet these requirements, the Council has considered and responded to the questions set out in Appendix 1.
- 2.4 The document in Appendix 1 focuses on the key estimates:
- Property, plant and equipment valuation estimate
 - Council dwellings valuation estimate
 - Investment property valuation estimate
 - Depreciation estimate
 - Valuation of defined benefit net pension liability estimate
 - Level 3 estimate - Birmingham Airport
 - Credit loss and impairment allowance estimate
 - Liabilities under PFI schemes estimate
 - Financial guarantees estimate
- 2.5 Each estimate includes a series of questions and the responses that Grant Thornton have received from the Council's management. The Audit & Risk Committee are asked to consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

3.0 Financial implications

- 3.1 There are no specific financial implications arising from the recommendation in this report.

[EB/25022021/Q]

4.0 Legal implications

- 4.1 There are no specific legal implications arising from the recommendation in this report.

[TS/25022021/R]

5.0 Equalities implications

5.1 There are no equality implications arising from the recommendation in this report.

6.0 All other Implications

6.1 COVID implications are covered in the appendices attached. There are no other implications arising from the recommendation in this report.

7.0 Schedule of background papers

7.1 None.

8.0 Appendices

8.1 Appendix 1: Accounting Estimate Management Summary

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Our ref: CoWC2021

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3 February 2021

Dear Claire,

City of Wolverhampton Council Financial Statements for the year ended 31 March 2021

As part of our audit of City of Wolverhampton's financial statements for the year ended 31 March 2021, we need to update our understanding of your accounting estimates, including all the key accounting estimates that will be included in City of Wolverhampton Council's financial statements this year. We do this to maintain our understanding of City of Wolverhampton Council and to comply with International Auditing Standards (ISAs (UK)), including the revised standards that apply to our 2020/21 audit for the first time.

International Auditing Standards place obligations on auditors to document their understanding of the entity and its environment, including the entity's internal control, in identifying and assessing the risks of material misstatement in the financial statements. [ISA \(UK\) 540 \(Revised\) Auditing Accounting Estimates and Related Disclosures](#) (revised in December 2018) is effective for audits of financial statements for periods beginning on or after 15 December 2019. The revised standard requires auditors to understand a number of matters related to your key accounting estimates (as set out in section 13 of the standard).

To assist us in meeting these requirements, I would be grateful if you would consider and formally respond to the matters set out in the accompanying schedules. A separate schedule is included for each key accounting estimate that we have identified. If you are aware of any other material accounting estimates that will be included in your financial statements could you, please add and complete an additional schedule for that estimate.

I would be grateful for your responses, if possible, by the 24th February to help inform our risk assessment and planning of our 2020/21 audit of the Council's financial statements, and to allow us time to review and agree ahead of Audit Committee on 8 March.

Please do not hesitate to contact me if you wish to discuss anything in relation to this request.

Yours sincerely

Nicola Coombe
Manager

Property, plant, and equipment valuation estimate

Question	Management response
<p>1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?</p>	<p>There is a risk that valuations do not accurately reflect the market and the Statement of Accounts therefore do not give a true and fair view.</p> <p>To mitigate this, valuations are carried out by external registered Royal Institution of Chartered Surveyors (RICS) valuers, in accordance with RICS guidance and the Code of Practice on Local Authority Accounting. Following this, the asset revaluations are critically reviewed by the Strategic Finance team with any significant variances from previous valuations or expectations, queried and discussed with the valuers.</p> <p>The outbreak of Covid-19 has impacted on the global financial markets and market activity. A material valuation uncertainty was disclosed in the property valuer's report in 2019-2020.</p>
<p>2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?</p> <p>Were any changes made to these methods or models in 2020/21, and if so, what was the reason for the change?</p>	<ul style="list-style-type: none"> • Other land and buildings including surplus assets are valued: <ul style="list-style-type: none"> - annually at fair value or depreciated replacement cost, for assets over £1 million. - as part of a 5-year rolling programme at fair value or depreciated replacement cost, for assets under £1 million. • Community assets, vehicles, plant and equipment, infrastructure and assets under construction are valued at depreciated historical cost. • Intangibles are valued at amortised cost • Garages are valued annually • The Council monitors the value of assets that have been revalued over the last five years, to ensure all assets have been revalued within this five-year timeframe. • Valuers undertake an impairment review to ensure assets not valued haven't materially changed in value and that assets which have been valued, haven't changed in value between the date they were valued (usually January) and year end (31 March). • No changes are anticipated to these methods or models in 2020-2021.
<p>3. How do management select the assumptions used in respect of this accounting estimate?</p> <p>Were any changes made to these assumptions in 2020/21, and if so, what was the reason for the change?</p>	<p>Assumptions are selected by the valuer in accordance with RICS guidance and the Code of Practice on Local Authority Accounting. Management review these assumptions and challenge where necessary.</p> <p>No changes are anticipated in 2020-2021.</p>

<p>4. How do management select the source data used in respect of this accounting estimate?</p> <p>Were any changes made to this source data in 2020/21, and if so, what was the reason for the change?</p>	<p>An annual reconciliation is undertaken between the Fixed Asset Register in the financial system (Agresso) and the database (SAM) used by the Estates team. Any discrepancies are investigated and rectified. This ensures that the source data provided to the valuer is accurate and that all additions and disposals have been included.</p> <p>Plans, tenancy schedules (from the Estates team), car parking rental income (from Strategic Finance) and pupil numbers (from the School Organisation and Support team) are also provided to valuers.</p> <p>No changes were made to the source data in 2020-2021.</p>
<p>5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so, how were these specialist skills procured?</p>	<p>The valuer advises on the accounting estimates used in the valuations.</p> <p>The valuer is sourced through a tender process.</p>
<p>6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?</p>	<p>As detailed in Q1, the asset revaluations are critically reviewed by the Strategic Finance team with any significant variances from previous valuations or expectations, queried and discussed with the valuers.</p>
<p>7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so, how is the robustness of the key controls assessed?</p>	<p>Yes, valuations are carried out in accordance with RICS guidance and the Code of Practice on Local Authority Accounting.</p> <p>The robustness of the key controls are assessed by internal audit as part of the annual Fixed Assets audit, undertaken annually in February/March.</p> <p>Strategic Finance also uses Grant Thornton's control matrix which includes reconciliation and verification checks.</p>
<p>8. Were any changes made to the key control activities this year? If so, please provide details.</p>	<p>This year, as well as Strategic Finance reviewing the revaluations and assumptions, the Estates team will also undertake a more in-depth review. As the Estates team officers are RICS registered valuers this extra scrutiny will help to ensure the robustness of figures included in the Statement of Accounts. Formal sign off by all parties.</p>
<p>9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?</p>	<p>Management consider the estimation uncertainty and calculate the impact of a 1% or 5% fluctuation in other land and buildings values.</p> <p>Management also monitor the impact of COVID-19 and in 2019-2020, the valuers alerted management to the fact that valuations had been reported on the basis of "material valuation uncertainty".</p>
<p>10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?</p>	<p>For the 2020-2021 valuations, officers will work with the valuer to assess how sensitive the values are (e.g. to factors like build rates, rental income) and consider widening the sensitivity range in the analysis.</p>

Council Dwellings valuation estimate

Question	Management response
<p>1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?</p>	<p>There is a risk that valuations do not accurately reflect the market and the Statement of Accounts therefore do not give a true and fair view.</p> <p>To mitigate this, valuations are carried out by external registered RICS valuers, in accordance with RICS guidance and the Code of Practice on Local Authority Accounting. Following this, the asset revaluations are critically reviewed by the Strategic Finance team with any significant variances from previous valuations or expectations, queried and discussed with the valuers.</p> <p>The outbreak of Covid-19 has impacted global financial markets and market activity has been impacted. A material valuation uncertainty was disclosed in the property valuer's report in 2019-2020.</p>
<p>2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?</p> <p>Were any changes made to these methods or models in 2020/21, and if so, what was the reason for the change?</p>	<p>Dwellings undergo a full valuation every 5 years including site visits by a qualified registered RICS valuer.</p> <p>In terms of method, a beacon valuation approach is used. The dwellings are divided into asset groups (a collection of property with common characteristics such as sheltered housing). Asset groups are further subdivided into archetype groups based on uniting characteristics material to their valuation, such as numbers of bedrooms. The archetype groups are valued on the beacon principle. A sample property, "the beacon" is selected which is representative of the archetype group and a detailed inspection carried out. The beacon property is valued on an existing use-social housing basis. This valuation is defined as the 'Beacon Valuation'.</p> <p>In between full valuations, the valuer uses comparables for that year whilst also taking into account knowledge of the market or specific information on individual assets.</p> <p>No changes are anticipated to these methods or models in 2020-2021.</p>
<p>3. How do management select the assumptions used in respect of this accounting estimate?</p> <p>Were any changes made to these assumptions in 2020/21, and if so, what was the reason for the change?</p>	<p>Assumptions used by the valuer are in accordance with RICS guidance and the Code of Practice on Local Authority Accounting.</p> <p>No changes are anticipated in 2020-2021.</p>
<p>4. How do management select the source data used in respect of this accounting estimate?</p> <p>Were any changes made to this source data in 2020/21, and if so, what was the reason for the change?</p>	<p>An annual reconciliation is undertaken between the Fixed Asset Register in the financial system (Agresso) and the database (SAM) used by the Estates team. Any discrepancies are investigated and rectified. This ensures that the source data provided to the valuer is accurate.</p> <p>No changes were made to the source data in 2020-2021.</p>
<p>5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so, how were these specialist skills procured?</p>	<p>The valuer advises on the accounting estimates used in the valuations.</p> <p>The valuer is sourced through a tender process.</p>

<p>6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?</p>	<p>As detailed in Q1, the asset revaluations are critically reviewed by the Strategic Finance team with any significant variances from previous valuations or expectations queried and discussed with the valuers.</p>
<p>7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so, how is the robustness of the key controls assessed?</p>	<p>Yes, valuations are carried out in accordance with RICS guidance and the Code of Practice on Local Authority Accounting.</p> <p>The robustness of the key controls are assessed by internal audit as part of the annual Fixed Assets audit, undertaken annually in February/March.</p> <p>Strategic Finance also uses Grant Thornton's control matrix which includes reconciliation and verification checks.</p>
<p>8. Were any changes made to the key control activities this year? If so, please provide details.</p>	<p>For the 2020-2021 financial statements, officers will benchmark the valuation outcome of the Council's housing portfolio with other Councils.</p>
<p>9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?</p>	<p>Management consider the estimation uncertainty and calculate the impact of a 1% or 5% fluctuation in council dwellings values.</p> <p>Management also monitor the impact of COVID-19 and in 2019-2020, the valuers alerted management to the fact that valuations had been reported on the basis of "material valuation uncertainty".</p>
<p>10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?</p>	<p>For the 2020-2021 valuations, officers will work with the valuer to assess how sensitive the values are (e.g. to factors like build rates, rental income) and consider widening the sensitivity range in the analysis.</p>

Investment Property valuation estimate

Question	Management response
<p>1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?</p>	<p>There is a risk that valuations do not accurately reflect the market and the Statement of Accounts therefore do not give a true and fair view.</p> <p>To mitigate this, valuations are carried out by external registered RICS valuers, in accordance with RICS guidance and the Code of Practice on Local Authority Accounting. Following this, the asset revaluations are critically reviewed by the Strategic Finance team with any significant variances from previous valuations or expectations queried and discussed with the valuers.</p> <p>The outbreak of Covid-19 has impacted on the global financial markets and market activity. A material valuation uncertainty was disclosed in the property valuer's report in 2019-2020.</p>
<p>2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?</p> <p>Were any changes made to these methods or models in 2020/21, and if so, what was the reason for the change?</p>	<p>Investment properties (including shops) are valued annually at fair value or depreciated replacement cost by qualified valuers.</p> <p>Valuers undertake an impairment review to ensure that assets which have been valued haven't changed in value between the date they were valued (usually January) and year end (31 March).</p> <p>No changes are anticipated to these methods or models in 2020-2021.</p>
<p>3. How do management select the assumptions used in respect of this accounting estimate?</p> <p>Were any changes made to these assumptions in 2020/21, and if so, what was the reason for the change?</p>	<p>Assumptions used by the valuer are in accordance with RICS guidance and the Code of Practice on Local Authority Accounting.</p> <p>No changes are anticipated in 2020-2021.</p>
<p>4. How do management select the source data used in respect of this accounting estimate?</p> <p>Were any changes made to this source data in 2020/21, and if so, what was the reason for the change?</p>	<p>An annual reconciliation is undertaken between the Fixed Asset Register in the financial system (Agresso) and the database (SAM) used by the Estates team. Any discrepancies are investigated and rectified. This ensures that the source data provided to the valuer is accurate.</p> <p>Strategic Finance, with the Estates Team review the list of investment properties to check whether there are any with split purposes, e.g. part regeneration, part commercial. During the year the Regeneration team will also review the list. Green proformas are also sent to Finance officers prior to year-end, asking them if they are aware of any assets which may need to be reclassified.</p> <p>No changes were made to the source data in 2020-2021.</p>
<p>5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so, how were these specialist skills procured?</p>	<p>The valuer advises on the accounting estimates used in the valuations.</p> <p>The valuer is sourced through a tender process.</p>
<p>6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?</p>	<p>As detailed in Q1, the asset revaluations are critically reviewed by the Strategic Finance team with any significant variances from previous valuations or expectations, queried and discussed with the valuers.</p>

<p>7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so, how is the robustness of the key controls assessed?</p>	<p>Yes, valuations are carried out in accordance with RICS guidance and the Code of Practice on Local Authority Accounting.</p> <p>The robustness of the key controls are assessed by internal audit as part of the annual Fixed Assets audit, undertaken annually in February/March.</p> <p>Strategic Finance also uses Grant Thornton's control matrix which includes reconciliation and verification checks.</p>
<p>8. Were any changes made to the key control activities this year? If so, please provide details.</p>	<p>This year, as well as Strategic Finance reviewing the revaluations and assumptions, the Estates team will also undertake a review. As the Estates team officers are RICS registered valuers, this extra scrutiny will help to ensure the robustness of figures included in the Statement of Accounts. Also, this year, because of the Covid-19 pandemic, the impact of rentals on valuations will be considered more fully.</p>
<p>9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?</p>	<p>Management consider the estimation uncertainty and calculate the impact of a 1% or 5% fluctuation in investment property values.</p> <p>Management also monitor the impact of Covid-19 and in 2019-2020, the valuers alerted management to the fact that valuations had been reported on the basis of "material valuation uncertainty".</p>
<p>10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?</p>	<p>For the 2020-2021 valuations, officers will work with the valuer to assess how sensitive the values are (e.g. to things like build rates, rental income) and consider widening the sensitivity range in the analysis.</p>

Depreciation estimate

Question	Management response														
<p>1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?</p>	<p>There is a risk that the economic lives used in the calculation do not accurately reflect the lives of the assets and the Statement of Accounts therefore do not give a true and fair view.</p> <p>To mitigate this, an external registered RICS valuer reviews the lives selected by the Council and Strategic Finance annually inform the valuer of dilapidated or damaged assets.</p> <p>There is also a risk that the method of depreciation is inappropriate (e.g. straight line). To mitigate this, depreciation methods are also discussed with the valuer.</p>														
<p>2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?</p> <p>Were any changes made to these methods or models in 2020/21, and if so, what was the reason for the change?</p>	<p>Useful economic life is assessed when valuations are carried out. In addition, a list of assets is sent to service managers annually to obtain an update on dilapidated or damaged assets.</p> <p>Property, plant and equipment assets are depreciated on a straight-line basis over the estimated useful economic life of the asset. Council dwellings are depreciated according to the useful economic life of their major components. Intangible assets are amortised on the straight-line basis over the estimated useful economic life of the asset. No depreciation is charged on investment properties, heritage assets or land. The following asset lives are used to determine the depreciation charge:</p> <table data-bbox="783 1093 1235 1413"> <tbody> <tr> <td>Council Dwellings</td> <td>Up to 30 years</td> </tr> <tr> <td>Infrastructure assets</td> <td>1-49 years</td> </tr> <tr> <td>Surplus assets</td> <td>1-49 years</td> </tr> <tr> <td>Other buildings</td> <td>1-57 years</td> </tr> <tr> <td>Plant and equipment</td> <td>1-45 years</td> </tr> <tr> <td>Vehicles</td> <td>1-7 years</td> </tr> <tr> <td>Intangible assets</td> <td>1-5 years</td> </tr> </tbody> </table> <p>No changes was made to this method or model in 2020-2021.</p>	Council Dwellings	Up to 30 years	Infrastructure assets	1-49 years	Surplus assets	1-49 years	Other buildings	1-57 years	Plant and equipment	1-45 years	Vehicles	1-7 years	Intangible assets	1-5 years
Council Dwellings	Up to 30 years														
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Vehicles	1-7 years														
Intangible assets	1-5 years														
<p>3. How do management select the assumptions used in respect of this accounting estimate?</p> <p>Were any changes made to these assumptions in 2020/21, and if so, what was the reason for the change?</p>	<p>Assumptions used by the valuer are in accordance with RICS guidance and the Code of Practice on Local Authority Accounting.</p> <p>No changes are anticipated in 2020-2021.</p>														
<p>4. How do management select the source data used in respect of this accounting estimate?</p> <p>Were any changes made to this source data in 2020/21, and if so, what was the reason for the change?</p>	<p>An annual reconciliation is undertaken between the Fixed Asset Register in the financial system (Agresso) and the database (SAM) used by the Estates team. Any discrepancies are investigated and rectified. This ensures that the source data provided to the valuer is accurate.</p> <p>No changes were made to the source data in 2020-2021.</p>														

<p>5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so, how were these specialist skills procured?</p>	<p>Valuers review the lives of assets and depreciation method.</p> <p>The valuer is sourced through a tender process.</p>
<p>6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?</p>	<p>As detailed in Q1, an external registered RICS valuer reviews the lives selected by the Council and Strategic Finance annually inform the valuer of dilapidated or damaged assets.</p>
<p>7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so, how is the robustness of the key controls assessed?</p>	<p>Yes, the robustness of the key controls are assessed by internal audit as part of the annual Fixed Assets audit, undertaken annually in February/March.</p> <p>Strategic Finance also uses Grant Thornton's control matrix which includes reconciliation and verification checks.</p>
<p>8. Were any changes made to the key control activities this year? If so, please provide details.</p>	<p>This year, as well as Strategic Finance reviewing the asset lives provided by the valuer, the Estates team will also undertake a review. As the Estates team officers are RICS registered valuers, this extra scrutiny will help to ensure the robustness of figures included in the Statement of Accounts.</p>
<p>9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?</p>	<p>Management do consider the estimation uncertainty, for example in 2019-2020, assets were valued in January but depreciated from April in line with policy. Officers calculated the impact of three months less depreciation, but this was found to be immaterial.</p>
<p>10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?</p>	<p>For the 2020-2021 valuations, officers will work with the valuer to assess how sensitive depreciation is to changes in asset values and changes in remaining useful life and consider widening the sensitivity range in the analysis.</p>

Valuation of Defined benefit net pension liability estimate

Question	Management response
<p>1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?</p>	<p>There is a risk that the pension liability estimate is inaccurate and therefore the Financial Statements do not give a true and fair view.</p> <p>The outbreak of Covid-19 has impacted on the global financial markets and market activity. A material valuation uncertainty was disclosed in the pension fund's property valuation report in 2019-2020.</p>
<p>2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?</p> <p>Were any changes made to these methods or models in 2020/21, and if so, what was the reason for the change?</p>	<p>The liability estimate is calculated by an actuarial expert, taking into account changes in retirement ages, mortality rates and discount rates.</p> <p>No changes are anticipated to this method or model in 2020-2021.</p>
<p>3. How do management select the assumptions used in respect of this accounting estimate?</p> <p>Were any changes made to these assumptions in 2020/21, and if so, what was the reason for the change?</p>	<p>The actuary selects the assumptions and management reviews the reasonableness of these assumptions.</p> <p>No changes are anticipated to this method or model in 2020-2021.</p>
<p>4. How do management select the source data used in respect of this accounting estimate?</p> <p>Were any changes made to this source data in 2020/21, and if so, what was the reason for the change?</p>	<p>The Pension Fund provides data on pension benefits and membership numbers, to enable the actuary to undertake their estimate.</p> <p>No changes are anticipated to this method or model in 2020-2021.</p>
<p>5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so, how were these specialist skills procured?</p>	<p>An actuary advises on the accounting estimates.</p> <p>The actuary is procured through a tender exercise.</p>
<p>6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?</p>	<p>Management review the assumptions and officers discuss these assumptions with the West Midlands Accountancy Officers group, comprising of nine other authorities, to ensure a consistent view.</p>
<p>7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so, how is the robustness of the key controls assessed?</p>	<p>Yes. As detailed in Q6, in addition to management reviewing the assumptions, officers discuss these assumptions with the West Midlands Accountancy Officers group comprising of nine other authorities, to ensure a consistent view.</p>
<p>8. Were any changes made to the key control activities this year? If so, please provide details.</p>	<p>No</p>
<p>9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?</p>	<p>The outbreak of Covid-19 has impacted on the global financial markets and market activity. A material valuation uncertainty was disclosed in the pension fund's property valuation report in 2019-2020.</p>
<p>10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?</p>	<p>The actuary provides sensitivity analysis for several assumptions including discount rate and life expectancy of scheme members.</p>

Level 3 estimate – Birmingham airport

Question	Management response
<p>1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?</p>	<p>There is a risk that valuations do not accurately reflect the market and the Statement of Accounts therefore do not give a true and fair view.</p> <p>To mitigate this, valuations are carried out by external valuer ('BDO'), in accordance with the Code of Practice on Local Authority Accounting. Following this, the asset revaluations are critically reviewed by Solihull Council (as lead authority) and the City of Wolverhampton Council's Strategic Finance team, with any significant variances from previous valuations or expectations, queried and discussed with Solihull Council.</p> <p>The outbreak of Covid-19 has impacted on the global financial markets and market activity. A material valuation uncertainty was disclosed in the property valuer's report in 2019-2020.</p>
<p>2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?</p> <p>Were any changes made to these methods or models in 2020/21, and if so, what was the reason for the change?</p>	<ul style="list-style-type: none"> • The shares are not quoted on a stock exchange. On behalf of the West Midlands Authorities, Solihull Council usually undertakes a valuation review using Level 3 Inputs using an Earnings Based Approach. Earnings multiples are based on an average of the lower-quartile earnings and transaction multiples for the industry. The valuation is then reviewed by external valuer BDO. • However, for 2019-2020, BDO led on the valuation in detail, as it was felt that the unique circumstances called for a more in-depth valuation which Solihull Council then reviewed, before it was shared with all partners for comment/challenge. • No changes are anticipated to these methods or models in 2020-2021.
<p>3. How do management select the assumptions used in respect of this accounting estimate?</p> <p>Were any changes made to these assumptions in 2020/21, and if so, what was the reason for the change?</p>	<p>Assumptions are selected by the valuer in accordance with the Code of Practice on Local Authority Accounting. Strategic Finance review these assumptions and challenge where necessary.</p> <p>No changes are anticipated for 2020-2021.</p>
<p>4. How do management select the source data used in respect of this accounting estimate?</p> <p>Were any changes made to this source data in 2020/21, and if so, what was the reason for the change?</p>	<p>Solihull Council, as lead authority, source data from Birmingham Airport Holdings Ltd regarding the financial position and statements.</p> <p>BDO then used their available data to source comparative information and any other additional information to inform the valuation.</p> <p>No changes are anticipated to be made to the source data in 2020-2021.</p>
<p>5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so, how were these specialist skills procured?</p>	<p>The valuer advises on the accounting estimates used in the valuations.</p> <p>The valuer is sourced through a tender process.</p>

	The contract is solely with Solihull Council, but there is approval for them to share their findings with City of Wolverhampton Council.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	As detailed in Q1, the asset revaluations are critically reviewed by Solihull Council (as lead authority) and the City of Wolverhampton Council's Strategic Finance team, with any significant variances from previous valuations or expectations, queried and discussed with Solihull Council.
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so, how is the robustness of the key controls assessed?	Yes, valuations are carried out in accordance with the Code of Practice on Local Authority Accounting. Strategic Finance also uses Grant Thornton's control matrix which includes reconciliation and verification checks.
8. Were any changes made to the key control activities this year? If so, please provide details.	This year, as well as Strategic Finance reviewing the revaluations and assumptions, sensitivity analysis will be explored with Solihull Council.
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Management consider the estimation uncertainty and calculate the impact of a 1% or 5% fluctuation in other land and buildings values. Management also monitor the impact of Covid-19 and in 2019-2020, the valuers alerted management to the fact that valuations had been reported on the basis of "material valuation uncertainty".
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	For the 2020-2021 valuations, officers will work with Solihull Council to assess how sensitive the values are and consider widening the sensitivity range in the analysis.

Credit loss and impairment allowance estimate

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	There is a risk that actual collection rates and level of bad debt write-offs vary compared to predicted levels. The measures outlined in Q5 and Q9 below help mitigate against this.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2020/21, and if so, what was the reason for the change?	Expected credit losses are recognised on all financial assets held at amortised cost (or where relevant Fair Value through Other Comprehensive Income (FVOCI)). Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. No changes were made to these methods or models in 2020-2021.
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2020/21, and if so, what was the reason for the change?	Management select the assumptions based on historical trends or known experience. Factors taken into account are business failure scores from Creditsafe (showing probability of failure), repayment profiles, knowledge of the customer's finances (cash flow, profits, funding), knowledge of the wider economy and its impact on the customer. The business rates appeal provision is calculated using the Valuation Office list of ratings appeals data. The impact of Covid-19 is also taken into account. Assumptions are currently being reviewed and will continue to be monitored through year end.
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2020/21, and if so, what was the reason for the change?	Source data comes from the financial system (Agresso). No changes were made to the source data in 2020-2021.
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so, how were these specialist skills procured?	The Council's Head of Revenues and Benefits provides intelligence on categories of debt. Strategic Finance consider this intelligence to check it is in line with their own thinking and understanding. Internal audit are also used to provide additional insight through their research on particular companies, e.g. using Creditsafe.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	The credit loss and impairment allowance is calculated quarterly by a Finance Business Partner and reviewed by the Chief Accountant.
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so, how is the robustness of the key controls assessed?	Yes, the Chief Accountant and Director of Finance review the estimates made and assumptions underpinning these.
8. Were any changes made to the key control activities this year? If so, please provide details.	No

9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Historical trends over the last 5 years have been considered and compared to current predictions.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Sensitivity analysis is also undertaken around collection rates.

Liabilities under PFI schemes estimate

Question	Management response
<p>1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?</p>	<p>There is a risk that the values of the liability do not accurately reflect the market and the Statement of Accounts therefore do not give a true and fair view.</p> <p>The fair values of the liabilities are calculated by an external company and reviewed by Strategic Finance.</p>
<p>2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?</p> <p>Were any changes made to these methods or models in 2020/21, and if so, what was the reason for the change?</p>	<p>The accounting entries are derived from the PFI accounting models which were prepared, based on the operator's financial model, at the commencement of the various schemes.</p> <p>There were no changes made to these methods or models in 2020-2021.</p>
<p>3. How do management select the assumptions used in respect of this accounting estimate?</p> <p>Were any changes made to these assumptions in 2020/21, and if so, what was the reason for the change?</p>	<p>Assumptions were selected by the external consultant when the PFI model was set up on commencement.</p> <p>Assumptions for the liabilities are also selected by the external company valuing the fair value of the liabilities.</p> <p>No changes are anticipated to be made to these assumptions in 2020-2021.</p>
<p>4. How do management select the source data used in respect of this accounting estimate?</p> <p>Were any changes made to this source data in 2020/21, and if so, what was the reason for the change?</p>	<p>The value of the outstanding liabilities, as well as start and end dates of the contracts are provided to the external company, to enable them to estimate the fair value of the liabilities.</p> <p>Other than the annual payments, no significant changes are anticipated to be made to this source data in 2020-2021.</p>
<p>5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so, how were these specialist skills procured?</p>	<p>A consultant advised on the PFI contracts and provided the financial models.</p>
<p>6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?</p>	<p>As detailed in Q1, the fair values of the liabilities are calculated by an external company and reviewed by Strategic Finance.</p>
<p>7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so, how is the robustness of the key controls assessed?</p>	<p>Yes, Strategic Finance also uses Grant Thornton's control matrix which includes reconciliation and verification checks.</p>
<p>8. Were any changes made to the key control activities this year? If so, please provide details.</p>	<p>No</p>
<p>9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?</p>	<p>The external company compares the interest rate built into the model, to PWLB rates and Market Debt rates. For 2020-2021, officers will work with the external company to further consider estimation uncertainty.</p>

<p>10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?</p>	<p>For 2020-2021, officers will work with the external company to assess how sensitive the liability estimate is and consider the sensitivity range.</p>
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Financial Guarantees estimate

Question	Management response
<p>1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?</p>	<p>There is a risk that the financial guarantee estimates are insufficient should the organisations fail.</p> <p>To mitigate this risk, various factors are considered in determining the probability of the guarantees being called upon, including risk of failure of the business as informed by Creditsafe Business Failure Scores and membership profiles.</p>
<p>2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?</p> <p>Were any changes made to these methods or models in 2020/21, and if so, what was the reason for the change?</p>	<p>Management apply the various factors above in the liability adequacy test outlined in the Code of Practice on Local Authority Accounting.</p> <p>No changes are anticipated to be made to these methods or models in 2020-2021.</p>
<p>3. How do management select the assumptions used in respect of this accounting estimate?</p> <p>Were any changes made to these assumptions in 2020/21, and if so, what was the reason for the change?</p>	<p>Management select the assumptions based on knowledge of the organisations and factors in Q1.</p> <p>Assumptions will be reviewed as part of the closedown assessment of guarantees.</p>
<p>4. How do management select the source data used in respect of this accounting estimate?</p> <p>Were any changes made to this source data in 2020/21, and if so, what was the reason for the change?</p>	<p>The source data comes from the Council's financial system (Agresso) and Creditsafe's website.</p> <p>Apart from any updates (e.g. Creditsafe Business Failure Scores), no changes to the source data are anticipated for 2020-2021.</p>
<p>5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so, how were these specialist skills procured?</p>	<p>The pension fund provides data on pension guarantees. Creditsafe provides business failure scores.</p> <p>For other guarantees, the Director of Finance reviews the organisation's audited statement of accounts and management financial reports to arrive at an estimate.</p>
<p>6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?</p>	<p>The actuary has advised on quantification of potential liabilities.</p>
<p>7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so, how is the robustness of the key controls assessed?</p>	<p>Yes, the Chief Accountant and Director of Finance review the estimates made and assumptions underpinning these, also using their knowledge of the organisations.</p>
<p>8. Were any changes made to the key control activities this year? If so, please provide details.</p>	<p>The Head of Governance will also be reviewing the financial guarantees for 2020-2021 from a governance point of view.</p>
<p>9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?</p>	<p>Management consider the impact of providing for these guarantees at various levels (e.g. 5% to 100% provision), discussing and agreeing the appropriate and prudent level of provision.</p>

<p>10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?</p>	<p>Sensitivity analysis is undertaken as outlined above.</p>
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Accruals estimate

Question	Management response
<p>1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?</p>	<p>There is a risk that accruals estimates are inaccurate and therefore the Financial Statements do not give a true and fair view.</p> <p>Management monitor and review through monthly budget monitoring and the outturn position at year end.</p>
<p>2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?</p> <p>Were any changes made to these methods or models in 2020/21, and if so, what was the reason for the change?</p>	<p>There are a range of methods used across Strategic Finance. In addition, as referred to under Q8, the new approach to be taken for 2020-2021 will inform on this.</p> <p>No changes are anticipated to this method or model in 2020-2021.</p>
<p>3. How do management select the assumptions used in respect of this accounting estimate?</p> <p>Were any changes made to these assumptions in 2020/21, and if so, what was the reason for the change?</p>	<p>Assumptions are selected in a range of ways across Strategic Finance. The new approach (referred to under Q8) to be taken for 2020-2021 will inform on this.</p> <p>No changes are anticipated to this method or model in 2020-2021.</p>
<p>4. How do management select the source data used in respect of this accounting estimate?</p> <p>Were any changes made to this source data in 2020/21, and if so, what was the reason for the change?</p>	<p>Source data is selected in a range of ways across Strategic Finance. The new approach (referred to under Q8) to be taken for 2020-2021 will inform on this.</p> <p>No changes are anticipated to this method or model in 2020-2021.</p>
<p>5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so, how were these specialist skills procured?</p>	<p>We are not currently aware of any specialised skills or knowledge used.</p>
<p>6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?</p>	<p>Management monitor and review through monthly budget monitoring and the outturn position at year end.</p>
<p>7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so, how is the robustness of the key controls assessed?</p>	<p>Yes. As detailed in Q6, management monitor and review through monthly budget monitoring and the outturn position at year end.</p>
<p>8. Were any changes made to the key control activities this year? If so, please provide details.</p>	<p>For 2020-2021, the proformas which are sent to Strategic Finance asking them to inform on various items for year-end accounts, now includes a question on estimates, asking officers to inform on any estimates they make (in particular those which are complex and require significant judgements, or where a third party is used).</p>
<p>9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?</p>	<p>Following feedback on the proformas, Strategic Finance will focus consideration of estimation uncertainty on those estimates which are complex and require significant judgements, or where a third party is used.</p>

<p>10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?</p>	<p>Following feedback on the proformas, Strategic Finance will consider sensitivity analysis for those estimates which are complex and require significant judgements, or where a third party is used.</p>
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CITY OF WOLVERHAMPTON COUNCIL	Audit and Risk Committee 8 March 2021
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Report title	Covid-19 Risk Register and Strategic Risk Register	
Accountable director	Claire Nye, Director of Finance	
Originating service	Audit	
Accountable employee	Peter Farrow	Head of Audit
	Tel	01902 550417
	Email	Peter.Farrow@wolverhampton.gov.uk
Report to be/has been considered by	Strategic Executive Board	25 February 2021

Recommendations for noting:

The Audit and Risk Committee is asked to note:

1. The Council's Covid-19 risk register which details the risks faced by the Council as a result of the Covid-19 pandemic, as at Appendix 1.
2. The latest summary of the Council's Strategic Risk Register, as at Appendix 2.
3. The verbal update on the Covid Risk 4 – Safeguarding Children from the Deputy Director for Social Care.

1.0 Purpose

- 1.1 To keep members of the Audit and Risk Committee aware of the new and emerging risks the Council faces as a result of the Covid-19 pandemic and to update the Committee with regards to impacts on the Council's existing strategic risks.

2.0 Background

- 2.1 The Council is no different to any organisation and will always face risks in achieving its objectives. Sound risk management can be seen as the clear identification and management of such risks to an acceptable level.
- 2.2 As with all other local authorities the Council has had to adapt the ways in which it has worked to address Covid-19, not only in terms of ensuring the City's vulnerable residents have been supported alongside its businesses but also in its governance arrangements. The Council's approach to governance during Covid-19 has been very clearly set out and shared with Councillors, the key aspects include:
- A new officer structure to deal with Covid -19 - this has allowed for focus to be applied to key work streams coming out of the pandemic.
 - A new approach to decision making – following the introduction of full lockdown in March 2020 and a further lockdown in November 2020 the Council instigated a decision-making approach that ensured the focus has been on protecting the vulnerable and supporting businesses.
 - All decisions made have been tracked and recorded on detailed spreadsheets with records of whether they need to be made through the urgent decision process or through delegated powers – this has included the following:
 - Clear records being kept of the financial pressures as a result of Covid-19 including loss of income and additional spend
 - Clear evidence-based approach to explain why decisions have been made, using performance data
 - Communication implications of any approach taken and the need to ensure that the message is received by all communities
 - A Covid-19 risk register has been produced interfacing with the Council's strategic risk register to ensure that the Council has been aware of and taken account of the key Covid-19 risks in an ever-changing situation.

At all times the approach of the Council has been informed and shaped by advice from the Director of Public Health and key partners to ensure that the Council has had the most effective response possible to the pandemic. As part of the governance process key areas of concern have been able to be fed to a regional and national level.

- 2.3 This report updates the Committee on both the Covid-19 risk register and the Strategic risk register. At the time this report was prepared, the risks and issues associated with the Covid-19 pandemic were again, changing daily.
- 2.4 Both the Council's Covid-19 and Strategic risk registers were last presented to the Committee in December 2020. As previously reported to Committee, the Covid-19 global pandemic has had a significant impact on the risks faced by the Council. In addition, the Council's response to the pandemic has resulted in a significant change to Council services being delivered and the way in which those services are being delivered. This unprecedented environment has resulted in decisions being taken at speed, in accordance with the information available at time, government guidance, direction and relevant legislation.
- 2.5 The purpose of this report is to highlight the new significant risks that the Council now faces, along with details of the steps being taken to mitigate those risks.
- 2.6 Both the Covid-19 and the Strategic risk registers do not include all the risks that the Council faces. They represent the most significant risks that could potentially impact on the achievement of the Council's objectives. Other risks are captured within directorate, programme, project or partnership risk registers in line with the Council's corporate risk management framework.
- 2.7 A detailed summary of the Council's Covid-19 risk register is included at Appendix 1 of this report which sets out the status of the risks as at February 2021. A summary of the Council's pre-existing strategic risk register which includes the impact of the global pandemic is attached at Appendix 2. These risks are reviewed on an on-going basis and can be influenced by both external and internal factors and as such, may fluctuate over time.

3.0 Progress

- 3.1 Both the Covid-19 Risk Register and the Strategic Risk Register will be updated as required and presented at approximately quarterly intervals to the Committee. The Committee also takes the opportunity to 'call in' individual risks for further review from time to time. At the last meeting, the Committee requested more information with regards to Covid-19 risk 4 – Safeguarding Children to be called in for the March 2021 meeting. The Deputy Director for Social Care will be attending the meeting to provide a verbal update on this risk.

4.0 Financial implications

- 4.1 There are no financial implications associated with the recommendations in this report as Councillors are only requested to note the risk register summaries. Financial implications may arise from the implementation of strategies employed to mitigate individual risks, but these will be evaluated and reported separately if required. [GE/23022021/I]

5.0 Legal implications

5.1 Although there may be some legal implications arising from the implementation of the strategies employed to mitigate individual risks, there are no direct legal implications arising from the recommendations in this report. [Legal code: TS/24022021/W]

6.0 Equalities implications

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

7.0 All other implications

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

8.0 Schedule of background papers

8.1 None.

9.0 Appendices

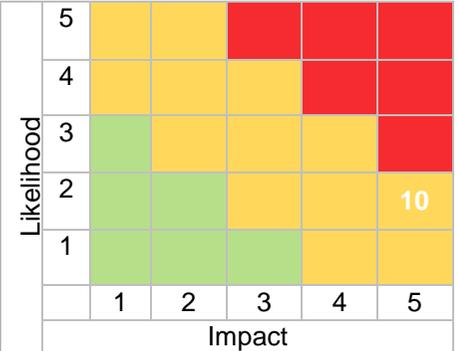
9.1 Appendix 1: Updated Covid-19 risk register.

9.2 Appendix 2: Updated Strategic risk register.

Appendix 1 – Covid-19 Risk Register

February 2021



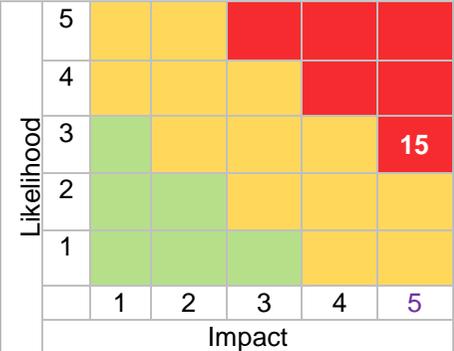
Risk ref	Risk title and description	Current score (Feb 2021)	Target score and date (where appropriate)	Comment	Link to Strategic Risks
1 04/20	<p>Budgetary Pressure 2020-2021 There is a risk that the Council will need to spend more than we have in tackling Covid-19 (above and beyond specific Covid-19 grants received). There is a legal requirement to operate within budget.</p> <p>Risk owner: Claire Nye Cabinet Member: Cllr Louise Miles</p> 	10 Amber	10 Amber *On-Going	<p>The Government has provided the Council with additional grant funding for 2020-2021. Financial updates were provided in the 2021-2022 Budget and Medium-Term Financial Strategy 2021-2022 to 2023-2024 presented to Cabinet on 17 February 2021. Current projections demonstrate that the estimated grant funding for Wolverhampton will be sufficient to meet the immediate revenue cost pressures and loss of income, including the delivery of budget reduction targets. However, it is important to note, this is subject to change and does not include the cost of recovery and any provision for changes in national or local restrictions. The Council continues to assess the potential impact of Covid 19. It is anticipated that the Government will provide sufficient grant funding to cover the pressures in 2020-2021, however, if this is not the case the Council would need to identify in year efficiencies to fund these pressures. The financial implications will continue to be closely monitored and updates will be provided in future reports. The impact of the pandemic has significantly distorted the budget and Medium-Term Financial Strategy.</p>	4 – MTFS

Risk ref	Risk title and description	Current score (Feb 2021)	Target score and date (where appropriate)	Comment	Link to Strategic Risks																																											
2 04/20	<p>Impact on Residents</p> <p>There is potential impact on the health and wellbeing of Wolverhampton residents due to inaction by the Council.</p> <p>Risk owner: John Denley Cabinet Member: Cllr Jasbir Jaspal</p> <table border="1" data-bbox="224 582 678 933"> <tr><td rowspan="5" style="writing-mode: vertical-rl; transform: rotate(180deg);">Likelihood</td><td>5</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>4</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>3</td><td></td><td></td><td></td><td>12</td><td></td></tr> <tr><td>2</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>1</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td></td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr> <tr><td></td><td colspan="5" style="text-align: center;">Impact</td></tr> </table>	Likelihood	5						4						3				12		2						1							1	2	3	4	5		Impact					12 Amber	8 Amber *On-Going	<p>The Council has published an outbreak control plan (OCP) which was approved by the Leader on 29 June 2020. As previously reported the OCP details how it will tackle the virus and control any future outbreaks.</p> <p>In addition, a local more detailed risk register is held within public health which manages on-going operational risks and issues. Work continues to support two significant national programmes associated with the pandemic; a lateral flow testing (LFT) programme and a vaccination programme.</p> <p>Risks associated with LFT testing relate to sustaining current high uptake by residents. Testing will be key in the short to medium term in managing and containing community transmission. The vaccination programme will need to be working in parallel will testing not replacing it.</p> <p>There is a risk of new or emerging Covid Variants of Concern (VOC). VOC (e.g. the current South African variant) may impact on residents.</p> <p>The Council needs to respond in a timely and effective manner to any emerging VOC and has a response plan in place.</p> <p>Two large vaccine sites have been established at Aldersley and Bert Williams leisure centres. These are Primary Care Network hubs, hosting groups of GPs, enable greater scale and pace of delivery.</p> <p>Vaccine supply has been identified as an on-going risk by the multi-agency COVID-19 Strategic Coordination Group and was reported to the Local Outbreak Engagement Board as a red risk on 3 February 2021.</p>	N/A
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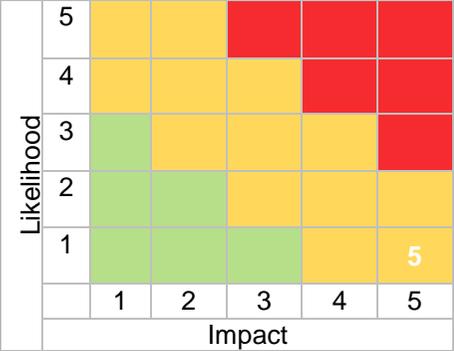
Risk ref	Risk title and description	Current score (Feb 2021)	Target score and date (where appropriate)	Comment	Link to Strategic Risks																																						
3 04/20	<p>Businesses Closing Loss of Business, impacting on the overall regeneration of the City.</p> <p>Risk owner: Richard Lawrence Cabinet Member: Cllr Stephen Simkins</p> <table border="1" data-bbox="224 582 678 933"> <tr> <td rowspan="5" style="writing-mode: vertical-rl; transform: rotate(180deg);">Likelihood</td> <td>5</td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FF0000; color: white;">20</td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td>4</td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FF0000;"></td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td>3</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td>2</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> </tr> <tr> <td>1</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> </tr> <tr> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td colspan="5" style="text-align: center;">Impact</td> </tr> </table>	Likelihood	5			20		4					3					2					1						1	2	3	4	5		Impact					20 Red	8 Amber *On-Going	<p>The score of this risk remains at 20 – Red. On 5 January 2021 the City went into a third national lockdown. These restrictions continue to have a detrimental effect on businesses in the City, forcing them into either a full or partial closure.</p> <p>The Government have provided several business support grants offering direct financial assistance to businesses across the City. Teams across the Council have been administering these for almost 12 months and anticipate this will continue well into 2021. Along with direct financial support the funds will allow the Council to invest in targeted business support packages in order to provide longer term assistance for businesses. The councils Relight Recovery strategy has identified a number of areas including growing new enterprise, building resilience in SMEs and supporting diversification and investment in digital resources and skills. The Enterprise Team are drawing on the intelligence gathered from the grant schemes to shape the package of support that will help meet current business needs and business survival.</p>	9 – City Centre Regeneration 4 – MTFS 22 – Skills for Work and Inclusive Growth
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Risk ref	Risk title and description	Current score (Feb 2021)	Target score and date (where appropriate)	Comment	Link to Strategic Risks																																													
4 04/20	<p>Safeguarding Children Ensuring that the most vulnerable children are safeguarded.</p> <p>Risk owner: Emma Bennett Cabinet member: Cllr John Reynolds</p> <table border="1" data-bbox="224 598 678 949"> <tr> <td rowspan="5" style="writing-mode: vertical-rl; transform: rotate(180deg);">Likelihood</td> <td>5</td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FF0000;"></td> <td style="background-color: #FF0000;"></td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td>4</td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FF0000;"></td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td>3</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700; text-align: center;">12</td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td>2</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> </tr> <tr> <td>1</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> </tr> <tr> <td></td> <td></td> <td style="text-align: center;">1</td> <td style="text-align: center;">2</td> <td style="text-align: center;">3</td> <td style="text-align: center;">4</td> <td style="text-align: center;">5</td> </tr> <tr> <td></td> <td></td> <td colspan="5" style="text-align: center;">Impact</td> </tr> </table>	Likelihood	5						4						3				12		2						1								1	2	3	4	5			Impact					12 Amber	8 Amber *On-Going	<p>Children's Services are no longer using the interim model agreed at the start of the Covid-19 pandemic. The Council have returned to both holding face to face visits and working face to face with vulnerable children and families in line with the Council's statutory role and responsibilities. Referrals to the MASH are in line with previous years. Wolverhampton's Safeguarding together partnership are holding fortnightly Covid-19 response meetings and Children's Services continue to submit fortnightly vulnerable children data to the DfE which is being closely monitored. Staffing levels are being impacted by Covid-19, impacts are being closely monitored to ensure sufficient service provision. The Deputy Director for Social Care will be attending the meeting to answer any questions from Committee.</p>	7 – Safeguarding
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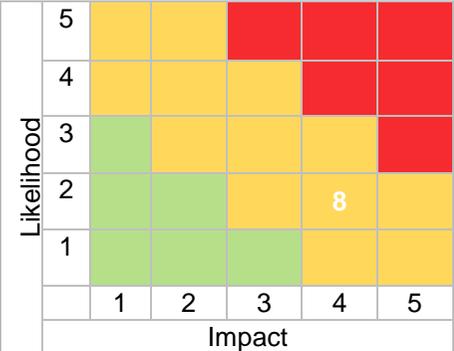
Risk ref	Risk title and description	Current score (Feb 2021)	Target score and date (where appropriate)	Comment	Link to Strategic Risks																																													
5 04/20	<p>Safeguarding Adults Ensuring that the most vulnerable adults are safeguarded.</p> <p>Risk owner: Emma Bennett Cabinet member: Cllr Linda Leech</p> <table border="1" data-bbox="224 571 676 922"> <tr> <td rowspan="5" style="writing-mode: vertical-rl; transform: rotate(180deg);">Likelihood</td> <td>5</td> <td style="background-color: #ffff00;"></td> <td style="background-color: #ffff00;"></td> <td style="background-color: #ff0000;"></td> <td style="background-color: #ff0000;"></td> <td style="background-color: #ff0000;"></td> </tr> <tr> <td>4</td> <td style="background-color: #ffff00;"></td> <td style="background-color: #ffff00;"></td> <td style="background-color: #ffff00;"></td> <td style="background-color: #ff0000;"></td> <td style="background-color: #ff0000;"></td> </tr> <tr> <td>3</td> <td style="background-color: #90ee90;"></td> <td style="background-color: #ffff00;"></td> <td style="background-color: #ffff00;"></td> <td style="background-color: #ffff00;">12</td> <td style="background-color: #ff0000;"></td> </tr> <tr> <td>2</td> <td style="background-color: #90ee90;"></td> <td style="background-color: #90ee90;"></td> <td style="background-color: #ffff00;"></td> <td style="background-color: #ffff00;"></td> <td style="background-color: #ffff00;"></td> </tr> <tr> <td>1</td> <td style="background-color: #90ee90;"></td> <td style="background-color: #90ee90;"></td> <td style="background-color: #90ee90;"></td> <td style="background-color: #90ee90;"></td> <td style="background-color: #ffff00;"></td> </tr> <tr> <td></td> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td colspan="6" style="text-align: center;">Impact</td> </tr> </table>	Likelihood	5						4						3				12		2						1								1	2	3	4	5		Impact						12 Amber	8 Amber *Ongoing	<p>The score of this risk amber. The Care Act easements temporary operating procedure continues to be reviewed by Adult Incident Management Team and to date the Council have not had to move to stage 3 or 4 of the Care Act easements procedure. Prior to the third lockdown a number of service providers had begun to re-open with limited capacity. In accordance with government guidance some have now closed (during the third national lockdown) whilst a number remain open. Assessments continue to be undertaken virtually, with the exception of where there is a need to undertake them face to face. Information has been provided to service users with regards to financial stability and how to safeguard against income failure and financial hardship. Lessons have been learnt from the first wave of the pandemic and improvements continue to be made to deal with the second wave in conjunction with winter pressures. Wolverhampton’s Safeguarding Together partnership continue to hold monthly Covid-19 recovery meetings and ensure oversight of safeguarding services to adults alongside children across the partnership.</p>	7 – Safeguarding
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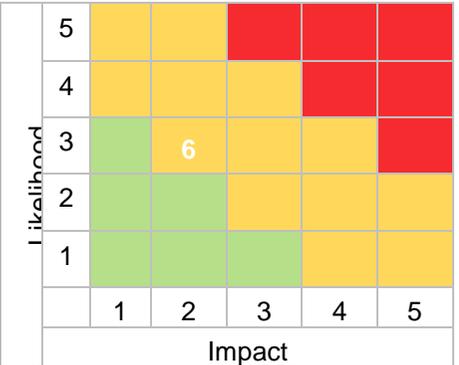
Risk ref	Risk title and description	Current score (Feb 2021)	Target score and date (where appropriate)	Comment	Link to Strategic Risks
6 04/20	<p>Reputation / Loss of Public Trust and Confidence</p> <p>There is a risk that the Council loses public trust and confidence by; i) failing to respond to the needs of local people, especially vulnerable ii) failure to warn and inform the public leading to impact upon the health of residents and businesses.</p> <p>Risk owner: Tim Johnson Cabinet Member: Cllr Ian Brookfield</p> 	15 Red	10 Amber *On-Going	<p>Comprehensive and regular communications with residents and other key stakeholders in Wolverhampton have played a key role in driving down Covid-19 infection rates in the City. Effective communications remain essential to keeping people safe, ensuring compliance with restrictions, changing behaviour to prevent the virus spreading, preparing the city for recovery and 'relight' and in supporting operational council service delivery. There has been a comprehensive assessment of levels of vulnerability and the Council's approach will continue to prioritise keeping the most vulnerable safe. Coordinating communications - working with partners at local, regional and national level – is also important to ensure clear and consistent messages. This is particularly evident in the support the council is providing NHS colleagues on the roll-out of the covid-19 vaccination programme to ensure as many residents as possible get the protection afforded by the jab.</p>	N/A

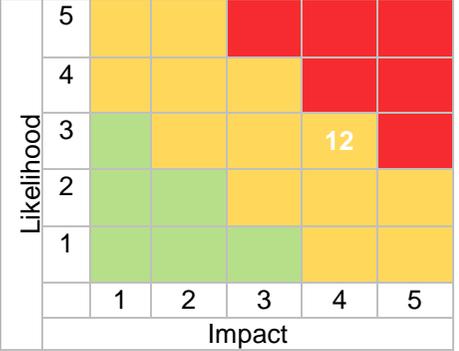
Risk ref	Risk title and description	Current score (Feb 2021)	Target score and date (where appropriate)	Comment	Link to Strategic Risks																																							
07 04/20	<p>Medium Term Budgetary Pressure</p> <p>There is a risk that the medium-term impact of Covid-19 will place significant pressure on the Medium-Term Financial Plan.</p> <p>Risk owner: Claire Nye Cabinet Member: Cllr Louise Miles</p> <table border="1" data-bbox="224 667 676 1018"> <tr> <td rowspan="5" style="writing-mode: vertical-rl; transform: rotate(180deg);">Likelihood</td> <td>5</td> <td></td> <td></td> <td style="background-color: red; color: white;">20</td> <td></td> </tr> <tr> <td>4</td> <td></td> <td></td> <td style="background-color: red;"></td> <td></td> </tr> <tr> <td>3</td> <td style="background-color: #90EE90;"></td> <td></td> <td></td> <td style="background-color: red;"></td> </tr> <tr> <td>2</td> <td style="background-color: #90EE90;"></td> <td></td> <td></td> <td></td> </tr> <tr> <td>1</td> <td style="background-color: #90EE90;"></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td colspan="5" style="text-align: center;">Impact</td> </tr> </table>	Likelihood	5			20		4					3					2					1							1	2	3	4	5		Impact					20 Red	10 Amber *On-Going	<p>As detailed above under risk - 1 Budgetary Pressure 2020 – 2021 the Government have provided additional grant funding to tackle the Covid-19 pandemic. On 17 February 2021 Cabinet received an update on the 2021-2022 Budget and Medium-Term Financial Strategy 2021-2022 to 2023-2024. It was reported that the impact of Covid-19 has had and will continue to have a significant financial impact on the 2020-2021 budget and the Medium-Term Financial Strategy. There are longer term implications for the Council’s operating model, as the scale of the change post Covid-19 will place new expectations and demands on 2020-2021 and future years. It is anticipated that income streams will continue to be adversely affected in 2021-2022 and future years as a result of the pandemic, furthermore, the impact of Covid-19 and the Council’s plan for Relighting Our City over the immediate and medium term will require financial investment.</p> <p>In recognition of this initial investment that will be required to support recovery work, Cabinet on 8 July 2020, approved a specific Recovery Reserve of £3 million. The Council will need to re-prioritise resources for any investment required to support the recovery strategy beyond this initial £3 million.</p> <p>The pandemic has significantly distorted the budget and medium term financial strategy and as detailed in the 2021-2022 Budget and Medium Term Financial Strategy reported to Cabinet on 17 February 2021, it is difficult to confirm the exact costs directly associated with Covid-19. However, after taking into account the grants specifically for Covid-19, our current assumptions estimate that the net impact of the pandemic is in the region of £6.4 million. This cost pressures has been met from other efficiencies identified across the Council.</p> <p>It was reported that despite the net budgetary impact of Covid, the Council is able to set a balanced budget for 2021-2022 without the use of general reserves or the need to undertake a fundamental review of services, but is now faced with finding further projected budget reductions estimated at £25.4 million in 2022-2023, rising to £29.6 million to the period of 2023-2024.</p> <p>The impact of the pandemic will continue to be monitored and regular updates will continue to be provided to the Leader, Cabinet Member and Strategic Executive Board (SEB).</p>	4 - MTFS
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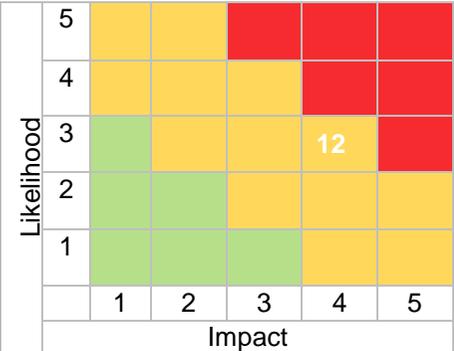
Risk ref	Risk title and description	Current score (Feb 2021)	Target score and date (where appropriate)	Comment	Link to Strategic Risks																																													
08 04/20	<p>Supply Chain</p> <p>There is a risk that we may lose key suppliers (Social Care Suppliers are of particular concern).</p> <p>Risk Owner: Claire Nye Cabinet Member: Cllr Louise Miles</p>  <table border="1" data-bbox="224 627 678 978"> <tr> <td rowspan="5">Likelihood</td> <td>5</td> <td>Yellow</td> <td>Yellow</td> <td>Red</td> <td>Red</td> <td>Red</td> </tr> <tr> <td>4</td> <td>Yellow</td> <td>Yellow</td> <td>Yellow</td> <td>Red</td> <td>Red</td> </tr> <tr> <td>3</td> <td>Green</td> <td>Yellow</td> <td>Yellow</td> <td>Yellow</td> <td>Red</td> </tr> <tr> <td>2</td> <td>Green</td> <td>Green</td> <td>Yellow</td> <td>Yellow</td> <td>Yellow</td> </tr> <tr> <td>1</td> <td>Green</td> <td>Green</td> <td>Green</td> <td>Yellow</td> <td>Yellow (5)</td> </tr> <tr> <td></td> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td></td> <td colspan="5">Impact</td> </tr> </table>	Likelihood	5	Yellow	Yellow	Red	Red	Red	4	Yellow	Yellow	Yellow	Red	Red	3	Green	Yellow	Yellow	Yellow	Red	2	Green	Green	Yellow	Yellow	Yellow	1	Green	Green	Green	Yellow	Yellow (5)			1	2	3	4	5			Impact					5 Amber	Target Met	The score of this risk has been reduced, issues relating to Adult Social Care Providers are dealt with below under risk 9, Service Providers – Adult Social Care.	N/A
Likelihood	5		Yellow	Yellow	Red	Red	Red																																											
	4		Yellow	Yellow	Yellow	Red	Red																																											
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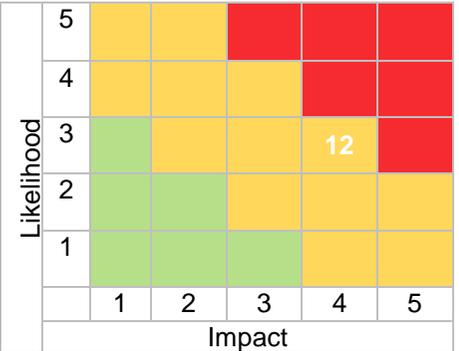
Risk ref	Risk title and description	Current score (Feb 2021)	Target score and date (where appropriate)	Comment	Link to Strategic Risks																																											
9 04/20	<p>Service Providers – Adult Social Care</p> <p>There is a risk that we may lose service providers and not be able to maintain adequate service provision</p> <p>Risk owner: Emma Bennett Cabinet Member: Cllr Linda Leach</p> <table border="1" data-bbox="224 667 678 1019"> <tr> <td rowspan="6" style="writing-mode: vertical-rl; transform: rotate(180deg);">Likelihood</td> <td>5</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>4</td> <td></td> <td></td> <td></td> <td>16</td> <td></td> </tr> <tr> <td>3</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>2</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>1</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td colspan="5" style="text-align: center;">Impact</td> </tr> </table>	Likelihood	5						4				16		3						2						1							1	2	3	4	5		Impact					16 Red	8 Amber *On-Going	Risks are being mitigated due to the robust outbreak management processes in place. The Council have established enhanced support to providers, the daily provider survey acts as an alert to trigger contact and support if providers report they are having staffing issues when previously they've reported staffing is sufficient. Infection Prevention Control (IPC) funding has been allocated and homes have used this to fund required additional staff. Commissioning have worked with local recruitment agencies to ensure they understand potential demand and how they could support local care homes at the same time ensuring all appropriate IPC measures are followed in relation to cohorting staff.	N/A
Likelihood	5																																															
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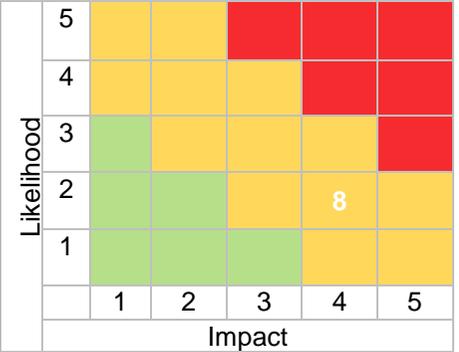
Risk ref	Risk title and description	Current score (Feb 2021)	Target score and date (where appropriate)	Comment	Link to Strategic Risks																																																
10 04/20	<p>Governance / Decision Making</p> <p>There is a risk that impacts from decisions made at speed could leave the Council open to complaint, litigation or financial penalty at a later date.</p> <p>Risk owner: David Pattison Cabinet Member: Cllr Paula Brookfield</p>  <table border="1" data-bbox="224 662 678 1013"> <tr> <td></td> <td>5</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>4</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>3</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>2</td> <td></td> <td></td> <td>8</td> <td></td> </tr> <tr> <td></td> <td>1</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Likelihood</td> <td>5</td> <td>4</td> <td>3</td> <td>2</td> <td>1</td> </tr> <tr> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td colspan="5">Impact</td> </tr> </table>		5						4						3						2			8			1					Likelihood	5	4	3	2	1		1	2	3	4	5		Impact					8 Amber	8 Amber *On-Going	Robust decision-making procedures are being established alongside strong risk management. Regular Director / Member meetings are ongoing to provide challenge. Virtual Committee meetings for elected Members are happening on a regular basis including a full Scrutiny programme (done remotely) and Full Council on 16 September 2020. The Council meetings in recent months have not taken place due to the legal Covid restrictions preventing the form of hybrid that took place during September 2020, however, a Full Council meeting has been scheduled for 3 March 2021 to approve the budget. Decision and risk logs have been established for all work streams and continue to be reviewed regularly.	37 - Governance of Major Capital Projects, 3 - Information Governance
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Risk ref	Risk title and description	Current score (Feb 2021)	Target score and date (where appropriate)	Comment	Link to Strategic Risks																																										
11 04/20	<p>Fraud / Misappropriation</p> <p>The Council is open to fraud and misappropriation due to changes in legislation / speed that government grants need to be validated and distributed.</p> <p>Risk Owner: Claire Nye / David Pattison Cabinet Member: Cllr Paula Brookfield</p>  <table border="1" data-bbox="224 742 683 1107"> <tr><td>5</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>4</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>3</td><td></td><td>6</td><td></td><td></td><td></td></tr> <tr><td>2</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>1</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td></td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr> <tr><td></td><td colspan="5">Impact</td></tr> </table>	5						4						3		6				2						1							1	2	3	4	5		Impact					6 Amber	4 Amber June 2020	<p>The Council has used a variety of pre and post-assurance tools including the government tool 'spotlight' in order to prevent incorrect or potentially fraudulent applications from being processed. The pre-assurance checking regime identified a number of such applications that were subsequently stopped. Following the payment of over 4,000 initial applications, post-payment checks identified a further 24 such cases, and invoices to recover these payments have been issued.</p> <p>Both pre and post-payment checks are now taking place on the latest round of support grants that have been made available. The Council has also introduced a third party front-end portal (Ascendant) into the pre-payment checking process.</p>	N/A
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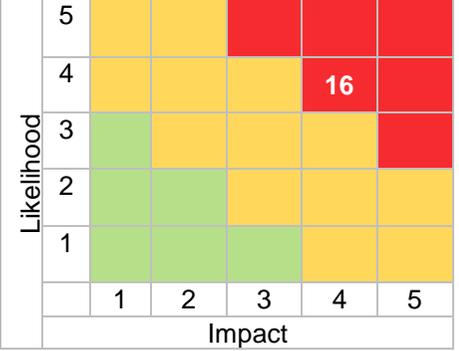
Risk ref	Risk title and description	Current score (Feb 2021)	Target score and date (where appropriate)	Comment	Link to Strategic Risks
12 4/20	<p>Employee Support – Health and Wellbeing</p> <p>Impact on staff health and wellbeing due to unprecedented levels of service demand / changes to working practices.</p> <p>Risk Owner: Tim Johnson Cabinet Leader: Cllr Ian Brookfield</p> 	12 Amber	8 Amber *On-Going	<p>Employee well-being was a Council priority prior to the Covid 19 pandemic and continues to be a priority now. A number of initiatives to support the well-being of Council employees have been and continue to be undertaken. Brief details are included below.</p> <ul style="list-style-type: none"> • The launch of the Council’s Our People portal. • Continuing to adjust to facilitate employees working from home. • Provision of onsite working where there is a need from a well-being perspective, requests for onsite working are reviewed and approved on a case-by-case basis. The provision of onsite working is reviewed continuously in line with national and local restrictions. • Utilising technology to provide new ways of members of staff to connect with colleagues from across the organisation. • Access to Mental Health First Aiders, these are colleagues from across the council who can be approached by anyone that wishes to discuss emotional, mental health and wellbeing issues. Mental Health First Aiders have received bespoke training and will listen to concerns and guide individuals to the help they need. • The offer of face-to-face well-being checks and access to free trials and workouts from WV Active. • The introduction of ten wellbeing leads working across different services to ensure the information is available and valid. These leads attend the operational Wellbeing group biweekly to discuss the relevant support and ensure the best support is available. • Engagement is underway with employees to receive feedback on the creation of wellbeing pledges. These include organisational, employee and manager pledges. We are working with unions to see what support they want to offer as part of the wellbeing pledges. 	28 – Health and Safety

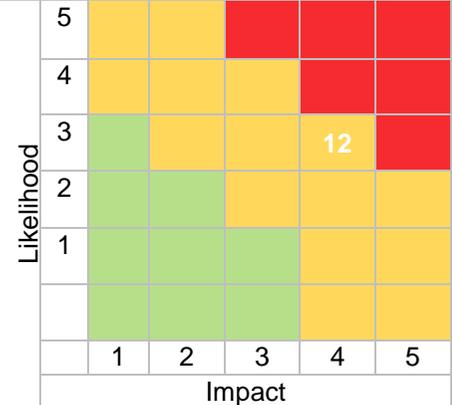
Risk ref	Risk title and description	Current score (Feb 2021)	Target score and date (where appropriate)	Comment	Link to Strategic Risks																																										
13 4/20	<p>WV Living</p> <p>There is potential for significant reputational and financial risk to the Council as a result of the financial impacts on WV Living as a result of Covid-19.</p> <p>Risk Owner: Claire Nye Cabinet Leader: Cllr Louise Miles</p>  <table border="1" data-bbox="224 635 678 986"> <tr> <td>5</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>4</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>3</td> <td></td> <td></td> <td>12</td> <td></td> <td></td> </tr> <tr> <td>2</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>1</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td colspan="5">Impact</td> </tr> </table>	5						4						3			12			2						1							1	2	3	4	5		Impact					12 Amber	8 Amber *On-Going	<p>On 16 December 2020 Cabinet approved the WV Living Business Plan for 2021-2026. Subsequently, via a special urgent decision, on 17 December 2020 the Council approved investment of equity in WV Living to support the business plan and delivery of housing in Wolverhampton.</p> <p>The Board of Directors are now fully focussed on securing the resources required to successfully deliver the Business Plan, this work is closely monitored by the Shareholder Board.</p>	N/A
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Risk ref	Risk title and description	Current score (Feb 2021)	Target score and date (where appropriate)	Comment	Link to Strategic Risks																																										
14 4/20	<p>Employee Capacity</p> <p>There is a risk to the provision of statutory functions / functions required as part of the Council's Covid-19 response due to employee capacity issues - including impact of sickness / caring responsibilities.</p> <p>Risk Owner: Tim Johnson Cabinet Leader: Cllr Ian Brookfield</p>  <table border="1" data-bbox="224 702 683 1053"> <tr><td>5</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>4</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>3</td><td></td><td></td><td></td><td>12</td><td></td></tr> <tr><td>2</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>1</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td></td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr> <tr><td></td><td colspan="5">Impact</td></tr> </table>	5						4						3				12		2						1							1	2	3	4	5		Impact					12 Amber	8 Amber *On-Going	Detailed analysis to understand the flexibility of the workforce and continue the redeployment programme is ongoing. During the third national lockdown employees have been successfully redeployed into lateral test flow centres, to a call centre supporting vaccination take up and at Aldersley Leisure Village vaccination site. These requirements are being reviewed on an on-going basis and considerations are being made for when lockdown is lifted. Individual and workplace risk assessments have been conducted in front facing service areas to ensure they can continue to operate in a Covid secure manner. Processes are embedded to identify priorities and redeploy employees in the most appropriate way now and in line with future restrictions.	N/A
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15 4/20	<p>ICT Network and Telecommunications / Security Issues</p> <p>There is a risk of service disruption due to failures in ICT and telecommunications systems (including the ability to access the Council's secondary data centre). There is also an increased risk of cyber security threats as a result of Covid-19.</p> <p>Risk Owner: Charlotte Johns Cabinet Leader: Cllr Louise Miles</p>  <table border="1" data-bbox="224 805 683 1157"> <tr><td>5</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>4</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>3</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>2</td><td></td><td></td><td>8</td><td></td><td></td></tr> <tr><td>1</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td></td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr> <tr><td></td><td colspan="5">Impact</td></tr> </table>	5						4						3						2			8			1							1	2	3	4	5		Impact					8 Amber	4 Amber *On-Going	This risk has been de-escalated from the Covid Risk Register, any impacts from Covid-19 will be dealt with under strategic risk 23 – Cyber Security.	23 – Cyber Security
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16 4/20	<p>Education Provision</p> <p>There is a risk to the consistent provision of education to all children and young people in Wolverhampton due to;</p> <ul style="list-style-type: none"> • Covid-19 outbreaks in schools • Children and young people not regularly being in school due to managing isolated Covid-19 cases • Parents confidence that children are safe in schools due to the pandemic. <p>Risk Owner: Emma Bennett Cabinet Leader: Cllr Dr Michael Hardacre</p> <table border="1" data-bbox="224 917 683 1268"> <tr> <td rowspan="5" style="writing-mode: vertical-rl; transform: rotate(180deg);">Likelihood</td> <td>5</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>4</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>3</td> <td></td> <td></td> <td></td> <td>12</td> <td></td> </tr> <tr> <td>2</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>1</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td colspan="6" style="text-align: center;">Impact</td> </tr> </table>	Likelihood	5						4						3				12		2						1								1	2	3	4	5		Impact						12 Amber	4 Amber *On-Going	<p>The Council are continuing to provide a programme of ongoing support to schools, all Wolverhampton schools reopened to all pupils in September 2020, but this was reviewed following the Christmas holiday period due to a further spike in cases and a new national lockdown. At the beginning of the January 2021 term schools were closed for the majority of students but as with the first lockdown, schools remained open to ‘vulnerable’ children and young people, children of keyworker parents as well as those with Education, Health and Care plans. School places were also made available for those unable to study effectively at home. During this period teachers were also delivering lessons remotely to the large numbers of children and young people studying at home.</p> <p>A ‘roadmap’ to the full re-opening of schools, settings and colleges is was announced on the 22 February with re-opening to commence on the 8th March. Communications to both education settings and to parents to ensure consistent messaging are ongoing. An Education Incident Managing team has been established with key Council officers along with public health colleagues to monitor emerging Covid cases in schools and to provide ongoing support to education settings in order to manage outbreaks.</p>	22 - Skills for Work and Inclusive Growth
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Risk ref	Risk title and description	Current score (Feb 2021)	Target score and date (where appropriate)	Comment	Link to Strategic Risks
17 4/20	<p>Impact on-going projects and programmes</p> <p>There is a risk to the Council's ongoing projects and programmes in terms of both timings and costs due to the impacts of Covid-19. Furthermore, original business cases may no longer align with future strategic aims.</p> <p>Risk Owner: Richard Lawrence Cabinet Leader: Cllr Stephen Simkins</p> 	16 Red	12 Amber *On-Going	<p>With regards to the Council's major capital projects; the strategic pipeline and the related investment funding opportunities, the Infrastructure for Growth Board continue to consider the impacts of the pauses in work caused by COVID-19 and the changes in longer term objectives.</p> <p>The Covid reporting protocol is ongoing and continues to identify and monitor risks and issues directly related to Covid-19, Covid risk reports are produced on a regular basis and reviewed by Senior Management. The Council is pro-actively working with partners and stakeholders to mitigate risk and continue operations in accordance with Government guidelines. Regular reporting to PAG, i4Projects, SEB and Member Reference Group is also ongoing.</p>	37 - Governance of Major Capital Projects

Risk ref	Risk title and description	Current score (Feb 2021)	Target score and date (where appropriate)	Comment	Link to Strategic Risks																																													
	<p>Cabinet Leader: Cllr Ian Brookfield</p>  <table border="1" data-bbox="226 357 678 762"> <tr> <td rowspan="5">Likelihood</td> <td>5</td> <td>Yellow</td> <td>Yellow</td> <td>Red</td> <td>Red</td> <td>Red</td> </tr> <tr> <td>4</td> <td>Yellow</td> <td>Yellow</td> <td>Yellow</td> <td>Red</td> <td>Red</td> </tr> <tr> <td>3</td> <td>Green</td> <td>Yellow</td> <td>Yellow</td> <td>12</td> <td>Red</td> </tr> <tr> <td>2</td> <td>Green</td> <td>Green</td> <td>Yellow</td> <td>Yellow</td> <td>Yellow</td> </tr> <tr> <td>1</td> <td>Green</td> <td>Green</td> <td>Green</td> <td>Yellow</td> <td>Yellow</td> </tr> <tr> <td></td> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td></td> <td colspan="5">Impact</td> </tr> </table>	Likelihood	5	Yellow	Yellow	Red	Red	Red	4	Yellow	Yellow	Yellow	Red	Red	3	Green	Yellow	Yellow	12	Red	2	Green	Green	Yellow	Yellow	Yellow	1	Green	Green	Green	Yellow	Yellow			1	2	3	4	5			Impact							<p>can move forward safely, with minimal risk to officers and members of the public. This includes considerations such as PPE requirements and work locations. An employee risk assessment has been established in collaboration with key partners and has since been adopted as best practice by others. Given the changing external environment and the announcement on 21 January 2021, this risk-based approach to reopening services will continue to be developed in line with public health guidance.</p> <p>Full Council approved the 'Relighting Our City' strategy on the 16 September 2020, the framework sets out five priority areas for recovery alongside three thematic cross cutting principles. The plan was developed after extensive engagement with our partners and communities, a mechanism is in place through a digital engagement platform to ensure we have an ongoing dialogue with communities around recovery in the coming months. Work to shape our future economic priorities with key partners across the city has also continued, including the launch of the Wolverhampton Pound which was agreed at Cabinet in January 2021.</p> <p>A robust governance structure to oversee the recovery phase has been established including a city Recovery Co-ordinating Group. Regular reporting to the Strategic Executive Board and elected members is ongoing. Monitoring of infection rates within the city is ongoing, it is noted that consideration will have to be given to what impact the current rise in infection rates will have on the Council's approach to recovery and the implications for re-opening services.</p> <p>Collaboration is also being undertaken with both regional partners and partners from within the City where appropriate, through the regional Recovery Co-ordinating Group.</p>	
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Risk ref	Risk title and description	Current score (Feb 2021)	Target score and date (where appropriate)	Comment	Link to Strategic Risks
20 07/20	<p>Rising Unemployment Impact of Covid-19 on businesses and industries across the City will result in more unemployment.</p> <p>Risk Owner: Richard Lawrence Cabinet Leader: Cllr Stephen Simkins</p>	20 Red	16 Red	<p>Covid-19 has significantly impacted businesses and industries across the City. The Council are continuing to monitor the situation for residents and businesses, working closely with partners across the region. Recent figures have identified that the city has moved from being 5th highest unemployment in the UK in October 2020 to 7th highest in January 2021. Young people (18 – 25) have been particularly affected, due to closures in retail and hospitality and we are seeing wards which have double the national unemployment for this age group.</p> <p>As part of the Council's 'Relighting Our City Strategy' the Jobs and Learning Relight workstream has been presented to the Council's Scrutiny Board and to the Executive Board. The focus being to support young people, reduce the digital divide and have a city response to redundancy. The current Furlough scheme has been extended till April 2021 which is minimising current impact however it is unclear if positions will be available once the scheme has been withdrawn.</p>	9 - City Centre Regeneration, 22 - Skills for Work and Inclusive Growth

* The target assessment for these risks remains constant as they are risks which are likely to remain at their current level over the medium term and as such these risks may not have target dates.

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Appendix 2 – Strategic Risk Register

February 2021



Risk ref	Risk title and description	Previous score (Dec 2020)	Direction of travel	Current score (Feb 2021)	Target score and date (where appropriate)	Comment																																													
3 01/14	<p>Information Governance (IG)</p> <p>If the Council does not put in place appropriate policies, procedures and technologies to ensure:</p> <ul style="list-style-type: none"> that the handling and protection of its data is undertaken in a secure manner and consistent with both the provisions of the Data Protection Act 1998 and the General Data Protection Regulation (GDPR) which came into force during May 2018; compliance with the Freedom of Information Act and Environmental Information Regulations; <p>then it may be subject to regulatory action, financial penalties, reputational damage and the loss of confidential information.</p> <p>Risk owner: David Pattison Cabinet Member: Cllr Paula Brookfield</p> <table border="1" data-bbox="219 943 672 1294"> <tr> <td rowspan="5" style="writing-mode: vertical-rl; transform: rotate(180deg);">Likelihood</td> <td>5</td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FF0000;"></td> <td style="background-color: #FF0000;"></td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td>4</td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FF0000;"></td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td>3</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td>2</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700; text-align: center;">8</td> <td style="background-color: #FFD700;"></td> </tr> <tr> <td>1</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> </tr> <tr> <td></td> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td colspan="6" style="text-align: center;">Impact</td> </tr> </table>	Likelihood	5						4						3						2				8		1								1	2	3	4	5		Impact						12 Amber		8 Amber	8 Amber Ongoing	<p>The score of this risk has been reduced as new ways of working are becoming embedded. IG implications have now been included within key documentation such as Teams User Guides and working from home guidance has been reviewed and will be re-issued to staff to remind them of information governance requirements when working from home. The IG Team continue to work closely with the Projects and Programmes team to ensure that IG implications are taken into account across all work streams.</p>
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4 01/14	<p>Medium Term Financial Strategy If the Council does not manage the risks associated with the successful delivery of its medium term financial strategy (MTFS) including the continual review of the assumptions and projections of the strategy, the effective management of the key MTFS programmes and projects such as the transformation of Adults and Children's services then revenues may be exhausted, resulting in the potential loss of democratic control and the inability of the Council to deliver essential services and discharge its statutory duties.</p> <p>Risk owner: Claire Nye Cabinet Member: Cllr Louise Miles</p> <table border="1"> <tr> <td rowspan="6">Likelihood</td> <td>5</td> <td></td> <td></td> <td style="background-color: red; color: white;">20</td> <td></td> </tr> <tr> <td>4</td> <td></td> <td></td> <td style="background-color: red;"></td> <td></td> </tr> <tr> <td>3</td> <td style="background-color: #90EE90;"></td> <td></td> <td></td> <td style="background-color: red;"></td> </tr> <tr> <td>2</td> <td style="background-color: #90EE90;"></td> <td></td> <td></td> <td></td> </tr> <tr> <td>1</td> <td style="background-color: #90EE90;"></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td colspan="5" style="text-align: center;">Impact</td> </tr> </table>	Likelihood	5			20		4					3					2					1						1	2	3	4	5		Impact					20 Red		20 Red	16* Amber On-Going	<p>The score of this risk remains at 20 red alongside Covid-19 risk, 7 – Medium Term Budgetary Pressure as detailed on the Covid-19 risk register.</p> <p>As reported in the Covid Risk Register, work is ongoing within the Council's Finance Team alongside Senior Managers and Budget Holders to monitor spending and regular updates continue to be provided to the Leader, Cabinet Member and the Strategic Executive Board (SEB).</p> <p>The Council has a proven track record of robust financial management however, the uncertainty in future government funding leads to this risk remaining at a high level.</p>
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7 01/14	<p>Safeguarding</p> <p>If the Council’s safeguarding procedures and quality assurance processes are not consistently and effectively implemented, then it will fail to safeguard children and vulnerable adults and lead to reputational damage.</p> <p>Risk owner: Emma Bennett Cabinet Member: Cllr John Reynolds and Cllr Linda Leach</p> <table border="1" data-bbox="219 678 672 1029"> <tr> <td rowspan="5">Likelihood</td> <td>5</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>4</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>3</td> <td></td> <td></td> <td>12</td> <td></td> <td></td> </tr> <tr> <td>2</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>1</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td></td> <td colspan="5">Impact</td> </tr> </table>	Likelihood	5						4						3			12			2						1								1	2	3	4	5			Impact					12 Amber		12 Amber	10 Amber On-Going	The score of this risk remains at 12 – amber in accordance with risks 4 and 5 – Safeguarding Children and Safeguarding Adults on the Covid-19 Register. For details of mitigating actions with regards to safeguarding children and vulnerable adults at this time see the Covid-19 Risk Register.
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8 01/14	<p>Business Continuity Management (BCM) Failure to develop, exercise and review plans and capabilities that seek to maintain the continuity of critical functions in the event of an emergency that disrupts the delivery of Council services.</p> <p>Risk owner: John Denley Cabinet Member: Cllr Jasbir Jaspal</p> <table border="1"> <tr> <td rowspan="6">Likelihood</td> <td>5</td> <td>Yellow</td> <td>Yellow</td> <td>Red</td> <td>Red</td> <td>Red</td> </tr> <tr> <td>4</td> <td>Yellow</td> <td>Yellow</td> <td>Yellow</td> <td>Red</td> <td>Red</td> </tr> <tr> <td>3</td> <td>Green</td> <td>Yellow</td> <td>Yellow</td> <td>Yellow</td> <td>Red</td> </tr> <tr> <td>2</td> <td>Green</td> <td>Green</td> <td>Yellow</td> <td>8</td> <td>Yellow</td> </tr> <tr> <td>1</td> <td>Green</td> <td>Green</td> <td>Green</td> <td>Yellow</td> <td>Yellow</td> </tr> <tr> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td colspan="5">Impact</td> </tr> </table>	Likelihood	5	Yellow	Yellow	Red	Red	Red	4	Yellow	Yellow	Yellow	Red	Red	3	Green	Yellow	Yellow	Yellow	Red	2	Green	Green	Yellow	8	Yellow	1	Green	Green	Green	Yellow	Yellow		1	2	3	4	5		Impact					12 Amber		8 Amber	8* Amber On-going	The score of this risk has been reduced, BCM plans are being utilised and are operating effectively. The new BCM system is operating and meets ISO 2230 and 22313 and the Team continue to work towards new British standards. The Team are collating lessons learnt to feed into future operations, this includes looking at existing plans to ensure they cover all aspects of homeworking such as the reliance on technology and utilities. The BCM SharePoint site is now operational, Heads of Service are responsible for reviewing and updating individual plans, each service area has been given an individual RAG rating (based on completion of BCM documentation) and where required Managers are being asked to provide outstanding items. Responsibility for ensuring that BCM plans are accurate and achievable remains with responsible Managers. It is noted that currently none of the plans have outstanding actions with a 'red' rag rating. The Council's BCM policy and framework are also in the process of being reviewed and updated.
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9 01/14	<p>City Centre Regeneration</p> <p>The City Centre could decline unless the Council take effective action to regenerate and repurpose.</p> <p>Risk owner: Richard Lawrence Cabinet member: Cllr Stephen Simkins</p> <table border="1" data-bbox="219 568 672 919"> <tr> <td rowspan="6" style="writing-mode: vertical-rl; transform: rotate(180deg);">Likelihood</td> <td>5</td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FF0000;"></td> <td style="background-color: #FF0000;"></td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td>4</td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FF0000;"></td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td>3</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FF0000; text-align: center;">12</td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td>2</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> </tr> <tr> <td>1</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> </tr> <tr> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td colspan="5" style="text-align: center;">Impact</td> </tr> </table>	Likelihood	5						4						3				12		2						1							1	2	3	4	5		Impact					12 Amber		12 Amber	12* Amber On-going	<p>The score for this risk remains at 12 – Amber. Whilst there have been impacts on project timings, costs and scope, at present these are being effectively managed across the City Centre Regeneration Programme. The Council is proactively working with partners and stakeholders to mitigate risk and where possible ensure that activity can continue, in accordance with Government guidelines. Key capital projects continue to report minimal Covid-19 related delays onsite and safe practices are allowing delivery to be maintained largely to programme during the third lockdown.</p> <p>All project managers are continuing to review and highlight risks relating to Covid-19 so that the potential impacts on each project can be identified and analysed and that where necessary changes to scope can be implemented. Potential impacts include, but are not limited to; timing delays, reduction in income from sales (occupation / floor space) increased costs within the supply chain, changes to stakeholder priorities and effects on financial viability.</p> <p>Risks across the City Centre Regeneration Programme are being continually monitored and evaluated. Regularly reporting to the Strategic Executive Board / IfG Board, Project Assurance Group / Member Reference Group and elected members is in place.</p> <p>With regards to City Centre developments it is noted;</p> <ul style="list-style-type: none"> The Interchange Scheme has now moved onto Phase two, following the opening of phase one of the station in May 2020, work on the i9 development is also progressing well with advanced pre-let discussions ongoing. Work to improve the public realm and pedestrianize a number of areas within the City Centre using funding obtained through the Future High Street Fund is ongoing. <p>Wolverhampton’s Town Deal Board have submitted a final bid for £48m Government funding to transform the City Centre, Bilston and Wednesfield.</p>
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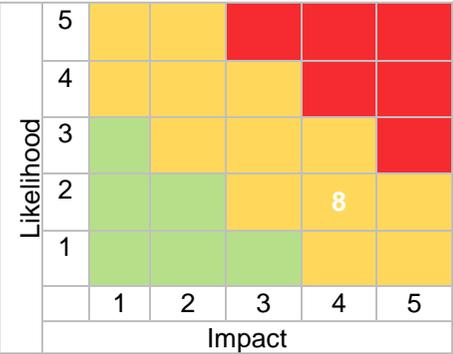
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15 01/14	<p>Emergency Planning</p> <p>Failure to develop, exercise and review plans and capabilities for preventing, reducing, controlling or mitigating the effects of emergencies in both the response and recovery phases of a major incident. Failure to train sufficient numbers of staff to undertake the roles in our plans that assist our residents in emergencies and protect the council's reputation from damage. Failure to audit the emergency response plans and capabilities of third-party organisations that deliver statutory services on behalf of the council.</p> <p>Risk owner: John Denley Cabinet member: Cllr Jasbir Jaspal</p> <table border="1" data-bbox="219 813 672 1157"> <tr> <td rowspan="5" style="writing-mode: vertical-rl; transform: rotate(180deg);">Likelihood</td> <td>5</td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FF0000;"></td> <td style="background-color: #FF0000;"></td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td>4</td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FF0000;"></td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td>3</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FF0000; text-align: center;">12</td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td>2</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> </tr> <tr> <td>1</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> </tr> <tr> <td></td> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td colspan="6" style="text-align: center;">Impact</td> </tr> </table>	Likelihood	5						4						3				12		2						1								1	2	3	4	5		Impact						12 Amber	➔	12 Amber	8* Amber On-going	The score of this risk remains at 12 amber. Multi-Agency / Regional work is ongoing and working well. All emergency plans are being reviewed and updated to take into account changes in Government guidelines, actual occurrences and lessons learnt. In addition, a local risk register has been prepared and will be used to influence future planning, the risk register will be published on the Council's website.
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22 01/17	<p>Skills for Work and Inclusive Growth</p> <p>If the City residents do not have the appropriate skills that employers require and the Council does not work effectively with its partners to promote and enable growth, high rates of unemployment and low rates of inclusive growth will result in increased demand for council services.</p> <p>Risk owner: Richard Lawrence Cabinet Member: Cllr Dr Michael Hardacre</p> <table border="1" data-bbox="219 667 672 1021"> <tr> <td rowspan="6" style="writing-mode: vertical-rl; transform: rotate(180deg);">Likelihood</td> <td>5</td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FF0000;"></td> <td style="background-color: #FF0000;"></td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td>4</td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FF0000;"></td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td>3</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td>2</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700; text-align: center;">10</td> </tr> <tr> <td>1</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> </tr> <tr> <td></td> <td style="background-color: #90EE90;"></td> </tr> <tr> <td></td> <td></td> <td style="text-align: center;">1</td> <td style="text-align: center;">2</td> <td style="text-align: center;">3</td> <td style="text-align: center;">4</td> <td style="text-align: center;">5</td> </tr> <tr> <td></td> <td colspan="6" style="text-align: center;">Impact</td> </tr> </table>	Likelihood	5						4						3						2					10	1														1	2	3	4	5		Impact						10 Amber		10 Amber	10* Amber On-going	The Council continue to monitor and assess the situation in order to identify skills related needs across the City. This includes identifying residents who can and cannot access learning support during the Covid-19 pandemic. Support packages to assist with online learning, including provision of equipment and access to internet, along with a new package of digital skills is being rolled out to help minimise the digital divide (over 23% of residents have no digital skills and 14 % have no access to digital devices or internet). The Relight recovery strategy is positioned to identify growth areas as a result of Covid 19, to understand current skills needs and ensure these are aligned to skills providers and provision in the City.
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23 01/17	<p>Cyber Security</p> <p>Failure to maintain a high level of cyber security (technology, processes and awareness) throughout the Council may result in cyber-attacks and theft or loss of confidential data leading to financial penalties, reputational damage and a loss in public confidence.</p> <p>Risk owner: Charlotte Johns Cabinet Member: Cllr Louise Miles</p> <table border="1" data-bbox="219 702 672 1045"> <tr> <td rowspan="5" style="writing-mode: vertical-rl; transform: rotate(180deg);">Likelihood</td> <td>5</td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FF0000;"></td> <td style="background-color: #FF0000;"></td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td>4</td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FF0000;"></td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td>3</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td>2</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700; text-align: center;">9</td> <td style="background-color: #FFD700;"></td> </tr> <tr> <td>1</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> </tr> <tr> <td></td> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td colspan="6" style="text-align: center;">Impact</td> </tr> </table>	Likelihood	5						4						3						2				9		1								1	2	3	4	5		Impact						9 Amber		9 Amber	9 Amber <small>Dependent on cyber world-wide cyber incidents</small>	<p>Regular review and ongoing maintenance of the ICT infrastructure is undertaken to ensure single points of failure are eliminated and systems are patched to mitigate known vulnerabilities. A quarterly maintenance cycle is in place with provision for emergency changes, if required.</p> <p>ICT continue to deploy security enhancements across the infrastructure to further improve security, key activity undertaken includes:</p> <ul style="list-style-type: none"> • Implementation of multi factor authentication • Conditional policies which prevent access to the Council's network on personal devices unless it is via the internet. • Amending council's password policy to move to passphrases. • The most current ones are Windows Defender Advance treat protection, User risk detection and mitigation. <p>The Council has also achieved external accreditation of its security, through achievement of Cyber Essentials Plus and PSN compliance.</p>
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27 02/19	<p>City assurance of response and compliance with the requirements of National Building Safety Programme, Grenfell Inquiry Report Recommendations and MHCLG Building Regulation Guidance Advice Notice(s)</p> <p>There is a risk of injury to members of the public, reputational damage, exposure to regulatory action and financial penalties to Council if appropriate processes and controls to ensure compliance with the requirements of the National Building Safety Programme, Grenfell Inquiry Report Recommendations and MHCLG Building Regulation Guidance Advice Notice(s).</p> <p>Risk Owner: Ross Cook Cabinet Member: Cllr Jacqueline Sweetman</p> <table border="1" data-bbox="219 890 672 1244"> <tr> <td rowspan="5" style="writing-mode: vertical-rl; transform: rotate(180deg);">Likelihood</td> <td>5</td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FF0000;"></td> <td style="background-color: #FF0000;"></td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td>4</td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FF0000;"></td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td>3</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td>2</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700; text-align: center;">10</td> </tr> <tr> <td>1</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> </tr> <tr> <td></td> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td colspan="6" style="text-align: center;">Impact</td> </tr> </table>	Likelihood	5						4						3						2					10	1								1	2	3	4	5		Impact						10 Amber	➔	10 Amber	5 Amber	There have been no changes to this risk score as a result of the Covid-19 pandemic. Work is ongoing to ensure the Council's compliance with the National Building Safety Programme, Grenfell Inquiry Report Recommendations and MHCLG Building Regulation Guidance.
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Risk ref	Risk title and description	Previous score (Dec 2020)	Direction of travel	Current score (Feb 2021)	Target score and date (where appropriate)	Comment																																											
28 10/17	<p>Health and Safety</p> <p>Through failure to use safe working methods the Council may be exposed to regulatory action, financial penalties and reputational damage.</p> <p>Risk owner: David Pattison Cabinet Member: Cllr Paula Brookfield</p> <table border="1"> <tr> <td rowspan="6" style="writing-mode: vertical-rl; transform: rotate(180deg);">Likelihood</td> <td>5</td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FF0000;"></td> <td style="background-color: #FF0000;"></td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td>4</td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FF0000;"></td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td>3</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td>2</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FF0000; text-align: center;">8</td> <td style="background-color: #FFD700;"></td> </tr> <tr> <td>1</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> </tr> <tr> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td colspan="5" style="text-align: center;">Impact</td> </tr> </table>	Likelihood	5						4						3						2				8		1							1	2	3	4	5		Impact					8 Amber		8 Amber	8 Amber *On-going	<p>The score of this risk remains at 8 Amber, whilst there have been impacts as a result of Covid-19 these continue to be adequately managed and tightly controlled. The Council's Health and Safety Team continue to be fully involved in decision making processes and governance structures. With the re-introduction of a national lockdown, cessation of some services has taken place, as it is not appropriate, they continue within the requirements of the revised restrictions. For areas that continue to deliver front line essential services, assurance and advice has been provided by the health and safety team where appropriate, all services requiring face to face contact have completed updated risk assessments that have been submitted to the health and safety team.</p> <p>The Council have reviewed and updated their Covid guidance which has been approved by SEB and circulated via the operational managers network and communicated through City People. All decisions are recorded on detailed decision trackers and appropriate communications must be developed prior to re-launching service provisions. As an extended period of homeworking for many employees continues, further assurance is required to ensure that the City Council fulfils its legal health and safety obligations with regards to ensuring employees health and safety. A review of homeworking arrangements is currently taking place, and the health and safety team are working with HR to ensure that there is appropriate evidence to show that each employees homeworking situation has been assessed and issues identified are appropriately addressed.</p> <p>In addition, it is noted that employee well-being continues to be a priority for the Council, processes are in place to provide access to office facilities for employees where it is required from a wellbeing perspective.</p>
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Risk ref	Risk title and description	Previous score (Dec 2020)	Direction of travel	Current score (Feb 2021)	Target score and date (where appropriate)	Comment																																													
29 12/17	<p>Fire Safety – Public Buildings If the Council does not have in place appropriate systems to ensure compliance with the Regulatory Reform (Fire Safety) Order 2005 within public buildings (including schools) there is a risk of injury to members of the public and exposure to regulatory action, financial penalties and reputation damage to the Council.</p> <p>Risk owner: Mark Taylor Cabinet Member: Cllr Jacqueline Sweetman</p>  <table border="1" data-bbox="219 715 672 1069"> <tr> <td rowspan="5">Likelihood</td> <td>5</td> <td>Yellow</td> <td>Yellow</td> <td>Red</td> <td>Red</td> <td>Red</td> </tr> <tr> <td>4</td> <td>Yellow</td> <td>Yellow</td> <td>Yellow</td> <td>Red</td> <td>Red</td> </tr> <tr> <td>3</td> <td>Green</td> <td>Yellow</td> <td>Yellow</td> <td>Yellow</td> <td>Red</td> </tr> <tr> <td>2</td> <td>Green</td> <td>Green</td> <td>Yellow</td> <td>8</td> <td>Yellow</td> </tr> <tr> <td>1</td> <td>Green</td> <td>Green</td> <td>Green</td> <td>Yellow</td> <td>Yellow</td> </tr> <tr> <td></td> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td></td> <td colspan="5">Impact</td> </tr> </table>	Likelihood	5	Yellow	Yellow	Red	Red	Red	4	Yellow	Yellow	Yellow	Red	Red	3	Green	Yellow	Yellow	Yellow	Red	2	Green	Green	Yellow	8	Yellow	1	Green	Green	Green	Yellow	Yellow			1	2	3	4	5			Impact					8 Amber		8 Amber	8 Amber *On-going	<p>The score of this risk remains at 8 amber. Valid fire risk assessments continue to be in place for all public buildings and current fire safety arrangements are being reviewed as existing arrangements might not apply in buildings with reduced occupancy. The Council's Projects and Works team continue to focus on implementing high and medium priority actions identified within these risk assessments and adequate funding is in place to complete these works.</p> <p>As previously reported, there have been only minor impacts from Covid-19 which includes a delay in completing some Fire Risk Assessment reviews, this is not deemed a significant issue as valid assessments are in still in place. The Council's Corporate Landlord and Health and Safety Teams continue to work with education to improve fire safety management reporting within schools. Sufficient fire and health and safety checks are being undertaken within Council operated public buildings prior to them re-opening to both Council employees and the members of the public. A Senior Compliance Officer (Fire Safety Expert) joined the Team on 18 February and is responsible for operational fire safety work.</p>
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Risk ref	Risk title and description	Previous score (Dec 2020)	Direction of travel	Current score (Feb 2021)	Target score and date (where appropriate)	Comment																																											
30 01/18	<p>Civic Halls</p> <p>There is a significant reputational and financial risk to the Council and to the City's wider visitor economy if the revised Civic Halls refurbishment programme is not effectively managed in terms of project timings, costs and scope.</p> <p>Risk owner: Richard Lawrence Cabinet Member: Cllr Stephen Simkins</p> <table border="1"> <tr> <td rowspan="6">Likelihood</td> <td>5</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>4</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>3</td> <td></td> <td></td> <td>12</td> <td></td> <td></td> </tr> <tr> <td>2</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>1</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td colspan="5">Impact</td> </tr> </table>	Likelihood	5						4						3			12			2						1							1	2	3	4	5		Impact					12 Amber		12 Amber	12* Amber Ongoing	<p>The main contract for the refurbishment of the Civic Halls was signed on 28 July 2020. Since then, solid progress has been made on site and the programme remains on schedule. Drainage work to both the Civic and Wulfrun Halls has been completed and nearing completion is the new seated tier and the installation of structural steels to the Corporation Street and Mitre Fold elevations. With a complex project such as this there are periodic technical issues that arise, work is ongoing to ensure the project stays within the agreed budget.</p> <p>Covid-19 measures are fully implemented on site and are kept under constant review by the contractor and project teams. Despite implementation of a third national lockdown on 5 January 2021, construction works continue to progress. Careful contract monitoring and regular liaison with contractors is ongoing, regular updates continue to be provided to the Leader, Cabinet Member and to SEB.</p> <p>In preparation for opening in early 2022 and the recommencement of commercial events (subject to Covid restrictions and national guidance), on 17 February 2021, Cabinet approved the selection of a leading commercial operator following a full, competitive tender process. The preferred operator will enter into a long-term partnership with the council and will be announced soon – following a period of due diligence. The selection process saw a strong list of globally recognised and renowned contenders. The preferred operator will bring forward exciting and ambitious plans for the venue with bigger and better acts and events. Plans will also benefit local businesses, see new jobs created and raise the city's profile.</p>
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32 06/18	<p>Waste Management Services</p> <p>If the Council does not continue to effectively manage the delivery of its waste service there is a risk that savings targets will not be delivered, and reputational damage may be incurred due to issues with waste collections.</p> <p>Risk owner: Ross Cook Cabinet Member: Cllr Steve Evans</p> <table border="1" data-bbox="219 624 672 975"> <tr> <td rowspan="5">Likelihood</td> <td>5</td> <td>Yellow</td> <td>Yellow</td> <td>Red</td> <td>Red</td> <td>Red</td> </tr> <tr> <td>4</td> <td>Yellow</td> <td>Yellow</td> <td>Yellow</td> <td>Red</td> <td>Red</td> </tr> <tr> <td>3</td> <td>Green</td> <td>Yellow</td> <td>Yellow</td> <td>Yellow</td> <td>Red</td> </tr> <tr> <td>2</td> <td>Green</td> <td>Green</td> <td>Yellow</td> <td>Yellow</td> <td>Yellow</td> </tr> <tr> <td>1</td> <td>Green</td> <td>Green</td> <td>Green</td> <td>Yellow (4)</td> <td>Yellow</td> </tr> <tr> <td></td> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td></td> <td colspan="5">Impact</td> </tr> </table>	Likelihood	5	Yellow	Yellow	Red	Red	Red	4	Yellow	Yellow	Yellow	Red	Red	3	Green	Yellow	Yellow	Yellow	Red	2	Green	Green	Yellow	Yellow	Yellow	1	Green	Green	Green	Yellow (4)	Yellow			1	2	3	4	5			Impact					4 Amber		4 Amber	4* Amber Ongoing	This risk score remains at 4 – amber, there have only been minor impact to waste collections as a result of the Covid-19 pandemic. The Council has recommenced garden waste collections as planned, waste disposal contracts have now been finalised and in accordance with government guidance household waste rubbish collection sites continue to remain open.
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Risk ref	Risk title and description	Previous score (Dec 2020)	Direction of travel	Current score (Feb 2021)	Target score and date (where appropriate)	Comment																																													
37 05/19	<p>Governance of Major Capital Projects and Programmes</p> <p>The Council will fail to maximise opportunities and incur significant reputational and financial risks if it does not continue to manage, monitor and review major capital projects effectively, particularly in terms of project timescales, achievement of milestones and costs.</p> <p>Risk owner: Laura Phillips Cabinet Member: Cllr Paula Brookfield</p> <table border="1" data-bbox="219 742 672 1093"> <tr> <td rowspan="5" style="writing-mode: vertical-rl; transform: rotate(180deg);">Likelihood</td> <td>5</td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FF0000;"></td> <td style="background-color: #FF0000;"></td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td>4</td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FF0000;"></td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td>3</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td>2</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700; text-align: center;">8</td> <td style="background-color: #FFD700;"></td> </tr> <tr> <td>1</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> </tr> <tr> <td></td> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td></td> <td colspan="5" style="text-align: center;">Impact</td> </tr> </table>	Likelihood	5						4						3						2				8		1								1	2	3	4	5			Impact					8 Amber		8 Amber	4* Amber Ongoing	The score of this risk remains unchanged, there has been no impact on the governance of major capital projects as a result of the Covid-19 pandemic. A Covid reporting protocol has been initiated to identify and monitor risks and issues directly related to Covid-19 and an exercise to describe some of these considerations in terms of changes to objectives and assumptions is ongoing.
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38 01/20	<p>Climate Change</p> <p>Failure to achieve the Council's commitments in relation to Climate Change, including the pledge to make Council activities net-zero carbon by 2028 may result in significant reputational damage and a loss in public confidence.</p> <p>Risk owner: Ross Cook Cabinet Member: Cllr Steve Evans</p> <div data-bbox="215 667 672 1019"> <table border="1"> <tr><td></td><td>5</td><td></td><td></td><td></td><td></td></tr> <tr><td></td><td>4</td><td></td><td></td><td></td><td></td></tr> <tr><td></td><td>3</td><td></td><td></td><td></td><td></td></tr> <tr><td></td><td>2</td><td></td><td>6</td><td></td><td></td></tr> <tr><td></td><td>1</td><td></td><td></td><td></td><td></td></tr> <tr><td>Likelihood</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td></td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr> <tr><td></td><td colspan="5">Impact</td></tr> </table> </div>		5						4						3						2		6				1					Likelihood							1	2	3	4	5		Impact					6 Amber		6 Amber	4* Amber Ongoing	The score of this risk remains unchanged, there has been no impact on the Council's Climate change strategy as a result of the Covid-19 pandemic.
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39 09/20	<p>Implications of Brexit</p> <p>There is a risk that the implications of Brexit could have a negative impact on the Council and the wider city.</p> <p>Risk owner: Tim Johnson Cabinet Member: Cllr Ian Brookfield</p> <table border="1"> <tr> <td rowspan="6">Likelihood</td> <td>5</td> <td>Yellow</td> <td>Yellow</td> <td>Red</td> <td>Red</td> <td>Red</td> </tr> <tr> <td>4</td> <td>Yellow</td> <td>Yellow</td> <td>Yellow</td> <td>Red</td> <td>Red</td> </tr> <tr> <td>3</td> <td>Green</td> <td>Yellow</td> <td>Yellow</td> <td>12</td> <td>Red</td> </tr> <tr> <td>2</td> <td>Green</td> <td>Green</td> <td>Yellow</td> <td>Yellow</td> <td>Yellow</td> </tr> <tr> <td>1</td> <td>Green</td> <td>Green</td> <td>Green</td> <td>Yellow</td> <td>Yellow</td> </tr> <tr> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td colspan="5">Impact</td> </tr> </table>	Likelihood	5	Yellow	Yellow	Red	Red	Red	4	Yellow	Yellow	Yellow	Red	Red	3	Green	Yellow	Yellow	12	Red	2	Green	Green	Yellow	Yellow	Yellow	1	Green	Green	Green	Yellow	Yellow		1	2	3	4	5		Impact					12 Amber		12 Amber	12* Amber Ongoing	Continual monitoring of the ongoing political situation to identify and prepare for potential impacts across the Council and within the City of Wolverhampton are ongoing, this includes assessing the impact on local businesses and the supply chain. The full effects of Brexit may not yet have been felt by businesses in the city, as they respond to the challenges of Covid 19. Larger businesses have shared that they are making the necessary adjustments, however for those in the supply chain it's not clear if how the changes will affect them
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Audit and Risk Committee

08 March 2021

Report title	Audit and Risk Committee – Terms of Reference	
Accountable director	Claire Nye, Director of Finance	
Originating service	Audit	
Accountable employee	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
Report to be/has been considered by	Not applicable.	

Recommendation for decision:

The Audit and Risk Committee is recommended to undertake a review of:

1. The terms of reference for the Committee in line with recognised best practice.

1.0 Purpose

- 1.1 The terms of reference for the Audit and Risk Committee were last reviewed and approved by the Committee in March 2020. It is recognised best practice that such terms of reference are reviewed on a regular basis to ensure they remain fit for purpose.

2.0 Background

- 2.1 Since they were last reviewed there has only been one minor change in the financial reporting section, which has been updated to reflect that the Committee will now also consider whether appropriate accounting estimates have been included in the Council's financial statements.

3.0 Progress

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

4.0 Financial implications

- 4.1 There are no financial implications arising from the recommendation in this report.
[GE/22022021/C]

5.0 Legal implications

- 5.1 There are no legal implications arising from the recommendation in this report.
[TS/19022021/S]

6.0 Equalities implications

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

7.0 All other implications

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

8.0 Schedule of background papers

- 8.1 None.

9.0 Appendices

- 9.1 Appendix 1: Audit and Risk Committee - Terms of Reference.



Audit and Risk Committee - Terms of Reference

Statement of purpose

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

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

Governance, risk and control

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

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

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

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

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

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

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

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

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

To review the governance and assurance arrangements for significant partnerships or collaborations.

Internal Audit

To approve the internal audit charter.

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

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

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

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

To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the head of internal audit. To approve and periodically review safeguards to limit such impairments.

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

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

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

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

To consider summaries of specific internal audit reports as requested.

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

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

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

To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

External Audit

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

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

To consider specific reports as agreed with the external auditor.

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

To commission work from internal and external audit.

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

Financial reporting

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

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

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

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

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

Accountability arrangements

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

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

To publish an annual report on the work of the Committee.

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CITY OF WOLVERHAMPTON COUNCIL	Audit and Risk Committee 08 March 2021
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Report title	Internal Audit Update – Quarter 3	
Accountable director	Claire Nye, Director of Finance	
Originating Service	Audit	
Accountable employee	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
Report to be/has been considered by	Not applicable.	

Recommendation for noting:

The Audit and Risk Committee is asked to note:

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

1.0 Purpose

- 1.1 The purpose of this report is to update the Committee on the progress made against the 2020 - 2021 internal audit plan and to provide information on recent work that has been completed.

2.0 Background

- 2.1 The internal audit update report contains details of the matters arising from audit work undertaken so far this year. The information included in the report will feed into, and inform, the overall opinion in our annual internal audit report issued at the year end. It also updates the Committee on various other activities associated with the internal audit service.

3.0 Progress

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

4.0 Financial implications

- 4.1 There are no financial implications arising from the recommendation in this report. [GE/22022021/M]

5.0 Legal implications

- 5.1 There are no legal implications arising from the recommendation in this report. [TS/19022021/T]

6.0 Equalities implications

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

7.0 All other implications

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

8.0 Schedule of background papers

- 8.1 None.

9.0 Appendices

- 9.1 Appendix 1 - Internal Audit Update Report 2020-2021

Appendix 1 - Internal Audit Update Report 2020-2021

[NOT PROTECTIVELY MARKED]



[NOT PROTECTIVELY MARKED]

1 Introduction

The purpose of this report is to bring the Audit and Risk Committee up to date with the progress made against the delivery of the 2020 - 2021 internal audit plan.

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

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

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

2 Internal Audit Plan Update

Previous update reports have been presented to the Council's Audit and Risk Committee throughout the year, informing the Committee on how Covid-19 had impacted the Council's internal audit plan. They explained how a proportion of the audit resources had been temporarily redeployed within the Council to provide assistance in a number of areas including the food distribution hub, the various business support grants teams, assisting Procurement with supplier due diligence checks regarding the supply of personal protective equipment (PPE) and other Covid-19 related grant assurance.

Also, that in order to reflect the in-year change in risk profile for the Council and to facilitate the shift in resources, a consultation exercise has been undertaken with the senior management team and the internal audit plan revisited to ensure that the audit resource is focussed in the most effective manner. This included an assessment of both Covid-19 and strategic risks from the respective risk registers and has taken into account factors such as the outcome of more recent assurance exercises, possible alternative assurance routes such as those from the first and second lines of defence from the three lines of defence model, and any particular key timing issues.

We continue to assess the situation, and at present it is believed that the number of audits planned to be completed, including all of the key financial systems reviews, will still enable us to be in a position to provide an annual audit opinion at the year-end.

3 Summary of audit reviews completed

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

Auditable area	AAN Rating	Recommendations					Level of assurance
		Red	Amber	Green	Total	Number accepted	
Previously reported							
2019/2020 Audits							
City North Gateway M54 Junction 2 Project Management	Medium	-	-	-	-	-	N/A - advisory
Accounts Receivable	High	-	1	1	2	2	Satisfactory
Main Accounting (General Ledger and Budgetary Control)	High	-	-	5	5	5	Substantial
Fixed Assets	High	-	-	-	-	-	Substantial
Local Taxes (Council Tax and NNDR)	High	-	-	1	1	1	Substantial
Housing Rents	High	-	-	-	-	-	Substantial
Housing Benefits	High	-	-	-	-	-	Substantial
Accounts Payable	High	-	-	1	1	1	Substantial
2020/2021 Audits							
Senior Officer Emoluments	High	-	-	-	-	-	N/A
Sundry Debtors - Bad Debt Due Diligence	High	-	-	-	-	-	N/A

Key: AAN = Assessment of assurance need

Auditable area	AAN Rating	Recommendations					Level of assurance
		Red	Amber	Green	Total	Number accepted	
Licensing - Private Taxi Hire	Medium	-	2	-	2	2	Satisfactory
Blue Badges Grant Certification	Medium	-	-	-	-	-	N/A
Mayor's Charity Trust Independent Examination	-	-	-	-	-	-	N/A
Transport Grant Certifications	Medium	-	-	-	-	-	N/A
Eclipse System - Project Governance Review	Medium	-	-	-	-	-	N/A
Reported this quarter for the first time:							
SEND Safer Recruitment and Single Central Record	Medium	-	-	-	-	-	N/A - advisory
Garden Waste Service	Medium	-	1	-	1	1	Satisfactory
Procurement Compliance Review	Medium	2	3	1	6	6	Limited
Children's Residential Homes – Compliance with Working Time Directives	Medium	4	1	2	7	7	N/A - Consultancy

Key: AAN Assessment of assurance need.

4 *On-going assurance where reports are not issued*

It is a requirement of the Internal Audit Charter that Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a manner which facilitates impartial and effective professional judgements and recommendations. Objectivity is presumed to be impaired when individual auditors review any activity in which they have previously had operational responsibility. If individual auditors are extensively consulted during system, policy or procedure development, and independence could be seen as being compromised, or if they have had previous operational roles, they will be precluded from reviewing and making comments during routine or future audits, for the remainder of that financial year and for the following financial year after their involvement. Therefore, should any reviews be conducted on the below, then they will be led by another member of the audit team.

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Project/Programme	Was this in the original plan?	Audit Service's Role
Information Governance	Yes	A member of the team sits on the Council's Information Governance Board in the capacity of providing advice and support.
Pay Strategy	Yes	A member of the team sits on the Council's Pay Strategy Board. The purpose of the board is to ensure that all requests in respect pay and grading is approved in accordance with the Council's Collective Agreement for NJC employees.
Project Assurance Group	Yes	A member of the team is involved in this group. The purpose of the group is to ensure that all of the Council's projects and programmes, recorded through the Verto system, are reviewed and scrutinised.
Delivering Independent Travel Programme	Yes	A member of the team sits on the Programme Board as Independent Programme Lead. During the lifecycle of the programme on-going advice is provided on the governance, risk management and, programme and project management arrangements.
Schools Fire Safety Working Group	Yes	A member of the team sits on the Board in the capacity of providing advice and support.
Business Support Programme	Yes	A member of the team sits on the Board in the capacity of providing advice and support. The programme's main objective is the centralisation of administration within the Council.
City Learning Quarter Programme	Yes	Audit Services have been invited to provide an assurance role for the programme. This is a major capital investment project which has a reputational risk to the Council.

Project/Programme	Was this in the original plan?	Audit Service's Role
Agresso Board	Yes	A member of the team sits on this Board to oversee the on-going development of the Council's enterprise resource planning (ERP) solution.
Children's Transformation Board	Yes	A member of the team attends the Board and provides support and assurance on project management arrangements and specific audit issues. This also includes advice and support on the implementation of the new Eclipse management information system.
Transform Adult Social Care Programme	Yes	A member of the team attends the Board to provide support and assurance on project management arrangements and specific audit issues.
Transport Asset Group	Yes	A member of the team is involved in this group. The purpose of the group is to ensure that business cases submitted by business areas for vehicles and equipment replacement are reviewed and assessed prior to approval, as well as addressing future Council Fleet requirements and climate targets for a cleaner environment and reduction in carbon emissions, and future use of electric / hybrid vehicles.
HR Improvement Programme	Yes	The purpose of this programme is to review current Human Resource systems, processes and procedures to drive out efficient service improvements. A member of the team sits on the Board to provide support and assurance around changes proposed in order to ensure risks are managed and controls are not compromised.
Civic Halls Operational Board	Yes	A member of the team is a representative on this group. The purpose of the board is to oversee the operational delivery of the Civic Halls full refurbishment.
Infrastructure for Growth Board	Yes	The purpose of this group is to oversee the strategy of regeneration projects across the city to ensure there is a co-ordinated joined up approach. A member of the team is present on this board to provide support and assurance around governance.
NHS Social Care Digital Programme	New	A member of the team attends the Board to provide support and assurance on project management arrangements and specific audit issues.
Our Assets Board	New	The purpose of this Board is to provide a strategic overview of how the Council manages its current assets. A member of the team attends the Board to provide support and assurance on project management arrangements and any specific audit issues.
Local Fibre Network Programme Board	New	The purpose of this Board is to oversee the implementation and roll-out of a new fibre network across the city, which will enable superfast broadband. A member of the team

Project/Programme	Was this in the original plan?	Audit Service's Role
		attends the Board to provide support and assurance on project management arrangements and any specific audit issues.
Art Gallery Improvements Scheme Board		The purpose of this Board is to provide a strategic overview of the building improvements to the City's Art Gallery. A member of the team attends the Board to provide support and assurance on project management arrangements and any specific audit issues.
Adult Eclipse Project Board		A member of the team will attend the Board to provide support and assurance on project management arrangements for the new Eclipse management information system and any specific audit issues.

5 *Counter Fraud Activities*

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

6 *Audit reviews underway*

There were a number of reviews underway as at the end of quarter three and these will be reported upon in future update reports.

7 *Summary of issues from Q3 reviews*

Procurement Compliance Review

Following issues raised by the Head of Procurement, we reviewed a sample of contracts to ensure they were conducted in accordance with the Council's Contract Procedure Rules. A limited assurance rating was awarded due to the lack of evidencing of various stages of the process resulting in poor audit trails.

While there is nothing to suggest contracts had been awarded incorrectly or that procurement legislation had not been followed, records such as conflict of interest forms (completed by officers involved in each procurement exercise) and contract award forms were not always being completed and held on file. Similarly the Accord Contracts Register was not being completed each time a procurement exercise commenced, there were three different systems maintained for the storage of procurement exercise documentation – again reducing the clarity of the audit trail, and there was scope for improving the internal checks carried out both during and at the end of each procurement exercise.

The contents of the report were discussed and agreed with the Head of Procurement, and an action plan has been put in place to address the issues identified.

Children's Residential Homes – Compliance with Working Time Legislation

This was a consultancy review that was requested in year. The scope of the review was to analyse the working hours (contractual hours and additional hours) to ensure staff located at children's residential homes were complying with working time legislation. The review identified some issues around the monitoring of time as staff were working between sites. Following the findings of the report a new system has been put in place to monitor employee's time across both sites, and shift rotas have been revisited to ensure working time legislation is not compromised.

In order to ensure the report's recommendations have been actioned the service area has requested a further review at the end of April 2021.

8 *Follow-up of previous recommendations*

We continue to monitor the implementation of previous key recommendations, and any major issues of concern relating to their non-implementation, will be reported back to the Audit and Risk Committee. Since the last report there have been no such issues.

CITY OF WOLVERHAMPTON COUNCIL	Audit and Risk Committee 08 March 2021
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Report title	Internal Audit Plan 2021-2022	
Accountable director	Claire Nye, Director of Finance	
Originating service	Audit	
Accountable employee	Peter Farrow	Head of Audit
	Tel	01902 554460
	Email	Peter.farrow@wolverhampton.gov.uk
Report to be/has been considered by	Strategic Executive Board	26 February 2021

Recommendation for decision:

The Audit and Risk Committee is recommended to:

1. Review and approve the risk based internal audit plan for 2021-2022.

1.0 Purpose

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

2.0 Background

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

3.0 Progress

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

4.0 Financial implications

- 4.1 There are no financial implications arising from the recommendation in this report. The audit plan detailed will be implemented using current budgeted internal audit resources. [GE/22022021/D]

5.0 Legal implications

- 5.1 There are no legal implications arising from the recommendation in this report. [TS/23022021/Q]

6.0 Equalities implications

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

7.0 All other implications

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

8.0 Schedule of background papers

8.1 None.

9.0 Appendices

9.1 Appendix 1 – Internal Audit Plan 2021-2022

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Appendix 1

City of Wolverhampton Council

2021 - 2022 Internal Audit Plan



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A quick guide to the audit and assurance planning process

Step 1- Audit universe/auditable areas

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

- Areas of potential risk identified through a variety of sources (including the Strategic and Covid-19 risk register) as having the potential to impact upon the Council's ability to deliver its objectives. Then, identify if we can gain assurance that any of these risks are being managed adequately from other sources of assurance.
- Key Financial Systems - work undertaken in close liaison with the external auditors, in order to help inform and support the work they are required to undertake.
- Areas where we use auditor's knowledge, management requests and past experience etc.



Step 2 – Ranking

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



Step 3 – Three year cycle

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



Step 4 – This Year's Plan

List the areas and where appropriate the types of work that will be undertaken in 2021-2022 in the internal audit plan.

A glossary of terms

Definition of internal auditing

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

Governance

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

Control environment

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

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

System of internal control

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

Risk Management

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

Risk based audit and assurance reviews

A review that:

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

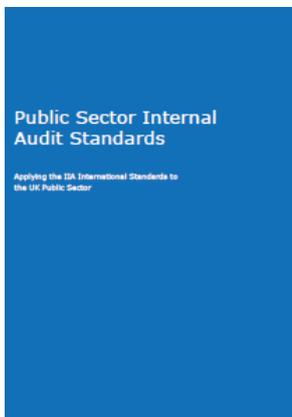
Audit and Risk Committee

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

Assurance

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

Internal Audit standards



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

Introduction

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

Assessing the effectiveness of risk management and governance

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

Assessing the effectiveness of the system of control

In order to be adequate and effective, management should:

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

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

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

Assessment of assurance needs methodology

- Internal audit should encompass the whole internal control system and not be limited only to financial control systems. The scope of internal audit work should reflect the core objectives of the Council and the key risks that it faces. As such, each audit cycle starts with a comprehensive analysis of the whole system of internal control that ensures the achievements of the Council's objectives.
- Activities that contribute significantly to the Council's internal control system, and also to the risks it faces, may not have an intrinsic financial value necessarily. Therefore, our approach seeks to assign a relative assurance need value. The purpose of this approach is to enable the delivery of assurance to the Council over the reliability of its system of control in an effective and efficient manner.
- We have undertaken our assessment using the following process:
 - We identified the core objectives of the Council and, where available, the specific key risks associated with the achievement of those objectives.
 - We then identified auditable themes and areas that impact significantly on the achievement of the control objectives. This included the consideration of a number of audit reviews deferred from the 2020-2021 Internal Audit Plan, while members of the audit team were redeployed in order to help the Council respond to Covid-19.
 - We assigned assurance need values to the auditable themes and areas, based on the evidence we obtained.
- The audit plan is drawn out of the assessment of assurance need. The proposed plan covers the 2021-2022 financial year and is detailed at the end of this document.

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

At the time this audit plan was prepared, the following were the Council's six strategic outcomes:

- Children and young people get the best possible start in life
- Well skilled people working in an inclusive economy
- More good jobs and investment in our city
- Better homes for all
- Strong, resilient and healthy communities
- A vibrant, green city we can all be proud of

Following the Covid-19 pandemic, these are underpinned by the Council's five point relight recovery plan:



OUR PRINCIPLES

We will underpin our work with the following key principles;



CLIMATE FOCUSED

This recovery commitment is aligned to our climate change strategy 'Future Generations' and our target to make the City of Wolverhampton Council carbon – neutral by 2028. We are committed to delivering on the recommendations of our Climate Citizen Assembly and to upholding the promises we made when the Council declared a climate emergency in July 2019.



DRIVEN BY DIGITAL

The city is at the forefront of digital infrastructure and innovation, Wolverhampton will be one of the first cities in the world to host a 5G accelerator hub making us truly a world leader in emerging technology. Now more than ever digital skills and connectivity are vital to ensure our residents can access services, interact with friends and family, and enter the job market.



FAIR AND INCLUSIVE

We will continue to tackle the inequalities in our communities which impact on the opportunities of local people. The Council's 'Excellent' rated equalities framework is at the heart of our recovery commitment. No community will be left behind as we transform our city together.

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

- Information Governance
- Medium Term Financial Strategy
- Safeguarding
- Business Continuity Management
- City Centre Regeneration
- Emergency Planning
- Skills for Work and Inclusive Growth
- Cyber Security
- Compliance with the requirements of the National Building Safety Programme, Grenfell Inquiry Report and MHCLG Building Regulation Guidance Advice Notice(s)
- Fire Safety – Public Buildings
- Civic Halls
- Health and Safety
- Waste Management Services
- Governance of Major Capital Projects and Programmes
- Climate Change
- Implications of Brexit

As a result of Covid-19 a separate risk register is currently being maintained in order to manage the risks specific to the pandemic. This register is presented to the Audit and Risk Committee on a regular basis.

Identifying the “audit universe”

- In order to undertake the assessment of assurance need, it is first necessary to define the audit universe for the Council. The audit universe describes all the systems, functions, operations and activities undertaken by the Council. Given that the key risk to the Council is that it fails to achieve its objectives, we have identified the audit universe by determining which systems and operations impact upon the achievement of the core objectives of the Council, as identified above, and the management objectives. These auditable areas include the control processes put in place to address the key risks.
- In addition to this, there are also common systems and functions which are generic to all areas, along with a number of mandatory reviews. Where deemed appropriate they may also be included in the audit universe set out in detail at the end of this document.

Assessing the risk of auditable areas within the assurance framework

- Risk is defined as “The threat that an event or action will adversely affect an organisation's ability to achieve its business objectives and execute its strategies.”
Source: Economist Intelligence Unit - Executive Briefing.
- There are a number of key factors for assessing the degree of assurance need within the auditable area. These have been used in our consideration for each auditable area and are based on the following factors:
 - Materiality
 - Business impact
 - Audit experience
 - Risk
 - Potential for fraud
- In this model, the assignment of the relative values are translated into an assessment of assurance need. These ratings used are high, medium or low to establish the frequency of coverage of internal audit.

Developing an internal audit plan

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

- It is recognised that a good internal audit plan should achieve a balance between setting out the planned audit work and retaining flexibility to respond to changing risks and priorities during the year. Traditionally Audit Services produced quite detailed internal audit annual plans identifying all the individual audits planned for the year, and this approach does have the advantage of providing a clear route map to the end of year opinion. However, as the year progresses and in particular the Council's response to Covid-19, it is likely that the risks and organisational priorities will change, resulting in changes to the plan.
- Auditor's judgement will be applied in assessing the number of days required for each audit identified in the plan.
- The assessment of assurance need's purpose is to determine priorities and establish the most cost-effective means of achieving audit objectives and assist in the direction and control of all audit work.
- Included within the plan, in addition to audit days for field assignments are:
 - An allocation which will be used to help the Council in its response to the Covid-19 Pandemic.
 - a contingency allocation, which will be utilised when the need arises, for example, special projects, investigations, advice and assistance, unplanned and ad-hoc work as and when requested.
 - a follow-up allocation, which will be utilised to assess the degree of implementation achieved in relation to key recommendations agreed by management during the prior year.
 - an audit management allocation, which is used for management, quality control, client and external audit liaison and for preparation for, and attendance at various member meetings and Audit Committee etc.

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

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

How the internal audit service will be delivered

Staffing

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

Quality assurance

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

Resources required

Using the risk-based audit methodology referred to throughout this audit plan, it is estimated that approximately 1,400 internal audit days (including fraud, assurance and contingency work) will be required to deliver the audit plan in its entirety. This resource requirement can be met, and the plan delivered, from within the current internal audit staffing structure and accompanying budget.

Audit Service's External Clients

 <p>West Midlands Combined Authority</p>	<p>The City of Wolverhampton Council's Audit Services also provides the internal audit service to a number of other associated public sector based organisations in the West Midlands. Where appropriate, separate internal audit plans are produced for each of these and Audit Services reports back to each of their respective Audit Committees or equivalent.</p>
 <p>West Midlands Pension Fund</p>	<p>As a constituent member of the West Midlands Combined Authority, the Council will work with and contribute to (along with the other constituent members) a number of projects and programmes led by the Combined Authority. In such instances, any audit issues arising from these activities would be reported directly to the Combined Authority's Audit, Risk and Assurance Committee, to which the Chair of the Council's Audit and Risk Committee is a member.</p>
 <p>WOLVERHAMPTON HOMES</p>	
 <p>WV LIVING building homes you will love</p>	

The internal audit plan 2021-2022

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

Auditable Area	Purpose
Assurance mapping	An ongoing mapping exercise between the controls identified as mitigating risk from the strategic risk register, to the sources of assurance that these controls are operating. This will also play a part in informing the Annual Governance Statement.
National fraud initiative	In accordance with Cabinet Office requirements we will lead on the Council's NFI data matching exercise.
Fraud investigations	The carrying out of investigations into areas of suspected or reported fraudulent activity across the Council.
Counter fraud activities	A series of Council wide pro-active fraud activities, including the targeted testing of areas open to the potential of fraudulent activity including where appropriate maintenance of the Council's fraud risk register, hosting raising fraud awareness seminars and running fraud surgeries and e-learning.
Value for money reviews	During the year discussions will be held with senior management regarding the identification of potential value for money areas, where Audit Services could be of assistance in performing value for money advice and or/reviews.
Payment transparency	An ongoing review of compliance with the government's data transparency publishing requirements.
Recommendation follow up	A regular and ongoing follow up of key internal audit recommendations made across the Council in 2020 - 2021.
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 2021-2022.
Contingency	Special projects, advice and assistance, unplanned and ad-hoc work as and when requested.
Management	Day to day management of the internal audit service, quality control, client and external audit liaison and preparation for, and attendance at various meetings.
Audit and Risk Committee	Preparation and presentation of papers for the Audit and Risk Committee and providing advice and training to committee members as and when required.

COVID Related Work		
Support Schemes	The team will continue to support the various Covid-19 related support schemes, such as assisting in business support grant applications, test and trace payments and various Government returns, which are likely to still be in place at the beginning of April 2021.	High
Business Support Grants - Post Payment Assurance Work	The team will undertake on-going post assurance checks to ensure payments have been paid to applicants that meet the eligibility criteria. The team will look to recover payments where eligibility has not been met and look to potentially prosecute applicants who have applied for financial support under false pretences. This will also include focussed audits on the governance and management of these schemes.	High
Finance		
Key Financial Systems	A review of the high-level financial system controls and other key processes, these include: Accounts Payable, Accounts Receivable, Payroll, Budgetary Control, General Ledger, Fixed Assets, Treasury Management, Local Taxes, Housing Rents, Housing Benefits, and Income Management.	High
Annual Certifications	These include the verification of the calculations provided on the Benefit Subsidy Claim, Senior Officer Remuneration, and WMPF Payroll Contribution Statements.	High
Procurement Non-Compliance Monitoring	A review of contracts to ensure they have been procured in accordance with the Council's Contract Procedure Rules and procurement regulations.	High
New Financial Management Code	A high-level review to ensure the Council has the appropriate governance, policies and procedures in place to comply with CIPFA's new Financial Management Code.	Medium

Business World – Governance and Change Management	A review focussing on the assurance process around system upgrade testing and the process for governing access to the Business World system.	Medium
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Governance		
The Mayor of Wolverhampton's Charitable Fund	The annual independent examination of accounts in order to meet the requirements set out under section 145 of the Charities Act 2011.	Medium
Information Governance Breaches	A high-level review of the recording, investigation and reporting of identified data breaches throughout the year.	High
Elections – Postal Votes	A review of the processing of postal vote applications and the verification process for the returning of votes. Due to the Covid-19 pandemic it is anticipated that postal vote applications are likely to significantly increase.	Medium
Managers HR Self Service	A review to ensure managers are engaging with, and fully utilising, Human Resource self service facilities when undertaking their day to day management tasks.	Medium
Recruitment Selection	A review of the recruitment selection process to ensure it is in accordance with the Council policies and procedures including compliance with commitments in terms of equalities.	Medium

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Strategy		
Professional Conversation Assurance Reviews	These are quarterly reviews of the Council's Professional Conversation process, which has replaced the Council's Employee Appraisal Scheme.	Medium
ICT - Disaster Recovery	A review of the Council's current ICT disaster recovery arrangements.	High

Cyber Security	A review of the controls the Council has in place to reduce the risk of cyber security attacks.	High
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Children Services		
Out of City Placements	A review of the payment arrangements – previous issues regarding advance payments led to a systems change and assurance is required to ensure that the new system controls are embedded and that where appropriate, there is the accurate clawback of any overpayments.	Medium
Eclipse Project Review	A review to ensure that the outstanding issues from the project closure report are cleared / procedures fully embedded.	Medium
Working Time Compliance	A review of the controls in place for monitoring/evidencing of employee hours in accordance with legislation.	Medium
Troubled Families – Grant Certifications	The verifying and certifying of the quarterly grant claims.	Medium

Adult Services		
Commissioning / Procurement Planning Contracts	A review of the commissioning arrangements to ensure that forward planning takes place and procurement rules are complied with.	Medium
Continuing Health Care	A review of the current arrangements to ensure that key risks are effectively controlled and managed.	Medium
Service Provider Fee Review	A review of the different provider payment frameworks to ensure the process is fair and equitable to all providers.	Medium

Education		
School Audits	A review of the governance and financial procedures in place at a sample of nursery, primary, secondary, special schools, and pupil referral units to ensure coverage of all local authority maintained schools, over a predetermined cycle. These will be dependent upon and conducted in accordance with Government guidance around Covid-19.	Medium
School Census Procedures	A review of the process for inputting and collation of school census information.	Medium
SEND and Post 16 Provision in Schools	A review of the arrangements in place to prepare pupils with Education Healthcare Plans for independence.	Medium
Lawnswood Pupil Referral Unit	A review of financial arrangements in operation at the unit.	Medium
Early Years Grant Arrangements	A review of the arrangements in place to claim and distribute this grant.	Medium

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Public Health		
Key areas within Public Health, likely to include business continuity arrangements.	With a number of Public Health related issues surrounding the current Covid-19 pandemic, discussions will be held with the Director of Public Health during the year in order to focus the audit resource into key risk areas as appropriate.	High

Regeneration		
Regeneration Programme and Project Management Framework	A high-level review of directorate level governance and management arrangements for the delivery of programme and projects led by the Regeneration directorate.	High
Westside	A review of governance, project management, risk management and control systems (including use of Council systems) in operation including compliance with any external funding arrangements as applicable.	High
Future High Streets Fund	A review of the governance, management and internal control arrangements in operation for the Future High Streets Fund.	Medium
Black Country AIM (Advice Investment and Markets) Programme and Black Country Impact Project	A review of governance, risk, performance and operational management arrangements for the funded AIM Programme including compliance with funding requirements.	High
Industrial Sites Delivery Programme	A review of the governance, programme and risk management arrangements for delivery of the strategic aims and objectives of the Industrial Sites Delivery Programme.	High

Environment		
Smart Infrastructure (LED Street Lighting Replacement)	A review of the project management arrangements and compliance with funding requirements in operation.	High
Waste Disposal and Recycling Contract Management	In-year audit coverage of a specific contract will be determined through review of contracts awarded in 2020-2021 and 2021-2022.	High
City Environment Programme and Project Governance and Management Framework	A high-level review of directorate level governance and management arrangements for delivery of programmes and projects led by City Environment.	Medium

City Assets and Housing		
Decarbonisation Grant	To provide a high-level assurance review to ensure the grant has been used in accordance with its terms and conditions.	Medium
Housing Capital Programme	A review of governance, programme/project management, risk management, control systems and resource/succession planning in operation for the strategic and operational delivery of the Housing Capital Programme.	Medium
HMO Licencing Review	A review of the HMO Licencing procedures for the administration and issuing of licences.	Medium
Housing Grant Claims	To provide assurance that housing grant claim arrangements are robust.	Medium

Programme and Project Assurance

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

Programme and Project related assurance work	
• Information Governance	• Transforming Adult Social Care Programme
• Pay Strategy	• Children's Transformation Programme
• Project Assurance Group	• NHS Social Care Digital Programme
• Various Service Improvement Programmes	• Civic Halls Programme
• Travel Assistance Assurance Board	• Business World Development Project
• Schools Fire Safety Working Group	• Strategic Transport Asset Group
• City Learning Quarter Programme	• Infrastructure for Growth Board
• Business Support Programme	• Our Assets Board
• Local Fibre Network Programme	• Art Gallery Improvement Scheme Board
• Adult Eclipse Project Board	• SEND Systems

CITY OF WOLVERHAMPTON COUNCIL	Audit and Risk Committee 08 March 2021
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Report title	CIPFA Audit Committee Update	
Accountable director	Claire Nye, Director of Finance	
Originating service	Audit	
Accountable employee	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
Report to be/has been considered by	Not applicable.	

Recommendation for noting:

The Audit and Risk Committee is asked to note:

1. The contents of the latest CIPFA Audit Committee Update which has a focus on the Head of Audit Opinion, the Redmond Review and a regular briefing on current issues.

1.0 Purpose

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

2.0 Background

- 2.1 The latest edition of these briefings has a focus on the Head of Audit Opinion, the Redmond Review and a regular briefing on current issues.
- 2.2 With regards to the Head of Audit Opinion and the impact of Covid-19 on the delivery of the audit plan, CIPFA have provided the Committee with the following questions to consider:
1. What has been the impact on internal audit resources and planned work during the year to date? What will be the impact for the remaining year?
 2. Are there any areas where you have concerns about maintaining conformance with the Public Sector Internal Audit Standards?
 3. Do you think there is a risk to your annual opinion? Is a limitation of scope likely?
 4. What is your proposed action plan to recover from the impact of COVID?
 5. What support can the audit committee provide to you to help manage this situation?

Audit Services Response:

A report was presented to the Committee in June 2020 informing the Committee that the UK Public Sector Internal Audit Standards Advisory Board had produced guidance to support audit functions during Covid-19. This stated that all internal audit teams in organisations affected by Covid-19 would need to reassess their work plans and staff priorities.

During the year a proportion of the audit resources was temporarily redeployed within the Council to provide assistance in a number of areas including the food distribution hub, the various business support grants teams, assisting Procurement with supplier due diligence checks regarding the supply of personal protective equipment (PPE) and other Covid-19 related grant assurance.

At the September and later the December 2020 meetings, the Committee were informed that in order to reflect the in-year change in risk profile for the Council and to facilitate the above shift in resources, a consultation exercise had been undertaken with the senior management team and the internal audit plan revisited to ensure that the audit resource is focussed in the most effective manner. This included an assessment of both Covid-19 and strategic risks from the respective risk registers and took into account factors such as the outcome of more recent assurance exercises, possible alternative assurance routes such as those from the first and second lines of defence from the three lines of defence model, and any particular key timing issues. As a result of this exercise, it was agreed with the senior management team that a number of audit reviews that initially featured in the current plan, would be put back until the following year, where they again

formed part of the assessment of assurance needs exercise. Details of these reviews were provided to the Committee at the December meeting.

Audit Services continue to assess the situation, and at present it is believed that the number of audits planned to be completed, including all of the key financial systems reviews, will still enable Audit to be in a position to provide an annual audit opinion at the year-end. Similarly, there are no concerns about maintaining conformance with the Public Sector Internal Audit Standards, although both of these issues are being kept under review.

By having an understanding of the above situation, continuing to review the audit work as it is reported back and through the regular review of the Covid-19 risk register, the Committee will continue to help Audit Services manage this situation.

3.0 Progress

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

4.0 Financial implications

4.1 There are no financial implications arising from the recommendation in this report.
[GE/22022021/D]

5.0 Legal implications

5.1 There are no legal implications arising from the recommendation in this report.
[TS/19022021R]

6.0 Equalities implications

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

7.0 All other implications

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

8.0 Schedule of background papers

8.1 CIPFA Audit Committee Update

This document contains some information which is copyrighted and cannot be made readily available. However, to comply with the spirit of the Freedom of Information Act, should you require details of the report it may be possible to give you access to certain information. If you wish to do that, please contact the accountable employee as detailed above.

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Audit and Risk Committee

8 March 2021

Report Title	Audit Services – Counter Fraud Update	
Accountable Director	Claire Nye, Director of Finance	
Originating Service	Audit	
Accountable employee	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
Report to be/has been considered by	Not applicable.	

Recommendation for noting:

The Audit and Risk Committee is asked to note:

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

1.0 Purpose

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

2.0 Background

- 2.1 The Counter Fraud Unit was set up within Audit Services, in response to the increased emphasis being placed upon both fraud prevention and detection by the Ministry of Housing, Communities and Local Government.

3.0 Progress

- 3.1 At the last meeting of the Audit and Risk Committee in December 2020, it was agreed that regular updates on the progress the Council was making in tackling fraud would continue to be brought before the Committee.

4.0 Financial implications

- 4.1 There are no financial implications arising from the recommendation in this report.
[GE/22022021/C]

5.0 Legal implications

- 5.1 Investigations by the Counter Fraud Unit may have legal implications depending upon what action is taken or decided against in respect of those investigations.
[TS/19022021/W]

6.0 Equalities implications

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

7.0 All other implications

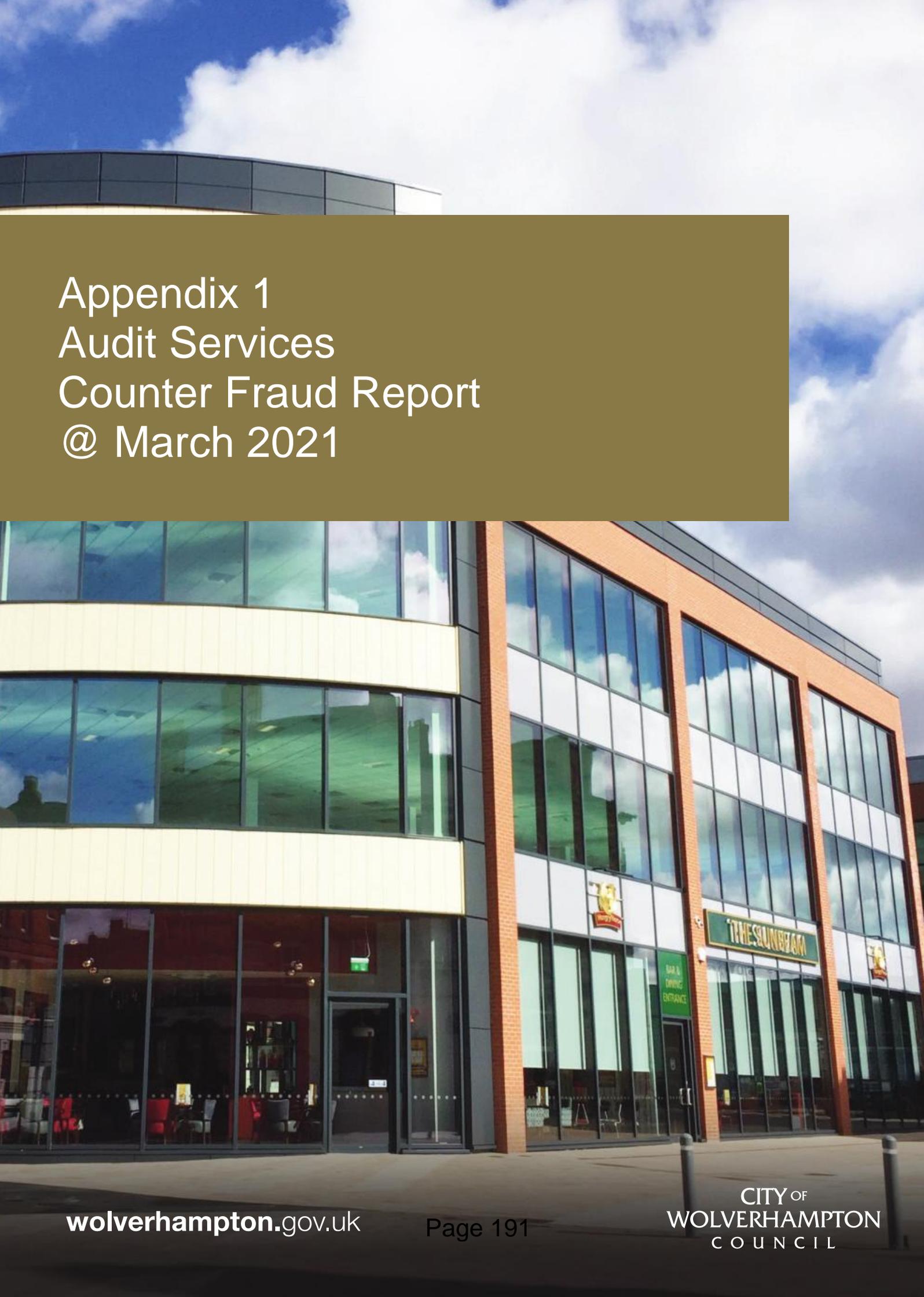
- 7.1 There are no other implications arising from the recommendation in this report.

8.0 Schedule of background papers

- 8.1 None.

9.0 Appendices

- 9.1 Appendix 1: Audit Services – Counter Fraud Report March 2021.



Appendix 1
Audit Services
Counter Fraud Report
@ March 2021

1 **Introduction**

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

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

2 **The Counter Fraud Team**

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

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

During the Covid-19 Pandemic members of the Counter Fraud Team in conjunction with colleagues from Finance, Revenues and Benefits, and Audit have supported the due diligence activities undertaken before and after the award of the various support grants introduced by Central Government to ensure the risk of fraud is minimised.

3 **Counter Fraud Update**

Counter Fraud Plan

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

Fraud Risk Register

The Counter Fraud Team maintains the Council's fraud risk register. The register is used to help identify areas for testing and to inform future audit assurance plans by focusing on the areas with the 'highest' risk of fraud. The latest fraud risk register is included at Appendix 2.

Covid-19 Business Support Grants

To support Local Authorities in the administration of these grants, the Government's Counter Fraud Function developed a toolkit that included a range of measures that could be used to reduce the risk of fraud and error in these schemes. Where appropriate these tools were used by the Council when assessing each application and prior to payment.

This report is PUBLIC
[NOT PROTECTIVELY MARKED]

	Upfront low-friction controls										Post-event assurance				
	To establish eligibility using existing data sets	To capture the data fields for upfront controls / and post-event assurance	In applications, disclaimers or contracts	In applications, disclaimers or contracts	In applications, disclaimers or contracts	To identify and verify the individual	To undertake due diligence on the applicant	To undertake due diligence on the applicant	To pay new bank accounts	To pay long standing bank accounts	To confirm the identity of the individual (post-payment)	To detect fraud (post-payment)	To confirm payees / trace funds	To undertake due diligence on the applicant	To detect fraud in residual risk areas (bespoke to each scheme)
Type of applicant:	Existing data sets	Data specification	Crew back agreements	Fraud clause	Privacy notice	GOVUK Verify	Spotlight	AppCheck	Account verification	Existing bank account data	GOVUK Verify	National Fraud Initiative	Account verification	Spotlight	Data analytics
Individuals	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗
Businesses	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗
Charities	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗

While the Government placed an emphasis on speed of payment the Council completed due diligence checks in accordance with the Governments Counter Fraud toolkit. These checks were designed to reduce the risk of fraud and error in the grant schemes. The Government also agreed to stand behind any erroneous grant payments subject to Local Authorities taking reasonable and practicable measures to minimise the risk of errors and/or fraud, avoid making payments to those not entitled and to take reasonable and practicable steps to recover any over-payments

The total number of Small Business Grants and Retail, Leisure and Hospitality Grants from the first phase of the Government business support scheme was:

Number of small business grants paid	3,255	£32,550,000
Number of Retail, Hospitality and Leisure Grants paid	724	£12,620,000
Total number of grants paid	3,979	£45,170,000

In addition to the above the Council also rejected 180 applications for several reasons including ineligibility, failure to submit appropriate evidence, lack of clarity regarding occupation and duplication.

From the above near 4,000 grants, following a range of post payments checks invoices were raised to recover payment for ineligibility, as follows:

Number of Small Business Grants found to be ineligible and an invoice raised for recovery	20	£200,000
Number of Retail, Hospitality and Leisure Grants found to be ineligible and an invoice raised for recovery	4	£100,000
Total number of grants where invoices were raised for recovery	24	£300,000

At the time this update report was prepared, from the 24 invoices five payments have been part or fully repaid totalling £55,000.

A further three grants are currently under review and may fall under the same category whereby the Council may need to seek similar recovery.

The Government has since introduced a series of further additional local and national restrictions support grants designed to provide financial support to businesses and individuals affected by the latest Covid-19 measures. These grants are now subject to similar due diligence checks as those applied to the previous round of grants and this process will remain a significant piece of work. The Council has also introduced a third-party front-end portal (Ascendant) into the pre-payment checking process.

Business grant support payments have recently been introduced into the Cabinet Office's National Fraud Initiative, and the Council has recently submitted a series of data sets in line with the Cabinet Offices requirements. Any data matches are expected back towards the end of March and will then be subject to further investigation as appropriate.

National Fraud Initiative Exercise 2020/2021

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

The latest NFI exercise commenced in January 2021 and a total of 9,682 matches have been released. As the Cabinet Office continues to develop and refine the NFI exercise it is anticipated that further matches may be released in the coming months. Work has now commenced to investigate the various categories of matches based on those deemed to be the highest risk. Details of the progress made will be brought before the Committee as it becomes known. Examples of the type of matches the exercise identifies includes:

- Payroll to Payroll
- Pensions to Payroll
- Housing Benefit Tenants to DWP Deceased
- Pensions to DWP Deceased
- Blue Badge Parking Permit to Deceased
- Housing Benefit Claimants to Student Loans
- Housing Tenants to Housing Tenants
- Waiting List to Housing Tenants
- Council Tax Reduction Scheme to Payroll
- Duplicate Creditors
- Procurement to Payroll

Counter Fraud Team - Tenancy Fraud

During the Covid-19 pandemic the Counter Fraud Team has continued to provide a Tenancy Fraud Service. Potential fraud referrals have been recorded and investigated where possible. Due to the restrictions imposed by the lockdown and social distancing measures it has not been possible to visit premises or to interview suspects. There is also a restriction on the ability to evict tenants from a property

Since the last meeting the following cases have been progressed:

- A former tenant of a property pleaded guilty to three charges of fraud. They were sentenced to receive a community order, involving being electronically tagged for 6 months (between 7pm and 7.45am) and to pay full costs of £1,567 plus an £85 victim surcharge.
- A succession to a property was stopped following an investigation. The applicant for the succession did not satisfy the succession criteria. The three-bedroom property involved is now available for let to a family in genuine need.

Protect

In the last report to the Committee it was identified that the Council had entered into a support arrangement with Protect (formerly Public Concern at Work), the whistleblowing charity and leading authority on whistleblowing in the UK.

This arrangement gives access to Protect's Whistleblowing Benchmark and diagnostic tools to enable the council's performance to be assessed and any strengths and gaps in the arrangements to be identified across key areas including governance, staff engagement and operations.

The Council is committed to upholding the highest standards of conduct and ethics and has also launched a new safe space for employees to report any serious concerns about any aspects of the council's work. The site can be accessed at any time via a link on the City People homepage.

SeeHearSpeakUp provide an external and independent confidential reporting service and have been appointed to manage the safe space. Employees who have serious concerns about any aspect of the council's work, can choose to come forward and voice those concerns in a safe and secure environment, in the knowledge that they will be taken seriously, and concerns will be investigated appropriately.

Senior council officers who have been trained by SeeHearSpeakUp will consider the concerns and identify any potential investigation and provide governance and assurance on all safe space matters disclosed with a view to safeguarding, consistency, equality and fairness.

National Anti-Fraud Network Intelligence Notifications

The National Anti-Fraud Network (NAFN) issues regular alerts which provide information on fraud attempts, trends and emerging threats. The information provided in the alerts has been notified to NAFN by other local authorities from across the country. These alerts are checked to the Council's systems to verify whether there have been any instances at Wolverhampton. Alerts which either involve suppliers used by the Council, are flagged to appropriate sections of the Council. The most common alerts relate to Covid-19 Business Rates Relief Grant frauds, Bank Mandate fraud, Council Tax Refund fraud, cyber fraud including ransomware and email interception.

Midland Fraud Group

This group consists of fraud officers from across the Midland's local authorities. The purpose of the group is to identify and discuss the outcome of initiatives being used to tackle fraud. At the last meeting in February 2021 discussions were held on Post verification of Corvid grants, Interviews under caution, Business Rates and general cases of interest.

Counter Fraud Plan Update

Issue	Action	Timescale
Raising counter fraud awareness across the Council	Develop and deliver Fraud Awareness seminars	Physical fraud-based training provided Autumn 2019. To be revisited post Covid-19
	Develop on line fraud training for staff.	To be refreshed Spring 2021
	Work with Workforce Development to develop and promote fraud training.	Fraud seminars and surgeries promoted through City People. On-going use of online training package.
	Establish measures for assessing the level of employee fraud awareness.	Spring 2021
	Hold fraud surgeries to enable staff to report areas of suspected fraud.	Fraud surgeries planned for Spring 2021.
	Use various forms of media to promote fraud awareness across the Council including City People, the intranet and the internet.	Fraud seminars and surgeries will be promoted through City People.
	Work closely with Wolverhampton Homes and seek opportunities to promote joint fraud awareness.	On-going
Work with national, regional and local networks to identify current fraud risks and initiatives.	Maintain membership of the National Anti-Fraud Network (NAFN).	On-going
	Participate in the Cabinet Office's National Fraud Initiative (NFI) data matching exercises. Acting as key contact for the Council, the West Midlands Pension Scheme and Wolverhampton Homes.	On-going. Next exercise commenced January 2021.
	Complete the annual CIPFA fraud survey.	CIPFA Survey last completed Aug 2020.
	Investigate opportunities to develop the use of NFI real time and near real time data matching.	Used for additional Single Person Discount data match.
	Participate in CIPFA's technical information service.	On-going
	Maintain membership of the Midlands Fraud Group.	On-going – last meeting February 2021 next meeting June 2021
	Attend external fraud seminars and courses.	Tackling Fraud Across the Public Sector – November 2020.
Assess the counter fraud strategy against	Complete national fraud self-assessments, for example:	

Issue	Action	Timescale
best practice	<ul style="list-style-type: none"> New CIPFA Code of Practice 	June 2015 (the last time required)
	<ul style="list-style-type: none"> CIPFA Counter Fraud Tracker Survey 	Annually
	<ul style="list-style-type: none"> The former Department for Communities and Local Government – ten actions to tackle fraud against the Council. 	On-going
	<ul style="list-style-type: none"> Consideration of fraud resilience toolkit 	On-going
Identify and rank the fraud risks facing the Council	Manage the Council's fraud risk register to ensure key risks are identified and prioritised.	On-going
	Develop measures of potential fraud risk to help justify investment in counter fraud initiatives.	On-going
	Seek opportunities to integrate the fraud risk register with other corporate risk registers and also the Audit Services Audit Plan	On-going
Work with other fraud investigation teams at the Council	Develop good communication links between the Counter Fraud Unit, Wolverhampton Homes, and Audit Services.	The Council's Counter Fraud Team provide a tenancy fraud service to Wolverhampton Homes.
Work with external organisations to share knowledge about frauds?	Establish formal joint working relationships with external bodies, for example Police, Health Service and Immigration Enforcement.	On-going
Participate in external initiatives and address requests for information	Implement industry best practice as identified in reports produced by external bodies, for example; CIPFA's Annual Fraud Tracker Survey and the National Fraud Initiative report.	Annual/on-going
	Encourage Service Areas to participate in initiatives to identify cases of fraud.	Ongoing
	Look for opportunities to use analytical techniques such as data matching to identify frauds perpetrated across bodies, for example other Councils.	On-going
	Undertake a programme of proactive target testing.	On-going
	Respond to external requests for information or requests to take part in national initiatives.	On-going
All cases of reported fraud are identified, recorded and investigated in accordance with best practice and professional standards.	Work with Service Areas to develop methods of recognising, measuring and recording all forms of fraud.	Ongoing
	Manage and co-ordinate fraud investigations across the Council.	As reported back to the Audit and Risk Committee as appropriate.
	Implement and update the Council's portfolio of fraud related policies in response to changes in legislation.	Latest version planned to be presented to the Audit and Risk Committee in Summer 2021.

Issue	Action	Timescale
	Where appropriate take sanctions against the perpetrators of fraud either internally in conjunction with Human Resources and Legal Services or externally by the Police.	On-going
Ensure responsibility for counter fraud activities is included in Partnership agreements with external bodies.	Embed responsibility for counter fraud activities in partnership agreements with the Council's strategic partners.	On-going
	Partnership agreements to include the Council's rights of access to conduct fraud investigations.	On-going
Provide the opportunity for employees and members of the public to report suspected fraud.	Manage and promote the Whistleblowing Hotline and record all reported allegations of fraud.	City People article – planned for Spring 2021.
	Promote and hold fraud surgeries that provide the opportunity for staff to discuss any potentially fraudulent activity at the Council.	Fraud surgeries planned for Spring 2021.
	Seek other methods of engaging with employees and the public to report fraud.	On-going – for example through the Council's internet site.
	Where appropriate ensure allegations are investigated and appropriate action taken.	On-going
	Work with and develop procedures for carrying out investigations with other service areas for example Human Resources, Legal Services and Wolverhampton Homes.	On-going
Inform members and senior officers of counter fraud activities.	Report quarterly to the Audit Committee on the implementation of Counter Fraud initiatives and the progress and outcome of fraud investigations.	On-going

Fraud Risk Register @ March 2021

Themes	Potential fraud type	Risk rating
Housing Tenancy	Subletting for profit, providing false information to gain a tenancy, wrongful tenancy assignment and succession, failing to use the property as the principle home, right to buy. This risk is managed by Wolverhampton Homes.	Red
Council Tax	Fraudulently claiming for discounts and exemptions such as the single person's discount and Local Council Tax Support Schemes.	Red
Personal Budgets	Falsely claiming that care is needed, carers using direct payments for personal gain, carers continuing to receive direct payments after a person dies, duplicate applications submitted to multiple Councils.	Red
Cyber Security	Using technology as a tool to commit acts of fraud – this currently has a very high profile and is an ever-increasing area susceptible to fraud	Red
Covid 19	The Council is open to fraud and misappropriation due to size of and the speed in which government support grants need to be processed.	Amber
Welfare Assistance	Fraudulent claims.	Amber
Procurement	Collusion (employees and bidders), false invoices, overcharging, inferior goods and services, duplicate invoices.	Amber
Business Rates	Evading payment, falsely claiming mandatory and discretionary rate relief, empty property exemption, charity status.	Amber
Payroll	'ghost' employees, expenses, claims, recruitment.	Amber
Blue Badge	Fraudulent applications use by others and continuing use after a person dies.	Amber
Electoral	Postal voting, canvassing.	Amber
Schools	School accounts, expenses, procurement, finance leases.	Amber
Bank Mandate Fraud	Fraudulent request for change of bank details (increased following a recent case).	Amber
Theft	Theft of Council assets including cash (increased following a recent case).	Amber
Insurance	Fraudulent and exaggerated claims.	Green
Manipulation of data	Amending financial records and performance information.	Green
Grants	False grant applications, failure to use for its intended purpose.	Green

Bribery	Awarding of contracts, decision making.	Green
Money Laundering	Accepting payments from the proceeds of crime.	Green

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CITY OF WOLVERHAMPTON COUNCIL	Audit and Risk Committee 8 March 2021
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Report title	Payment Transparency	
Accountable director	Claire Nye, Director of Finance	
Originating service	Audit	
Accountable employee	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
Report to be/has been considered by	Not applicable.	

Recommendation for noting:

The Audit and Risk Committee is asked to note:

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

1.0 Purpose

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

2.0 Background

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

- The Council publishes its own spend data which is available on the Council's internet site under Transparency and Accountability (payments to suppliers) and is updated monthly.
- Since last reported to the Audit and Risk Committee, while there have been no specific requests for information from the public (as an 'armchair auditor'), an external party did access the Council's published expenditure data regarding early years spend. This highlighted that the expenditure calculated using the published data was much higher than the actual expenditure. Investigations identified that whilst the spend information held on the site was in itself correct, the site incorrectly contained repeated data lines for certain entries due to an administrative error which made the spend figure appear much higher than it was. The duplicate data lines have now been removed from the site and processes are being put in place to ensure it does not happen again.

3.0 Progress

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

4.0 Financial implications

4.1 There are no financial implications arising from the recommendation in this report.
[GE/22022021/A]

5.0 Legal implications

5.1 There are no legal implications arising from the recommendation in this report.
[TS/19022021/Q]

6.0 Equalities implications

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

7.0 All other implications

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

8.0 Schedule of background papers

8.1 None.

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