

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

Venue Council Chamber - 4th Floor - Civic Centre

Membership

Chair Cllr Alan Butt (Lab)

Vice-chair Cllr Jonathan Yardley (Con)

Labour

Cllr Mary Bateman
Cllr Philip Bateman MBE
Cllr Craig Collingswood
Cllr Clare Simm
Cllr Milkinderpal Jaspal

Independent Member

Mr Mike Ager

Conservative

Cllr Andrew McNeil

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:

Contact Fabrica Hastings

Tel/Email Tel: 01902 552699 or Fabrica.Hastings2@wolverhampton.gov.uk

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

Agenda

Part 1 – items open to the press and public

Item No. *Title*

MEETING BUSINESS ITEMS

- 1 **Apologies for absence**
- 2 **Declaration of interests**
- 3 **Minutes of previous meeting** (Pages 3 - 8)
[For approval]
- 4 **Matters arising**
[To consider any matters arising from the minutes]

DECISION ITEMS

- 5 **Strategic Risk Register** (Pages 9 - 12)
[To receive an update on the strategic risk register.]
- 6 **Grant Thornton Progress Report**
[To receive a progress report from Grant Thornton progress.] (To follow.)
- 7 **Grant Thornton Annual Audit Report** (Pages 13 - 40)
[To receive an annual audit report from Grant Thornton.]
- 8 **Audit and Risk Committee Terms of Reference Annual Review** (Pages 41 - 46)
[To receive an update on the Audit and Risk Committee - Terms of Reference Review.]
- 9 **Internal Audit Plan 2022-2023** (Pages 47 - 70)
[To receive a progress report on the internal audit plan 2022-2023].
- 10 **Internal Audit Progress Report** (Pages 71 - 82)
[To receive a progress report on the internal audit plan.]
- 11 **Counter Fraud Update** (Pages 83 - 96)
[To receive an update on counter fraud.]
- 12 **Payment Transparency** (Pages 97 - 98)
[To receive an update on payment transparency.]
- 13 **Measures to Improve Local Audit Delays**
[To receive a report on the measures to improve local audit delays.] (To follow.)

Attendance

Members of the Audit and Risk Committee

Cllr Alan Butt (Chair)
Cllr Jonathan Yardley (Vice-Chair)
Cllr Mary Bateman
Cllr Phillip Bateman MBE
Cllr Craig Collingswood
Cllr Clare Simm
Cllr Milkinder Jaspal
Mike Ager

Conservative

Cllr Andrew McNeil

Employees

Claire Nye	Director of Finance
David Pattison	Chief Operating Officer
Richard Lawrence	Director of Regeneration
Peter Farrow	Head of Audit
Ian Cotterill	Audit Business Partner
Mike Wilkes	Audit Business Partner
Fabrica Hastings	Democratic Services Officer
Jaswinder Kaur	Democratic Services Manager

In attendance

Jon Roberts Grant Thornton

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**
There were no declarations of interest made.
- 3 Minutes of previous meeting**
That the minutes of the previous meeting held on 27 September 2021 be approved as a correct record.
- 4 Matters arising**
In response to a query raised regarding, the progress to recruit an Independent Member, to the Audit and Risk Committee. The Committee were advised that one

application, had been received and the candidate would be interviewed, and the process would be completed by the next scheduled meeting in 2022.

5 **Annual Governance Statement - 6 months update**

David Pattison, Chief Operating Officer, presented the Annual Governance Statement - 6 months update, that gave an overview of the progress made to action good practice and to ensuring adequate assurance is in place at the Council.

The Committee were advised that good governance remained in place, and that consistent regular checks would take place, to provide assurance. The Corporate Code of Governance was being updated and would be scheduled for adoption early in 2022, subject to approval at the Governance and Ethics Committee.

The Finance team would be setting the budget for 2022-2023 and a detailed Annual Governance Statement for 2022-2023, would be presented to the Committee in the new year.

Resolved:

1. That the contents of the mid-year update re the Council's Annual Governance Statement for 2021-2022 be approved.

6 **Financial Management Code – update**

Claire Nye, Director of Finance, presented the Financial Management Code – update, that detailed the improvements made to ensure the Councils financial resilience and the compliance required for the next financial year.

The Committee were advised that the summary of findings from the initial self-assessment undertaken in June 2021, indicated an overall green rating, which reflects that compliance is being demonstrated in the Councils financial processes.

The Council will continue to demonstrate compliance with the Financial Management Code and further updates would be brought before the Committee later in the year.

Resolved:

1. That the update on the Councils compliance with the CIPFA Financial Management Code following a six-month review be noted.

7 **Grant Thornton Progress Report**

Jon Roberts, Grant Thornton, presented the Grant Thornton Progress Report that outlined the progress made and future progress.

The Committee were advised on the finalised audit findings report and that the unqualified opinion was received to the Council after the 30 September 2021.

The Committee were advised on the grant claims certified progress including the Teachers' Pension and Housing Benefit Grant claims, that were completed ahead of deadlines with few findings to report to the Committee.

The Government continued to implement the Redmond Review findings with activities/ discussions conducted in December 2021, between Audit Firms and the Minister/ Civil Servants, regarding ideas for improvement and progress.

Claire Nye, Director of Finance, Advised the Committee that the value for money report would be circulated to Members once completed ahead of the March 2022 meeting.

Councillor Craig Collingswood, was pleased that the report identified that the West Midlands Pension Fund, held the highest level of assurance.

Resolved:

1. That the Progress Report and Update provided by Grant Thornton be noted.

8 **Appointment of the External Auditor**

Peter Farrow, Head of Audit, presented the Appointment of the External Auditor report, which was recommending that the Committee seek approval from full Council that the Council opt into the national agreement with Public Sector Auditor Appointments regarding the recruitment of the External Auditors from April 2023.

Resolved:

1. That the invitation from the Public Sector Audit Appointments to opt into the national scheme for auditor appointments from April 2023 be recommended to Council for approval.

9 **Internal Audit Progress Report**

Peter Farrow, Head of Audit, presented the Internal Audit Progress Report that provided the Committee with a summary of the internal audit reviews completed to date, and the levels of assurance assigned to each such review. A narrative was also provided regarding any key issues identified.

The Committee were advised that the school audit visit programme, had been put on hold throughout 2020-2021 as a result of Covid-19, but that they had recommenced from September 2021.

The Audit team had adopted a more continuous audit approach to transaction testing on the Council's key financial systems. A summary report of the year's findings will then be produced at the end of the year and reported to the Committee. However, any significant issues would be flagged with the service area immediately

Resolved:

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

10 **Internal Audit Charter**

Peter Farrow, Head of Audit, presented the Internal Audit Charter report. He outlined the key objectives and responsibilities for the professional practice of Internal Auditing, based around the CIPFA model and relevant legislation. The Committee were advised that equalities issues now form part of the Audit Universe, based on the Councils stance on equalities, and are implicit in a number of audit related activities undertaken during each year.

Resolved:

1. That the annual review of the Internal Audit Charter be approved.

11 **Counter Fraud Update**

Mike Wilkes, Audit Business Partner, presented the Counter Fraud Update. This included details on a range of counter fraud activities undertaken by the Council. That included reference to the work undertaken to recover a small number of Covid business grant payments that had been made to those who were later found not to qualify.

In response to a question raised regarding any identified themes associated with the recovery of the funds back to the Council. He advised that some businesses may have thought they were eligible but weren't based on a matter of interpretation.

In response to a question raised regarding any local or national fraud indicators including around organised crime, the Committee were advised that the Council does receive and consider regular bulletins from the National Anti-Fraud Network (NAFN) and other government bodies and takes these into account in the work it undertakes in this area.

Resolved:

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

12 **Payment Transparency**

Peter Farrow, Head of Audit, presented the Payment Transparency update. He advised the Committee that spend data continues to be published online and that no armchair auditor requests have been received since the last meeting.

Resolved:

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

13 **Strategic Risk Register**

Peter Farrow, Head of Audit, presented the Strategic Risk Register update. He advised that Hayley Reid, had moved to a full-time role as the Regulatory Governance Manager at the West Midlands Pension Fund and would therefore he would present the Strategic Risk Register update to Committee.

The Committee were advised that the format of the Strategic Risk Register, had been amended in order to more clearly identify risk mitigation, actions taken since the previous meeting and where sources of assurance could be obtained. The register is updated on an ongoing basis, in line with the Councils corporate risk management framework. Three risks remained red included;

Rising Unemployment;
Social Care Providers - Adults;
Reputation/ Loss of Public Trust.

Resolved:

1. That the latest summary of the Council's Strategic Risk Register, as per Appendix 1 be noted.

14 **Exclusion of 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 items of business

as they involve the likely disclosure of exempt information falling within the paragraph 3 of Schedule 12A of the Act.

15

Civic Halls Programme

Richard Lawrence, Director of Regeneration and David Pattison, Chief Operating Officer, presented the Civic Halls Programme report. They provided an overview of the progress and future development of the Civic Halls Programme.

Resolved:

1. That the update on the Civic Halls Programme including construction progress, financial and confidential legal position and governance arrangements be noted.

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CITY OF WOLVERHAMPTON COUNCIL	Audit and Risk Committee 14 March 2022
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Report title	Strategic Risk Register Update	
Accountable director	Claire Nye, Finance	
Originating service	Audit	
Accountable employee	Peter Farrow	Head of Audit
	Tel	01902 5504460
	Email	Peter.Farrow@wolverhampton.gov.uk
Report to be/has been considered by	SEB	24 February 2022

Recommendation for noting:

The Audit and Risk Committee is asked to note:

1. The latest summary of the Council's Strategic Risk Register, as at Appendix A.

1.0 Purpose

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

2.0 Background

- 2.1 The Council is no different to any organisation and will always face risks in achieving its objectives and priorities. Sound risk management can be seen as the clear identification and management of such risks to an acceptable level.
- 2.2 The Strategic risk register was last presented to Committee in December. Since that time the risk register has been reviewed in conjunction with risk owners, reviewed by SEB and updated where appropriate.
- 2.4 The strategic risk register does not include all the risks that the Council faces. It represents the most significant risks that could potentially impact on the achievement of the Council's corporate priorities. Other risks are captured within directorate, programme, project or partnership risk registers in line with the Council's corporate risk management framework.
- 2.5 A summary of the strategic risk register is included at Appendix A of this report which sets out the status of the risks as at March 2022. 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. As discussed at the last Committee meeting, the format of the register has been amended to separate out both further actions to be taken in order to mitigate the risks, and where sources of assurance can be sought.

3.0 Progress, options, discussion

- 3.1 The strategic risk register will be updated as required and presented at approximately quarterly intervals to the Committee. The strategic risk register does not include all the risks that the Council faces. It represents the most significant risks that could potentially impact on the achievement of the corporate priorities. As stated above, other risks are captured within directorate, programme, project or partnership risk registers in line with the Council's corporate risk management framework.

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/25022022/B]

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 this report.

[TC/28022022/F]

6.0 Equalities implications

- 6.1 There will be equalities implications arising from the implementation of a number of the strategies employed to mitigate individual risks. These equalities implications will be addressed, where appropriate, through the various mechanisms taken to manage each risk.

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 this report.

8.0 Schedule of background papers

Appendix A – Strategic Risk Register

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Auditor's Annual Report on City of Wolverhampton Council

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2020-21

January 2022

Agenda Item No: 7

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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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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. 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 the Council or all 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.

Executive summary



Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified risks in respect of:

- Financial sustainability
- Governance

We have not had to apply any of our formal auditor's powers. For information the powers we can deploy are set out at Appendix C.



Financial sustainability

The Council is operating in an increasingly uncertain financial environment. For the second successive year, the Comprehensive Spending Review was a single year spending review. Wolverhampton, as with all local authorities, will need to continue to plan with little certainty over funding in the medium term.

Despite this uncertainty, and the challenges posed by COVID-19, the Council has maintained a good financial position. Having planned its budgets for future years well in advance will enable sensible phasing of proposals to minimise the impact of the financial climate on services to residents.

Our work has not identified any significant weaknesses in arrangements to secure financial stability at the Council, but we have identified two improvement recommendations.



Governance

Our work this year has focussed on developing a detailed understanding of the governance arrangements in place at the Council, including those in relation to the group as a whole, and the changes instigated as a response to the pandemic.

Our work on both business as usual governance and adapted structures has not identified any significant weaknesses in arrangements, but we have raised three improvement recommendations in relation to governance.



Improving economy, efficiency and effectiveness

The Council has demonstrated a clear understanding of its role in securing economy, efficiency and effectiveness in its use of resources.

Our work has not identified any significant weaknesses in arrangements.



Opinion on the financial statements: we have completed our audit of the Council's financial statements and issued an unqualified audit opinion on 11 October 2021.

Other opinion/key findings

We did not identify any significant unadjusted findings in relation to other information produced by the Council, including the Narrative Report or the Annual Governance Statement.

Audit Findings Report (AFR)

Detailed findings can be found in our AFR, which was published and reported to the Council's Audit and Risk Committee on 27 September 2021. At this Committee meeting we reported that there were some outstanding items which were still a work in progress, including anticipated changes to the accounts. Subsequently, a final version of the Audit Findings Report was provided to management on 11 October 2021 concurrently with our signed audit opinion. A summary of the misstatement is set out below:

Adjusted misstatements

6 adjustments were made, one of which resulted in a change to the Council's Comprehensive Income and Expenditure Statement (CIES) of £3.6m, but did not impact on the Council's reserves:

- 1) Derecognition of the Sports Ground at Wobaston Road from the balance sheet: £3.6m.
- 2) Reclassification of Wobaston Road land from other land and buildings to assets held for sale: £6.3m.
- 3) Reclassification of income and expenditure within the CIES: £3.0m.

- 4) Reclassification of two COVID-19 grants (tax income guarantee scheme and section 31 rates relief) within the CIES: £35.3m.

Unadjusted Misstatements

There were a further 6 unadjusted misstatements reported, which management did not adjust for on the grounds of materiality:

- 1) Reversal of a prior period adjustment (PPA) to assets held for sale opening balances, which was not material and therefore did not meet the criteria of a PPA: £1.6m.
- 2) Correction of the valuation of Loxdale Primary School for updated pupil numbers: £0.7m.
- 3) Understatement of the Council's share of the West Midlands Pension Fund pension fund assets: £6.39m.
- 4) Correction of CIES element of revaluation reserve debit entries: £4.5m
- 5) Note 2C - Pooled Budgets: in our view this did not clearly describe the nature of the arrangement or how the Council has accounted for the pooled budget.
- 6) Note 2K - Events after the Reporting period: In accordance with IAS10 this note should be used to describe an event after the year end that could potentially have an impact on the figures reported. Whilst informative, (as it explains the challenges the Council continues to face in light of the pandemic) it could be enhanced to more explicitly note what the event after the reporting period has been and which figures could be impacted.





Opinion on the financial statements: we have completed our audit of the Council's financial statements and issued an unqualified audit opinion on 11 October 2021.

Unadjusted Misstatements (continued)

These errors were considered immaterial both individually and in aggregate. There would have been no impact on the Council's usable reserves had these adjustments been made. The overall impact on the balance sheet would have been an increase to assets of £7.1m.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA Return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office. We will complete our work on the Whole of Government Accounts consolidation pack in line with the national deadline, when it is announced.



Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial sustainability

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



Improving economy, efficiency and effectiveness

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



Our commentary on each of these three areas, as well as the impact of COVID-19, is set out on pages 7 to 22.

Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Financial position 2020/21

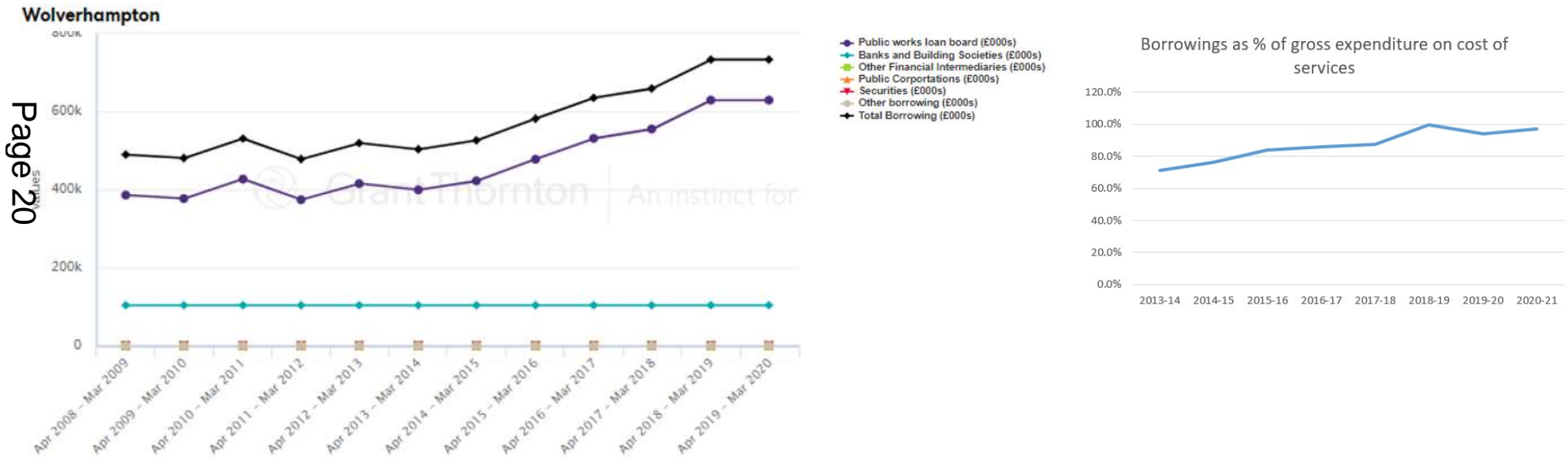
The Council has historically performed well, with a record of strong financial and budgetary management. That being said, it is in a challenging environment, and this is set to continue, as the impact of COVID-19 as well as pe-existing funding pressures persist. The Council has increased its level of general fund marginally, as it now stands at £13.7m and has increased its level of earmarked reserves significantly from £64.6m to £121.4m (Note that the table shown below is for the Council but the general fund and earmarked reserves balances for the group are the same). Reports to Cabinet note in order to be able to balance the budget for 2021/2022 work has continued to identify further efficiency measures. In summary and despite the net budgetary impact of COVID-19, we note that a balanced budget for 2021/2022 was proposed without the need to undertake a fundamental review of services or the use of general reserves.

	General Fund Balance	General Fund Earmarked Reserves	Total General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Total Unusable Reserves	TOTAL (Council)
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance Brought Forward	(13.0)	(64.6)	(77.6)	(7.1)	(1.2)	(10.3)	(5.2)	(101.4)	54.8	(46.6)
Surplus/(Deficit) on Provision of Services	28.3	-	28.3	(21.2)	-	-	-	7.1	-	7.1
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	211.0	211.0
Total Comprehensive Income and Expenditure	28.3	-	28.3	(21.2)	-	-	-	7.1	211.0	218.1
Net Decrease/(Increase) before Transfers & other Movements	28.3	-	28.3	(21.2)	-	-	-	7.1	211.0	218.1
Adjustments between Accounting Basis & Funding Basis under Regulations	(85.7)	-	(85.7)	21.2	(0.5)	0.7	(2.3)	(66.6)	66.6	-
Transfers to/from Earmarked Reserves	56.8	(56.8)	(0.0)	-	-	-	-	(0.0)	-	(0.0)
(Increase)/decrease for the Year	(0.6)	(56.8)	(57.5)	-	(0.5)	0.7	(2.3)	(58.6)	277.6	218.1
Balance Carried Forward	(13.7)	(121.4)	(135.1)	(7.1)	(1.7)	(9.6)	(7.5)	(161.0)	332.4	171.5

Source: Movement in Reserves Statement from 2020-21 audited financial statements

Borrowings and cash

In comparison to its neighbours, the Council, has a reasonably high level of borrowings. The graph below to the left showcases the total borrowing of the Council over time, starting with 2008/09, while the graph to the right shows how borrowing has initially increased since 2013/14 as a % of gross expenditure on cost of services but has stabilised in recent years.



Source: CFO Insights: Total Borrowing

Source: City of Wolverhampton Council's historic financial statements

However, borrowing is one tool within the suite of treasury management armoury that the Council employs to ensure that the management of the local Council's borrowing, investments and cash flows is effectively controlled and optimum performance pursued, which is commensurate with those risks (as defined in the Council's Treasury Management Strategy). The Council therefore ensure that the levels of borrowing in any one year does not exceed the authorised borrowing limit, and that key targets are set, the monitoring of which ensures compliance with Prudential and Treasury Management Indicators. These are monitored on a quarterly basis by both Cabinet and Council. The report received by Cabinet on 7 July 2021 confirmed that all relevant prudential indicators and treasury management indicators had been complied with.

The Council demonstrates a clear and explicit link between the capital programme, treasury management and ongoing revenue costs. There are appropriate cross references in the relevant key documentation, which demonstrate the connection, including the impact of capital and treasury management decisions on the Council's minimum revenue provision.

Minimum Revenue Provision

Under Regulation 27 of the 2003 Regulations, local authorities are required to charge MRP to their revenue account in each financial year. Before 2008, the 2003 Regulations contained details of the method that local authorities were required to use when calculating MRP. This has been replaced by the current Regulation 28 of the 2003 Regulations, which gives local authorities flexibility in how they calculate MRP, providing the calculation is 'prudent'.

Before the start of each financial year a local Council should prepare a statement of its policy on making MRP in respect of that financial year and submit it to full Council for approval. For local authorities without a full Council the statement should be presented for approval at the closest equivalent level. The statement should describe how it is proposed to discharge the duty to make prudent MRP during that year.

We have RAG rated the Council's MRP both as a percentage of its capital financing requirement (CFR) and of its total debt.

The Council's MRP as a percentage of total debt is 4.05% (4.8% in 2019/20). Anything greater than 2% we consider to be "green" on the grounds that it is indicative at a high level of appropriate amounts of provision being put aside to pay for ongoing debt obligations.

The Council's debt as a percentage of its CFR is 87% (91% in 2019/20). Anything above 80% we, consider to be high (with a "red" rating). This consideration is mirrored in the Council's own prudential indicators (PI5: in order to ensure that over the medium term debt will only be for a capital purpose, the local Council should ensure that debt does not, except in

the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years), which ensures that the capital financing requirement never exceeds gross debt.

Therefore while at the higher end, we are comfortable that this is being monitored by the Council appropriately.

Savings

Significant work has been undertaken by the Council to identify savings opportunities to balance the books, and the medium term financial planning undertaken demonstrates a prudent approach, with a recognition that future funding levels remain uncertain. There is no evidence that there are unrealistic plans in place. Strategic Directors are aware that their budgets are reasonably tight but acknowledge the financial reality facing the sector and are working within the limits made available to them.

Savings are taken out of the budget as it is developed, which is through an iterative process, in consultation with partners, tax payers and other stakeholders as appropriate, particularly if changes to the way services are operated are proposed, before it is formally reported through the Cabinet process and then onwards for formal approval by Full Council.

From discussions with officers, we are aware there are ongoing discussions, even once the budget is agreed and approved, to identify further savings, should slippage in the achievement of the budget occur.

Savings are monitored as part of quarterly budget monitoring meetings, which are also viewed through the leadership team.

At present the delivery of savings is not monitored independently of budget monitoring. The General Fund Revenue Budget Monitoring table does contain a column for a narrative for the reasons for variances. However it is uncertain whether these variances are adequately challenged. It is therefore difficult to measure the extent to which particular savings scheme have been successful as they are taken out of the budget. As there is no clear post-implementation review, there is also no clear assessment or whether any quality risks have occurred as a result of the savings being made.

If a service subsequently breaks even the assumption would be that the savings have been met, but this could mask underspends in other areas.



Medium Term Financial Strategy

There is evidence that the Council's financial plans are based on key assumptions that are realistic and are not reliant on uncertain income streams that are significant to the delivery of the plans. Scenario planning and modelling is undertaken to determine what increases in demand are likely to look like, though with the acknowledgement that there is still a sense of the unknown in terms of how we will live with the impacts of COVID-19 in the future, and consequently what support people will need from its local Council. The budget pressures and how they are managed are explicitly set out in the MTFs along with transparency on what the key assumptions are such as pay awards, council tax increase, adult social care precept, price inflation for utilities, borrowing interest rate etc. We are therefore satisfied that the Council's financial plans adequately reflect the impact of key expenditure drivers and potential pressures such as salary increments.

We note that the Medium Term Financial Strategy sets out the projected deficit to 2023/24 as shown to the right. Note that each year's gap is rolled up into the next year's net budget brought forward which impacts on the projected cumulative budget deficit.

The MTFs and annual budget are monitored on a quarterly basis alongside one another, which allows for timely revisions to be made to the MTFs as required. There is no planned use of reserves: we have reviewed the reserves of the Council to identify any 'pinchpoints' that could arise should the required savings not materialise. On the assumption that no savings are realised, based on the values in the accounts as at 31 March 2021, for the immediate future the Council has sufficiency of reserves to ensure that no shortfall arises.

We further note that there is a budgeted contingency reserve within the Medium Term Financial Strategy, and a further £3 million budget built into the Corporate Contingency for Budget Growth.

The MTFs as a standalone document does not reflect the impact of the Council's involvement with significant group entities. Although each component has its own separate business plans and is considered as part of separate scrutiny arrangement, the Council should consider expanding and enhancing the MTFs to include explicit consideration of the group's medium term financial plan and not just the Council's.

	2020- 2021 £000	2021- 2022 £000	2022- 2023 £000	2023- 2024 £000
Previous Years Net Budget Brought Forward	234,934	248,223	261,769	273,394
Increasing / (Decreasing) Cost Pressures				
- Pay Related Pressures	(533)	5,074	5,250	5,426
- Treasury Management	1,436	3,321	379	-
- Budget Growth	17,898	4,659	5,276	5,126
- Budget Reduction, Income Generation & Financial Transactions	(5,512)	492	720	(4,480)
- Net Impact on changes to specific grants	-	-	-	-
Net Budget (Before Use of Resources)	248,223	261,769	273,394	279,466
Projected Corporate Resources				
- Council Tax (including Adult Social Care Precept)	(108,843)	(114,318)	(120,068)	(126,107)
- Enterprise Zone Business Rates (including use of related reserve)	(2,700)	(1,530)	(1,490)	(1,450)
- Top Up Grant	(26,578)	(26,578)	(26,578)	(26,578)
- Business Rates (net of WMCA growth payment and Collection Fund deficit)	(73,769)	(74,199)	(75,703)	(77,237)
- New Homes Bonus	(1,614)	(568)	(265)	-
- Section 31 Grant – Business Rates support	(11,703)	(11,703)	(11,703)	(11,703)
- Improved Better Care Fund	(12,947)	(11,000)	(11,000)	(11,000)
- Winter Pressures – Adult Social Care	(1,376)	-	-	-
- Social Care Grant	(8,693)	(6,342)	(6,342)	(6,342)
	(248,223)	(246,238)	(253,149)	(260,417)
Projected Budget Annual Change in Budget Deficit / (Surplus)	-	15,531	4,714	(1,196)
Projected Cumulative Budget Deficit	-	15,531	20,245	19,049

Source: Table 7 – Medium term Financial Strategy, as presented to Cabinet 19 February 2020

Improvement recommendations



Financial sustainability

1 Recommendation	Consideration should be given to more formal, explicit monitoring, at a Member level, of the extent to which proposed savings are realised.
Why/impact	The Annual budget sets out proposed savings per service area and their impact on the budget. Reporting on the progress of these specific programmes would help Members (and other readers of the documents) to better understand the performance in each area which would inform decision making as to any additional spending which may be required.
Auditor judgement	The monitoring of specific savings programmes could be made clearer. Currently it is not apparent whether proposed savings are monitored and reported against.
Summary findings	No distinction is made in the Revenue Budget Monitoring Reports of the progress being made against the proposed savings as set out in the Annual Budget.
Management comment	Savings are identified on specific cost centres and are monitored as part of the monthly and quarterly monitoring process. Going forward we will make clear reference to the delivery of savings within the budget monitoring reports to Cabinet/Cabinet (Resources) Panel.



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Financial sustainability

2 Recommendation	The Medium Term Financial Strategy should be expanded to explicitly consider group entities, particularly those which are considered sufficiently significant to be consolidated into the group accounts; namely City of Wolverhampton Housing Company Limited and Wolverhampton Homes.
Why/impact	The Council's financial plans should reflect the impact of its involvement with significant group entities.
Auditor judgement	The inclusion of the group entities as part of the MTFS would ensure a more cohesive reporting of group strategy, especially important given that each of the consolidated components have a part to play in helping to deliver the Council's strategic objectives.
Summary findings	The MTFS as a standalone document does not reflect the impact of the Council's involvement with significant group entities
Management comment	Going forward, the Budget and MTFS report will include reference to our group entities and corresponding financial implications. We will also ensure that, in future, the HRA business plan report is strengthened to consider the group impact of Wolverhampton Homes.



The range of recommendations that external auditors can make is explained in Appendix C.

Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

Monitoring and assessing risk

Risk registers are used to monitor risks: risks can change over time and need to be monitored closely to make sure proper controls remain in place. The leadership team and the Audit and Risk Committee receive quarterly reports on the strategic risk register. This gives them assurance that risks are being reviewed and actions are being taken to either reduce, mitigate or monitor them. Such reporting also provides a chance to identify and discuss new and developing areas of risk.

The Strategic Risk Register is updated on an ongoing basis: evidence that risk is embedded in the every day business of the Council is that at the commencement of the pandemic, a COVID-19 specific risk register was put into place to recognise that it brought very specific risks with it. That the COVID-19 specific risk register no longer exists, as the risks have been subsumed within the "normal" strategic risk register, is further evidence of risk assessment being embedded, given that COVID-19 is now considered as part of business usual activity.

The register is informed by departmental registers, which are also updated on an ongoing basis, and follow a similar format with a RAG rating of risks based on an assessment of their impact/likelihood. Risk owners and relevant cabinet members associated with each risk, are named but there is no explicit link to corporate objectives nor information in relation to the key controls and sources of assurance available as well as what gaps exist. There is a commentary which includes some of this information but it is not clearly set out.

The Council considers risks as part of its decision making role on corporate policies, including the annual budget setting processes, major policy decisions and major projects. The Council's Strategic Executive Board also reviews these corporate risks through quarterly monitoring reports.

There is a good audit and investigations function operating at the Council. Internal Audit has demonstrated itself to be a dynamic service capable of reacting and responding to changing circumstances. Planned Internal Audit work for 2020/21 has been subject to some delay and postponement as the audit team were redeployed as part of the response to COVID-19. Nevertheless, the audit team were able to complete 24 reviews (15 substantial, 7 satisfactory and 2 limited) which compares against total of 31 reviews in 2019-20. It has therefore proved itself to be sufficiently agile to change its plan in order to certify a number of COVID-19 grants, providing assurance over the grants process itself as well as delivering a sufficient number of audits in

All issued reports have their agreed actions tracked and followed up, with internal audit providing a report on the progress made by management in implementing the agreed actions. Progress against delivery of actions to address high priority recommendations are reported to the Audit and Risk Committee for information and discussion. Similarly, the Counter Fraud Specialists undertake a programme of work to support the Audit and Risk Committee, including a mix of proactive and investigatory work. Findings are reported appropriately.

Budgetary Setting Process

The budget-setting process is multi-layered and thorough, with several stages, including stakeholder consultation. The draft budget was presented for review in November, with additional papers presented to Council to approve the budget in February. The following year's budget and forward looking MTFs are considered concurrently.

This high level of scrutiny together with the Council's track record of achieving its planned savings and balancing its budget confirm the strength and validity of the budget setting processes in place.

Budgetary control

There are good systems in place for oversight of the budget. As well as quarterly budget reports to Cabinet Resources Panel, budget holders have access to real time

information via self-service budget reports. These can be viewed either at a summary (high) level or at a detailed level. The quarterly budget monitoring reports detail variances by department (and service lines within departments) demonstrating a regular identification of in-year variances. Actions being taken or to be taken by departments in response to such variances are set out.

Leadership and committee effectiveness/decision making

The work of the Council's committees is governed by the Constitution. This constitution is regularly reviewed and updated, including very recently, in order to ensure that any changes in processes occurring as a result of COVID-19 were constitution-compliant. The Annual Governance Statement needs to be read alongside the Council's Constitution, which sets out how the Council operates, how decisions are made and the policies which are followed to ensure that these are efficient, transparent and accountable to local people.

There is a good suite of policies in place, covering anti-fraud and corruption, and the Council has an established antifraud culture.

The Council seek user feedback via the consultation hub, "Citizen Space", which invites thoughts and comments from the public when changes are planned. While there is a list of open and closed consultations it is not clear how the public responses have been taken into account in the decision making process. We have therefore raised a recommendation in this regard for the Council to consider.

Monitoring and ensuring appropriate standards

The Annual Governance Statement is compliant with the CIPFA code. An appropriate level of care is taken to ensure the Council's policies and procedures comply with all relevant codes and legislative frameworks. Local authorities are required to apply the requirements of CIPFA's Financial Management Code with effect from 1 April 2020. We have considered the requirements and commend the Council on undertaking a self-assessment against the Code and reporting it to the Audit and Risk Committee. This has allowed the Council to create a base from which improvement opportunities can be identified, and will constitute good evidence in its next Annual Governance Statement of how it is continuously monitoring and improving its arrangements.



Group Governance

We identified in our audit plan a risk of significant weakness in relation to group governance arrangements. This is because in our Audit Findings Report in respect of the year ending 31 March 2020 we raised a number of recommendations for the Council to consider as part of its ongoing investment in and work with the City of Wolverhampton Housing Company Limited. We also noted that there had been a number of Public Interest Reports (PIRs) issued: Nottingham City Council (August 2020), the London Borough of Croydon (October 2020), and Northampton Borough Council (January 2021), which are the first issued since 2016. [Lessons from recent Public Interest Reports](#) | Grant Thornton.

Along with other weaknesses, the PIRs have drawn attention to failings in the governance arrangements where subsidiaries and associated entities are involved as well as a lack of understanding of how to manage financial and commercial uncertainty and risk in the medium to long term.

We have followed up action taken by the Council in response to the recommendations made. In addition we have reviewed the governance arrangements in its place with its associated entities.

City of Wolverhampton Housing Company Limited

The Council has significantly enhanced its Annual Governance Statement for the year ended 31 March 2021, and as part of the additional information now included, are details as to how the Council have addressed previous recommendations made.

In order to better understand the risks to the Council should the company suffer delays to its house building schemes and there being a knock on effect to its ability to repay loans, the Council has worked with the company to approve a new business plan which is regularly reviewed and reported against both at officer and member level, to ensure continued compliance with agreed targets. Updated business plans will be brought to Cabinet for approval on an annual basis.

The Company previously had little equity funding: the split between equity and debt means that the Company was highly leveraged, creating a risk regarding the Company's ability to make loan repayments especially if there were adverse changes in projected sale or take-up rates, fluctuations in demand or increase in development

costs. This has been partly addressed by the continuing monitoring of the Company's ongoing compliance against targets, as well as the issuance of equity by the Council to the company as agreed by Council in December 2020, for the purposes of supporting the delivery of housing in Wolverhampton.

In our 2019/20 Audit Findings Report, we recommended that given recent failures in local government energy companies, the Council should ensure that the majority of board directors have housing company expertise. This is a work in progress though the skills of the Board have been bolstered by the appointment of a non-executive director with significant housing experience. Additionally, the Council's shareholder board has been strengthened by increasing the number of members from six to ten.

In addition to the specific details set out earlier, there is also a standing monthly agenda item for the Monitoring Officer/Chief Operating Officer to provide an update to the Executive Team on those bodies either owned by the Council with potentially large liabilities to the Council. Ostensibly this covers City of Wolverhampton Housing Company, Wolverhampton Homes, Wolverhampton College and Yoo Recruit Ltd, but will expand as necessary to cover any new partnerships.

Conclusion

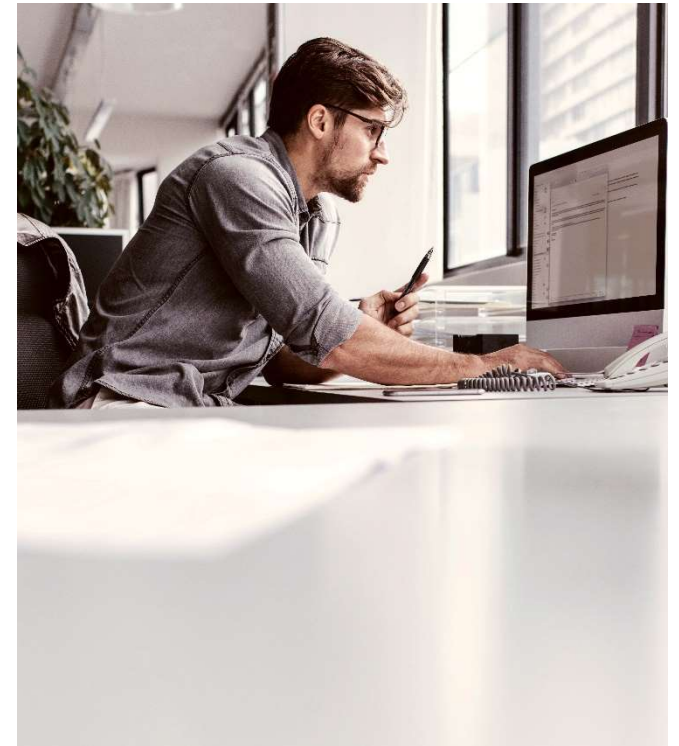
Overall, we found no evidence of significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks. We have identified three opportunities for improvement, set out overleaf.

Improvement recommendations

Governance

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3 Recommendation	When documenting a strategic risk, the Council should be explicit in linking it to which of the corporate objectives is at risk, as well as clearly setting out details of the controls and assurance already in place, such that gaps can be easily identified.
Why/impact	With all the relevant information at their command, Committee members will be more readily able to hold officers to account on the action being taken to fill any gaps.
Auditor judgement	It is important for the Audit and Risk Committee (and all users of the risk register) to be able to clearly identify what actions have been taken to mitigate the risk identified, along with any further work that is proposed to be carried out, so that it has greater assurance over the continual monitoring and risk management activity that is being undertaken.
Summary findings	There is not a clear link in the register between the issue identified and the corporate objective being put at risk, should appropriate measures and mitigations not be effective. Information in relation to the key controls and sources of assurance available as well as what gaps exist is not clear.
Management comment	<p>During 2021-2022 the Strategic Risk Register reported to Audit and Risk Committee has been strengthened. Council priorities are now identified against each risk. The latest iteration reported in December 2021 included additional information on mitigating action being taken and other sources of assurance.</p> <p>Consideration will be given to how quarterly performance/budget reporting can be enhanced to reference to risk aligned to new council plan objectives.</p>



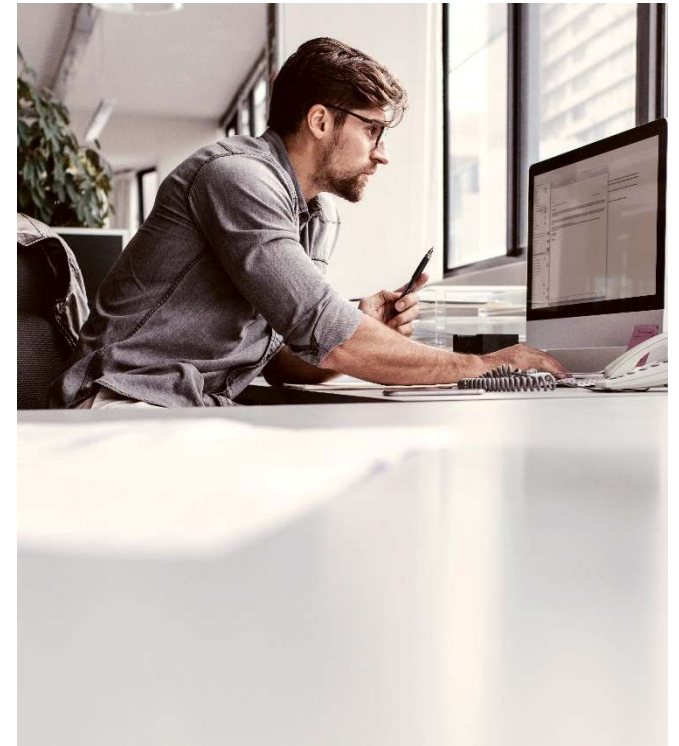
The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations

Governance

4 Recommendation	The Council has a consultation hub, which invites thoughts and comments from the public when changes are planned. We recommend that the Council consider including a section in its consultation pages setting out details of the questions asked, the responses received, and what was done as a result.
Why/impact	While there is a list of open and closed consultations it is not clear how the public responses have been taken into account in the decision making process.
Auditor judgement	The Council could enhance the transparency of its consultation process by setting out explicitly what difference the public response has made to the decision.
Summary findings	Actioning the above recommendation will demonstrate that service user feedback is being taken into account.
Management comment	The outcome of consultations is reported to Cabinet, and therefore we are exploring how we add a link on our consultation hub 'citizen space' to the specific cabinet report, which will include the outcome of the consultation and the decision made, and also make this clear in future consultation and engagement strategy.

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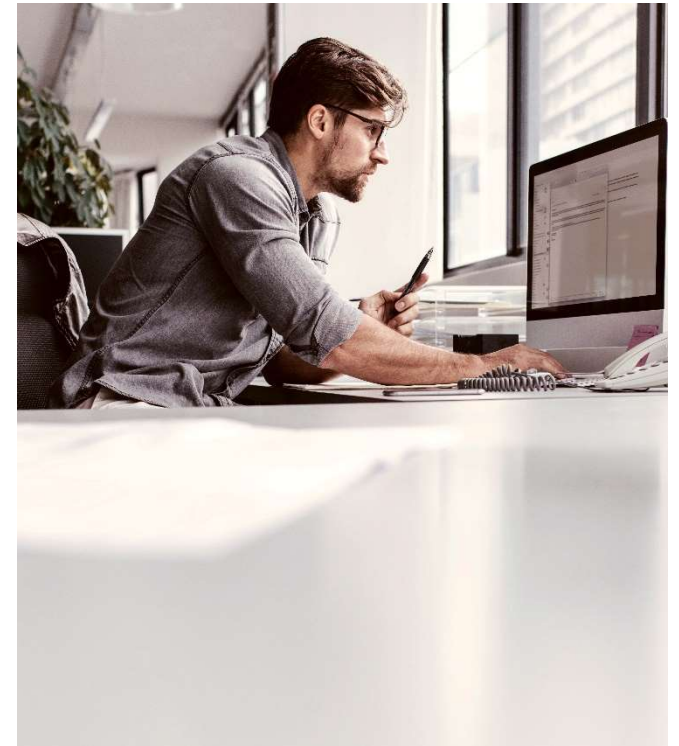


The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations

Governance

<p>5 Recommendation We recognise the improvements made by the Council in partnership with City of Wolverhampton Housing Company Limited in terms of it having relevant sector expertise on the Board. We recommend that the a skills and knowledge assessment is undertaken to inform the consideration of whether further additional expertise would add value to the Board.</p>
<p>Why/impact Without appropriates sector knowledge and expertise there is a risk that decisions are not appropriately challenged or informed, or that risks themselves are not identified and addressed sufficiently.</p>
<p>Auditor judgement Given recent failures in local government energy companies, the Council should ensure that the majority of board directors have housing company expertise.</p>
<p>Summary findings The Council has appointed one member to the Board with significant housing experience and the Board would benefit from considering whether additional expertise in this area would be of benefit.</p>
<p>Management comment We will ensure that a skills and knowledge assessment is undertaken and that the WV Living Shareholder Board are assured that the company board has sufficient expertise.</p>



The range of recommendations that external auditors can make is explained in Appendix C.

Improving economy, efficiency and effectiveness



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

We have reviewed arrangements at the Council for improving services and the way in which they are delivered.

Performance review, monitoring and assessment

The Council has an Insight and Performance team which is driving a real focus on performance management and how the Council uses insights and data. This has been done by developing an intelligence team but also a technical reporting team to bring together all data and create power BI dashboards: working in partnership with the services to enable them to bring together data and understand how data is best presented and used to drive evidence-based decision making.

Council-wide there is a move to build on a more integrated finance and performance reporting approach, which was first presented to Cabinet after the year under review (in July 2021), but nevertheless is evidence of the trajectory the Council was on during the year ended 31 March 2021. This included a variety of relevant benchmarking information such as CIPFA nearest neighbours, regional comparators and national comparators which will be tracked against over time to ensure that outcomes in the areas of, for instance, social value, jobs to skills gaps, grow our businesses are all monitored and reported against.

The key principle underpinning the “Relighting our City” programme is “We are a first and foremost a public service organisation. Everything we do will be based on delivering the very best possible services for our city” and therefore key to that is understanding current levels of performance, including its drivers so decisions can be made on how best to improve.

Between 20 September 2021 and 24 September 2021. Ofsted and the Care Quality Commission conducted a joint inspection of the local area of Wolverhampton to judge the effectiveness of the area in implementing the disability and special education needs (SEND) reforms as set out in the Children and Families Act 2014. This was done after the year in question (as was not published until October 2021) but is clearly therefore indicative of arrangements in place during the year in question. As a result of the findings of this inspection and in accordance with the Children Act 2004 (Joint Area Reviews) Regulations 2015, Her Majesty’s Chief Inspector (HMCI) has determined that a Written Statement of Action (WSOA) is required because of significant areas of weakness in the area’s practice.

Ahead of the report being published the informal feedback was considered by Children, Young People and Families Scrutiny Panel: minutes show that panel members appropriately scrutinised the presenters in terms of improvement action already being taken. This is not considered to be indicative of a significant weakness as it is not pervasive across the entire service area. Furthermore, we note that the Council was anticipating the outcome of the review to be mixed given the significant change that had occurred in that area before the review was undertaken, which therefore demonstrates good self-awareness on the part of the Council. We will consider this further, particularly the actions taken to address the findings, as part of our 2021/22 considerations.

Partnership Working

The need to work with others in partnership is an implicit part of the remit of each strategic director. A positive legacy of COVID-19 identified is that it has brought people together into a much stronger joint working culture, where teams now naturally think to talk to one another as part of their business as usual activities.

The Council is proactive in identifying its stakeholders and ensuring each is appropriately informed and/or consulted as appropriate including workforce, businesses, other public sector entities, communities, and members.

Additionally, there is evidence of partnership working in the development of the Wolverhampton pound. The City of Wolverhampton Council, City of Wolverhampton College, Royal Wolverhampton NHS Trust and Wolverhampton homes have signed an agreement committing to spending more money within the city and working with businesses, communities and the voluntary sector to retain local wealth, create new jobs and opportunities for residents.

As mentioned earlier as part of governance arrangements, the Council has already addressed the need to formally consider the performance of the partner it works with on a formal and regular basis, which is a positive step.

Procurement and contract management

The Council recognises that more can be done in relation to contract management: a contract management framework has been developed to train relevant officers to ensure that the right skills are in place across the Council, as while there were pockets of good practice, there were also instances of contracts being awarded but then not closely monitored within the services.

A paper was presented to the Strategic Executive Board picking up best practice from the NAO, and identifying potential savings that could be made if contract monitoring is fully embedded as well as recognising the Council's responsibility as a local Council achieving best value.

A working group was developed and staff surveyed to set a baseline and determine what current practices were. A contract management system will be put in place with links to the procurement system, linked to payments made so that there is a full comprehensive

understanding of what the spend is and can therefore enhance informed decision making.

Major capital projects

For major capital projects, there are arrangements in place to monitor, control and report on costs. There are a number of capital projects underway at any one time, but the most high profile of them is arguably Civic Halls, due to the time delays and expansion of budget that have occurred. This continues to receive a significant level of scrutiny, appropriately so, given the high profile nature of the project. Arrangements are as follows:

The operational group meet on a 2-weekly basis and look over the day to day matter of operations. There are representatives within this group from corporate assets, finance, procurement, the project management team as well as internal audit (in an advisory capacity). The group consider actions taken, the programme overview, costs, and risks on a day-to-day basis.

Above the operational group there is a Programme Board dedicated to overseeing the Civic Halls Restoration, with senior management membership including the Director of Finance, and the Chief Executive. The Council has commissioned Faithful Gould in a project management capacity, and they also sit on the Programme Board.

For additional oversight, there is a Project Assurance Group, to which all such projects and programmes report.

Progress is reported frequently to members and lessons learned from the internal audit review into the management of the project, have been taken on board and applied more widely to other projects.

Based on our discussions with officers, and review of relevant documentation, we are satisfied that this is being given the appropriate management attention and proactive rather than reactive measures are being taken to ensure that the Council's exposure to risk is mitigated and would encourage continued senior management focus on this issue.

Conclusion

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its oversight in ensuring economy, efficiency and effectiveness in its use of resources.

COVID-19 arrangements



Since March 2020 COVID-19 has had a significant impact on the population as a whole and how Council services are delivered.

We have considered how the Council's arrangements have adapted to respond to the new risks they are facing.

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Financial sustainability

The Council has adapted arrangements to respond to the new risks being faced from 2020-21 onwards in respect of COVID-19 and have arrangements in place to identify and monitor additional costs arising from responding to the COVID-19 pandemic.

From a financial perspective the additional costs have been tracked through the normal monitoring process and through regular returns to Central Government: costs which are non-operational (i.e. of a nature which the service has only incurred because of the pandemic) were charged to a separate cost centre controlled by Finance, which meant that no budget changes were needed to reflect these costs. Most of the individual items of expenditure incurred because of COVID-19 come into this category (e.g. food hubs, accommodating the homeless, community mobilisation fund, and one-off IT costs).

Costs which are of an operational nature, but which have increased because of the pandemic, were charged to service budgets.

This is a sensible approach as it recognises the difference between what are likely to be one-off costs from potentially recurring costs, which may continue to impact on a service's budget due to longer term changes in demand and need.

Monitoring reports were received by Cabinet along with regular verbal updates from a range of Officers, both at Cabinet and Full Council as well as other sub committees, where members were kept abreast on how each service area was responding to the needs of its users as a result of the pandemic.

Governance

While the Council generally maintained a business-as-usual approach to its governance arrangements during the pandemic, some adjustments were required. As a result of the lockdown restrictions announced on the 16th March 2020, the Council adjusted some of its internal control processes to support effective governance throughout the pandemic. As soon as these were lawful, the Council started holding members' meetings online.

When the pandemic began, it was acknowledged that it was appropriate for decisions to be made in the correct way, but it was deemed necessary to utilise emergency powers, as set out in the constitution. Decision logs have been maintained throughout and continue to be live documents: key members were briefed frequently (eg the Council Leader was briefed every day, as well as the Leader of the Opposition, with councillor briefings held weekly) and communications

were sent out from the Director of Governance clearly setting out expectations about who could make decisions and how.

The Strategic Executive Board routinely used to meet regularly via their 9am check-in, (which was in place prior to COVID-19 as a helpful way to connect) but in respect to the pandemic this was extended to include a 5pm check in, which provided a space for agile decision making.

The Council was conscious that there were three overarching themes to consider at any one time: COVID-19 response, business as usual, and recovery. It is clear that the Council concluded early that all three things needed to continue and therefore they were stepped up to and down from the agenda at the daily meetings as required: this grip meant that the Project and Programmes team quickly moved around the organisation depending on the key priority.

The Council recognises that it has had to act promptly to carry out central government requests, but to ensure that Governance arrangements were adequate, post implementation audits were commissioned from the Council's internal audit service, such as to consider contract arrangements during COVID-19, as well as

COVID-19 arrangements

how the distribution and allocation of grants was managed.

In its Annual Report delivered to the Audit and Risk Committee in July, internal audit reported that at the Council a significant proportion of the audit resources during 2020-2021 was temporarily redeployed to other areas of the Council's business in order to provide support in a number of critical areas including:

- the food distribution hub
- helping to administer the wide range of business support grants provided by Central Government – including reviewing and assessing applications, payment uploads, reconciliations, monthly returns and introducing a pre and post assurance framework
- undertaking supplier due diligence checks with Procurement regarding the supply of personal protective equipment (PPE)
- sense checking other COVID-19 related support and grant package returns

There were no adverse findings referred to in this report as a result of this work and the overall Head of Internal Audit opinion given in respect of the year ended 31 March 2021, was that there was reasonable assurance that the Council has adequate and effective governance, risk management and internal control processes.

Improving economy, efficiency and effectiveness

To recognise its ongoing impact, as noted on page 14, a COVID-19 specific risk register was put into place to recognise that it brought very specific risks with it. That the COVID-19 specific risk register no longer exists, as the risks have been subsumed within the "normal" strategic risk register, is further evidence of risk assessment being embedded, given that COVID-19 is now considered as part of business usual activity.

As noted in the Governance section of this report, risk management is well embedded and therefore that, COVID-19 continues to be included in risk discussions.

The Council has been mindful of the impact on the pandemic on its most important resource, its staff. Actions have been put in place to support staff wellbeing and supporting staff remains a key priority for the Council.

Conclusion

Our review has not identified any significant weaknesses in the Council's VFM arrangements for responding to the COVID-19 pandemic.

We have not identified any improvement recommendations.



Appendices

Appendix A - Responsibilities of the Council



Role of the Chief Financial Officer (or equivalent):

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- Preparation of the statement of accounts
- Assessing the Council's ability to continue to operate as a going concern

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

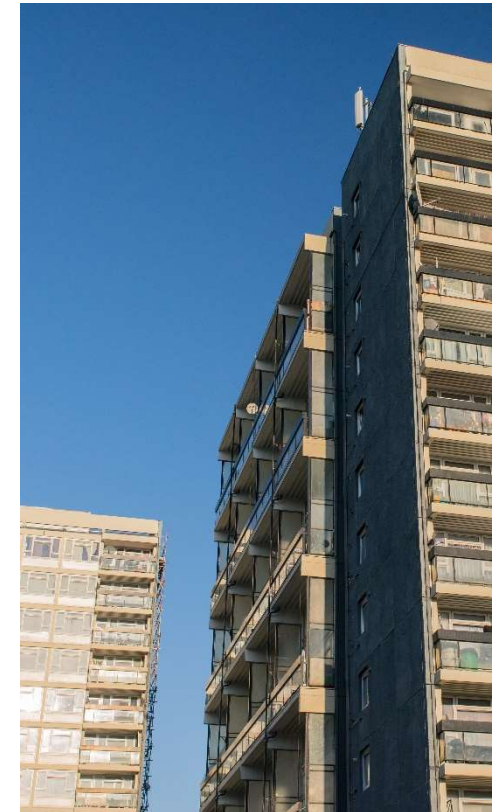
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local Council accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B - An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	Financial sustainability – pages 11 and 12 Governance – pages 16 to 18

Appendix C - Use of formal auditor's powers

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

We have not made any such recommendations.

Public interest report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We have not issued a public interest report, nor do we consider that the issuance of such a report is necessary from the results of our review.

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not apply for such a declaration.

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the Council or an officer of the Council:

- is about to make or has made a decision which involves or would involve the Council incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We have not issued an advisory notice.

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an Council, or of a failure by an Council to act, which it is reasonable to believe would have an effect on the accounts of that body.

We have made no application for a judicial review.

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CITY OF WOLVERHAMPTON COUNCIL	Audit and Risk Committee 14 March 2022
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Report title	Audit and Risk Committee – Terms of Reference	
Accountable director	Claire Nye, 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 action:

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 2021. 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 There have been no changes to the terms of reference since their last review.

3.0 Progress, options, discussion, etc.

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

4.0 Financial implications

- 4.1 There are no financial implications arising from the recommendations in this report.
[GE/25022022/S]

5.0 Legal implications

- 5.1 There are no legal implications arising from the recommendations in this report.
[TC/28022022/C]

6.0 Equalities implications

- 6.1 Equalities issues are implicit within the work of the Audit and Risk Committee throughout the year. Specific equality issues may also be addressed within individual activities undertaken by both the internal and external auditors, and where appropriate will be reported back to the committee.

7.0 All other implications

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

8.0 Schedule of background papers

- 8.1 None

Audit and Risk Committee - Terms of Reference

Statement of purpose

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

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

Governance, risk and control

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

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

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

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

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

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

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

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

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

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

Internal Audit

To approve the internal audit charter.

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

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

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

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

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

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

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

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

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

To consider summaries of specific internal audit reports as requested.

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

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

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

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

External Audit

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

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

To consider specific reports as agreed with the external auditor.

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

To commission work from internal and external audit.

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

Financial reporting

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

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

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

To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed, 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 14 March 2022	Agenda Item No: 9
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Report title	Internal Audit Plan 2022-2023	
Accountable director	Claire Nye, 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	SEB	24 February 2022

Recommendation for decision:

The Audit and Risk Committee is recommended to:

1. Review and approve the risk based internal audit plan for 2022-2023.

1.0 Purpose

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

2.0 Background

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

3.0 Progress, options, discussion, etc.

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

4.0 Financial implications

- 4.1 There are no financial implications arising from the recommendations in this report. The audit plan detailed will be implemented using current budgeted internal audit resources.
[GE/25022022/C]

5.0 Legal implications

- 5.1 There are no legal implications arising from the recommendations in this report.
[TC/28022022/A]

6.0 Equalities implications

- 6.1 Equalities form part of the wider Audit Universe that is considered as part of the formulation of the internal audit plan. Equalities issues may also form part of individual audit reviews where appropriate.

7.0 All other implications

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

8.0 Schedule of background papers

Appendix 1 – Internal Audit Plan 2022-2023

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City of Wolverhampton Council

2022 - 2023 Internal Audit Plan



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A quick guide to the audit and assurance planning process

Glossary of terms

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The internal audit plan

A quick guide to the audit and assurance planning process

Step 1- Audit universe/auditable areas

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

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



Step 2 – Ranking

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



Step 3 – Three year cycle

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



Step 4 - Next Years Plan

List the themes and where appropriate the types of work that will be undertaken in 2022-2023 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.

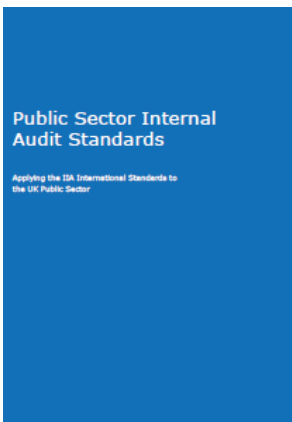
Audit and Risk Committee

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 consider 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 consideration of risk management and governance will cover the control environment and risk assessment elements, at a high level. The programme of work developed as the outcome of the assessment of assurance need exercise will cover the system level control activities.

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

Assessment of assurance needs methodology

- Internal audit should encompass the whole internal control system and not be limited only to financial control systems. The scope of internal audit work should reflect the core objectives of the Council and the key risks that it faces. As such, each audit cycle starts with a comprehensive analysis of the whole system of internal control that ensures the achievements of the Council's objectives.
- Activities that contribute significantly to the Council's internal control system, and also to the risks it faces, may not have an intrinsic financial value necessarily. Therefore, our approach seeks to assign a relative assurance need value. The purpose of this approach is to enable the delivery of assurance to the Council over the reliability of its system of control in an effective and efficient manner.
- We have undertaken our assessment using the following process:
 - We identified the core objectives of the Council and, where available, the specific key risks associated with the achievement of those objectives
 - We then identified auditable themes and areas that impact significantly on the achievement of the control objectives.
 - We assigned assurance need values to the auditable themes and areas, based on the evidence we obtained.
- The audit plan is drawn out of the assessment of assurance need. The proposed plan covers the 2022-2023 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 Council Plan was structured around six priorities:



Also, at the time this plan was produced, and following the merging of the strategic risk register with the Covid-19 risk register that had been introduced at the height of the pandemic, the Council had identified the following strategic risks as potentially impacting upon its ability to achieve its priorities:

- Impact on Residents Health and Wellbeing
- Businesses Closing
- Safeguarding Children
- Safeguarding Adults
- Reputation/Loss of Public Trust
- Social Care Providers Adults
- Employee Wellbeing
- Education Provision
- City Wide Regeneration
- Recovery (Relighting our City)
- Rising Unemployment
- Information Governance
- Medium Term Financial Strategy
- Cyber Security
- Civic Halls
- Climate Change
- Adult Social Care Provision and Social Work/Occupational Therapy
- Related Parties

Identifying the “audit universe”

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

Assessing the risk of auditable areas within the assurance framework

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

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

Developing an internal audit plan

- The internal audit plan is based, wherever possible, on management's risk priorities, as set out in the Council's own risk analysis/assessment. The plan has been designed so as to, wherever possible, cover the key risks identified by such risk analysis.
- In establishing the plan, the relationship between risk and frequency of audit remains absolute. The level of risk will always determine the frequency by which auditable themes and areas will be subject to audit. This ensures that key risk themes and areas are looked at on a frequent basis. The aim of this approach is to ensure the maximum level of assurance can be provided with the minimum level of audit coverage.
- It is recognised that a good internal audit plan should achieve a balance between setting out the planned audit work and retaining flexibility to respond to changing risks and priorities during the year. Traditionally Audit Services produced quite detailed internal audit annual plans identifying all the individual audits planned for the year, and this approach does have the advantage of providing a clear route map to the end of year opinion. However, as the year progresses it is likely that the risks and organisational priorities will change, resulting in changes to the plan. This is a particular issue within the local authority environment at this moment in time, due to the pace of change and high level of uncertainty affecting the risk environment. Therefore, for this year we are again keeping the audit plan more open than previously, and, where appropriate, the new plan reflects themes and types of work rather than individual audits. More detailed working plans will be maintained operationally within Audit Services. This approach should hopefully result in a more realistic and flexible plan.
- Auditor's judgement will be applied in assessing the number of days required for each audit identified in the plan.
- The assessment of assurance need's purpose is to:
 - determine priorities and establish the most cost-effective means of achieving audit objectives;
 - assist in the direction and control of all audit work.
- This exercise builds on and supersedes previous internal audit plans.
- Included within the plan, in addition to audit days for field assignments are:
 - a contingency allocation, which will be utilised when the need arises, for example, special projects, investigations, advice and assistance, unplanned and ad-hoc work as and when requested.
 - a follow-up allocation, which will be utilised to assess the degree of implementation achieved in relation to key recommendations agreed by management during the prior year.
 - an audit management allocation, which is used for management, quality control, client and external audit liaison and for preparation for, and attendance at various member meetings and Audit Committee etc.

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

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

How the internal audit service will be delivered

Staffing

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





Quality assurance

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

Resources required

It is estimated that approximately 1,400 internal audit days (including fraud, assurance and contingency work) will be required to deliver the audit plan.

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. 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>WV LIVING building homes you will love</p>	
 <p>WOLVERHAMPTON HOMES</p>	

The internal audit plan 2022-2023

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

Auditable Area	Purpose
National fraud initiative (NFI)	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 2021 - 2022.
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 2022-2023.
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. This also includes providing advice and training to support committee members.

Audit	Purpose of Audit	Assurance Need
COVID Support Schemes	The team will continue to support the various COVID19 related support schemes, such as business support grants and test and trace support payments, which are likely to still be in place at the beginning of April 2022.	High
COVID 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 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
Accounts Payable (Creditors)	These relate to the annual key financial systems. They are high-level reviews which provide assurance of the core controls within each of the financial systems.	High
Accounts Receivable (Debtors)		
Budgetary Control		
Fixed Assets		
General Ledger		
Housing Benefits		
Housing Rents		
Income Management		
Local Taxes (Council Tax & NNDR)		
Treasury Management		
Annual Certifications	These will include verification of the calculations provided on Senior Officer Remuneration and WMPF Payroll Contribution Statements.	Medium
Procurement Non-Compliance Monitoring	A high-level review of contracts to ensure they have been procured in accordance with the Council's Contract Procedure Rules and procurement regulations.	Medium
Payroll Allowances and Expenses	A review of payroll allowances and expenses to ensure they are paid in accordance with the employee's terms and conditions.	Medium
RIPA Compliance	A compliance review to ensure that new RIPA processes and procedures have been embedded with the Council.	Medium

Audit	Purpose of Audit	Assurance Need
Sickness - Manager Self Service	A review to ensure managers are reporting sickness via the approved sickness recording procedures, which is administered through the Council's Agresso system.	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
Elections	A focussed review on a specified element of the elections process. Audit Services will work with the Elections Team to ensure the audit provides assurance on key/high risk areas.	Medium
Information Governance	There is currently a risk around Information Governance on the Council Strategic Risk Register. Audit Services will work with the Council's Information Governance Team to ensure the audit provides assurance on key/high risk areas.	Medium
Project Management Office	To provide on-going support and guidance on ensure Council programmes and projects are managed in accordance with the Council's approved project management approach.	Medium
Governance	A focussed review on a specified element of the various governance processes overseen by the Council's Democratic Support Team. Audit Services will work with the Service Manager for this area to ensure the audit provides assurance on key/high risk areas.	Medium
Professional Conversation Assurance Reviews	These are regular reviews of the Council's Professional Conversation process, which has replaced the Council's Employee Appraisal Scheme.	Medium
ICT Asset Management Controls	A high-level review to ensure the Council has appropriate systems and security measures in place to control their ICT assets.	Medium
Social Worker Training and Development	Following high profile national cases, to provide assurance that systems are in place to ensure and evidence Social Workers are up to date with training / take advantage of development opportunities provided.	Medium

Audit	Purpose of Audit	Assurance Need
Adoption Support Fund	To provide assurance that the Special Guardianship element of ASF has appropriate controls in place and is paid in accordance with established guidance.	Medium
Strengthening Families	Early Intervention workforce skills (non - qualified SWs) are appropriately skilled to undertake duties assigned.	Medium
Troubled Families – Grant Certifications	The will involves verifying and certifying the quarterly grant claims.	Medium
School Audits	A review of the governance and financial procedures in place at a sample of nursery, primary, secondary, special schools, and pupil referral units to ensure coverage of all local authority maintained schools over a predetermined cycle. These will be conducted in accordance with Government guidance around Covid-19.	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
Alternative Provision	Review of the overall approach and framework in place for the placement of children and vulnerable young people in alternative education provision.	Medium
Commissioning arrangements for out of city provisions	A review of the commissioning arrangement to ensure that forward planning takes place and procurement rules are complied with.	
Schools Music Service	Review of the administrative arrangements for the provision of the music service to schools in Wolverhampton.	Medium
Service Provider Fee Review (carried forward)	A review of the different provider payment frameworks to ensure the process is fair and equitable to all providers.	Medium
Community Occupational Therapy Service.	A review of the governance, management and internal control arrangements in operation for the Community Occupational Therapy Service.	Medium
Care Act Compliance on Provision of Care During Covid	A review of Care Act compliance on provision of care during Covid (including review of Safeguarding Complaints Register).	Medium

Audit	Purpose of Audit	Assurance Need
Payments Process from CareFirst to Agresso	A review to ensure appropriate processes and controls are in place for transfer of payment information to Agresso.	Medium
Public Health Risk Register	To provide assistance and advice around the establishment of a Public Health focussed risk register.	Medium
Public Health - Risk Led Review	An appropriate risk led review will be undertaken following the establishment of Public Health's risk register.	Medium
Use of Payments Uploads	To provide assurance that the payment upload process for high volume payments is working effectively.	Medium
Climate Change Action Plan	A high-level review of the management and oversight, monitoring, and reporting arrangements in operation for the Climate Change Action Plan.	High
Major Funding Streams	<ul style="list-style-type: none"> • Future High Street Funds • Towns Fund <p>A high-level review of the governance and management arrangements for the administration of the Fund monies awarded to the Council.</p>	High
Blue Network ERDF Project (Parks and Open Spaces)	A review of the governance and management arrangements for the delivery of the Blue Network project funded by ERDF monies.	High
Taxis and Private Hire Driver Checks and Vehicle Inspections	To provide assurance that there is a robust process being followed for the vetting of taxi and private hire drivers, and for undertaking vehicle inspections.	Medium
Markets Incentive Scheme	A review of the incentive scheme including all incentives and discounts granted to market traders across the Markets Service, including review of continuation of cash as a payment method.	Medium

Audit	Purpose of Audit	Assurance Need
Transport Grants Certification	To provide a high-level assurance review to ensure the grant has been used in accordance with its terms and conditions.	Medium
Wolves at Work 18-24 Programme (Youth Employment Scheme)	A high-level review of the governance and management arrangements developed for delivery of the Wolves at Work 18-24 Programme (Youth Employment Scheme).	High
IGNITE	A review of the governance, management and operational arrangements established for the IGNITE business and enterprise hub for providing support to small businesses within the city in response to the ongoing implications and impact of the Pandemic and EU departure.	High
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
Private Sector Housing	A review of the procedures used by Private Sector Housing enforcement.	Medium
Wolverhampton Council - Housing Company Limited	This is a follow-up of the findings raised as part of the Homes England review.	Medium
Civic Halls	To undertake an update review of the Civic Halls Programme. The scope of the review will be agreed further during the year	High
Performance and Insight Data Management	To provide a support role to the Performance and Insight Team in ensuring the data is provided to them in a timely manner. Therefore, reducing the risk of inaccurate management information being produced.	Medium
Energy from Waste Contract	A review of the contract management arrangements.	Medium

Audit	Purpose of Audit	Assurance Need
Health and Safety Review	An annual focussed review of an area of health and safety. This year's review will focus on the process of tree inspections to minimise the risk of falling trees causing harm or death.	Medium
Major Regeneration Projects	A focussed review of the governance and programme management for regeneration projects with significant strategic importance. The projects to be reviewed will be determined in year.	High
Council Linked Bodies	An annual review of key Council linked bodies to ensure appropriate agreements and monitoring arrangements are in place.	Medium
City Events	A review of past events and the process in place regarding future events.	Medium
Projects and Works – Information and Project Reporting	A review of the effectiveness of information and project reporting in respect of Wolverhampton Homes Refurbishment Project.	Medium
Art Gallery - Catering Operation	A review of the cash handling, stock management, and banking arrangements for the new Art Gallery café.	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 | • Culwell Depot Relocation and Modernisation Programme |
| • Various Service Improvement Programmes | • Civic Halls Programme |
| • Travel Assistance Assurance Board | • Business World Development Project |
| • City Learning Quarter Programme | • Infrastructure for Growth Board |
| • Strategic Transport Asset Group | • Relight Programme |
| • Local Fibre Network Programme | • Art Gallery Improvement Scheme Board |
| • Adult Eclipse Project Board | • SEND Systems |

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CITY OF WOLVERHAMPTON COUNCIL	Audit and Risk Committee 14 March 2022
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Report title	Internal Audit Update – Quarter 3	
Accountable director	Claire Nye, Finance	
Accountable employee	Peter Farrow	Head of Audit
	Tel	01902 554460
	Email	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 2021 - 2022 internal audit plan and to provide information on recent work that has been completed.

2.0 Background

- 2.1 The internal audit update report as at 31 December 2021 (quarter three) contains details of the matters arising from audit work undertaken so far this year. The information included in the report will feed into, and inform, the overall opinion in our annual internal audit report issued at the year end. It also updates the Committee on various other activities associated with the internal audit service.

3.0 Progress, options, discussion, etc.

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

4.0 Financial implications

- 4.1 There are no financial implications arising from the recommendation in this report. [GE/25022022/C]

5.0 Legal implications

- 5.1 There are no legal implications arising from the recommendation in this report. [TC/28022022/B]

6.0 Equalities implications

- 6.1 Equalities issues form part of the Audit Universe which is used to help inform the Annual Internal Audit Plan. Equalities issues are also implicit in a number of audit related activities undertaken during each year.

7.0 All other implications

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

8.0 Schedule of background papers

- 8.1 There is no schedule of background papers.

Appendix 1 - Internal Audit Update Report 2021-2022

[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 2021 - 2022 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:

No Assurance	Limited	Satisfactory	Substantial
Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

2 Internal Audit Plan Update

Reports were presented to the Council's Audit and Risk Committee during the previous financial year, which updated the Committee on how Covid-19 had impacted the Council's internal audit plan. These reports explained how a significant proportion of the audit resources had been temporarily redeployed to other areas of the Council's business to provide assistance in a number of areas including the food distribution hub, the various business support grants team, assisting Procurement with supplier due diligence checks regarding the supply of personal protective equipment (PPE) and other Covid-19 related grant assurance.

Since these reports were presented to the Committee, members of the team have continued to support areas of the business with existing grant schemes that are still live. Whilst the team continues to support the Council in these areas a small number of audits have been completed during quarter two, details of which are included under section three of this report.

3 Summary of audit reviews completed

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

Auditable area	AAN Rating	Recommendations					Level of assurance
		Red	Amber	Green	Total	Number accepted	
2020/21 Audits							
Adult Education External Funding	Medium	-	1	2	3	3	Satisfactory
ConnectED – CWC Supervisory Compliance	Medium	-	2	5	7	7	Satisfactory
2021/22 Audits							
Co-ordination and Monitoring of School Financial Value Standard (SFVS) Returns	Medium	-	-	-	-	-	Not Applicable
2020/21 Senior Officer Remuneration	High	-	-	-	-	-	Not Applicable
Early Years Grant Arrangements	Medium	-	1	5	6	6	Satisfactory
Children’s Residential Homes – Employee Working Hours	Medium	3	3	1	7	7	Limited
2020/21 Bad Debt Review	Medium	-	-	-	-	-	Not Applicable
Elections – Postal Votes	Medium	-	-	5	5	5	Substantial
WMPF Payroll Contribution Statements	High	-	-	-	-	-	Substantial
2020 – 2021 Transport Grant Certifications	Medium	-	-	-	-	-	Not Applicable
Graiseley Primary School	Medium	-	3	3	6	6	Satisfactory
Wilkinson Primary School	Medium	-	1	1	2	2	Substantial
Reported this quarter for the first time:							
Low Hill Nursery School	Medium	-	-	8	8	8	Satisfactory
Claregate Primary School	Medium	-	2	1	3	3	Substantial

Auditable area	AAN Rating	Recommendations					Level of assurance
		Red	Amber	Green	Total	Number accepted	
Lawnswood Campus Sites	Medium	-	9	12	21	21	Limited
IR35 Compliance Review	Medium	3	1	-	4	4	Limited
Professional Conversations	Medium	-	3	-	3	3	Satisfactory
Mayor's Charity Trust Audit	Medium	-	-	-	-	-	Not Applicable
School Census Procedures	Medium	-	-	2	2	2	Substantial
Troubled Families Grant Claim	Medium	-	-	-	-	-	Not Applicable

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.

Project/Programme	Audit Service's Role
Pay Strategy	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	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.
Business Support Programme	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	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.
Agresso Board	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	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	A member of the team attends the Board to provide support and assurance on project management arrangements and specific audit issues.

Project/Programme	Audit Service's Role
Strategic Transport Asset Group	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.
Civic Halls Operational Board	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	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.
Our Assets Board	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	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 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.
Business Improvement Programme Boards	The purpose of these boards is to drive through service improvements in selected areas of the Council. Audit's role on these boards is provide assurance around governance and risk, as well as addressing any particular 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 at the end of Quarter 3*

There were are a number of reviews underway and these will be reported upon at a future committee meeting.

7 *Summary of issues from Quarter 3 reviews*

IR35 Compliance Review

The purpose of this review was to provide assurance that the Council has robust systems and procedures in place to manage compliance with IR35 and identify contractors who fall within scope to avoid the risk of financial penalties. In addition, a follow up of the recommendations made in the previous audit review has been undertaken to establish if agreed actions have been implemented. The main findings of the review were as follows:

- Inconsistencies in the policies and procedures relating to the recruitment of agency workers/contractors. It was also not clear as to who was responsible for undertaking the IR35 checks to ensure the Council was fully compliant with the legislation.
- There were several assumptions made when IR35 was implemented, which were still currently in place. These related to posts that were either in or out of scope in terms of IR35 assessments. However, there was no reference as to how these posts will be assessed in the current policies or procedures.
- Although there was a required process to follow when recruiting agency workers or contractors, it was identified that managers were not always following this process, and as a result were unaware of what their responsibilities were under IR35, which in turn poses a risk to the Council in terms of not complying with the legislation.
- There was evidence that required IR35 checks had not been undertaken. Also, for those checks completed there were some cases where insufficient evidence was on file to support whether the agency worker/contractor, and their intermediary, had been notified of the determination.

Lawnswood Campus Pupil Referral Unit

Lawnswood Campus is home to three Pupil Referral Units, the Braybrook Centre, The Midpoint Centre the Orchard Centre which includes the Nightingale Home and Hospital Service serving the schools in Wolverhampton as part of a city wide strategy to promote inclusion and positive behaviour in safe, secure, child-centred, positive and nurturing environments.

- **Braybrook:** Key Stage 3 children and young people with social, emotional and behavioural difficulties and includes a Student Support Centre and Outreach Service.
- **Midpoint:** Key Stage 4 children and young people with social, emotional and behavioural difficulties and includes a Student Support Centre and Outreach Service.
- **Orchard:** Key Stage 3 and 4 children and young people who require social, emotional or mental health (SEMH) support.

- **Nightingale:** KS2-KS4 specialist short stay Centre that works in partnership with key agencies to offer appropriate intervention to vulnerable students with medical and mental health needs in a supportive and structured setting.

All four services have been rated as 'Good' in their last Ofsted inspections.

Our review was undertaken between November and December 2021 and the scope covered the arrangements made by the school in respect of governance, protection of people, assets and data, and expenditure and income. Our main findings were as follows:

- The minutes of the Management Committee and the Finance and General Purposes Committee for 2020 to 2021 did not always reflect the key decisions being made and appendices were not being referenced in or attached to the minutes of the meetings.
- Declarations of interest had not been made by all members of the Management Committee and key financial staff.
- The Centres websites were not compliant with the requirements set out in the Constitution of Governing Bodies of Maintained Schools. In addition, the school had not completed or published its Covid19 Risk assessment.
- There were no inventories for any of the Centres.
- Details of virements being undertaken at each of the Centres were not being reported to the Management Committee.
- In one case details of expenditure in excess of the Executive Headteachers delegated limits was not presented to the Management Committee for approval.
- A number of invoices order had been raised following receipt of the invoice, therefore budgetary commitments were not promptly recorded in the financial system, and also in some cases there was limited evidence of goods receipting / confirmation of service received.

Following the audit, the school have implemented an action plan to address the areas identified for improvement and we plan to carry out a follow up review in July 2022.

Professional Conversations

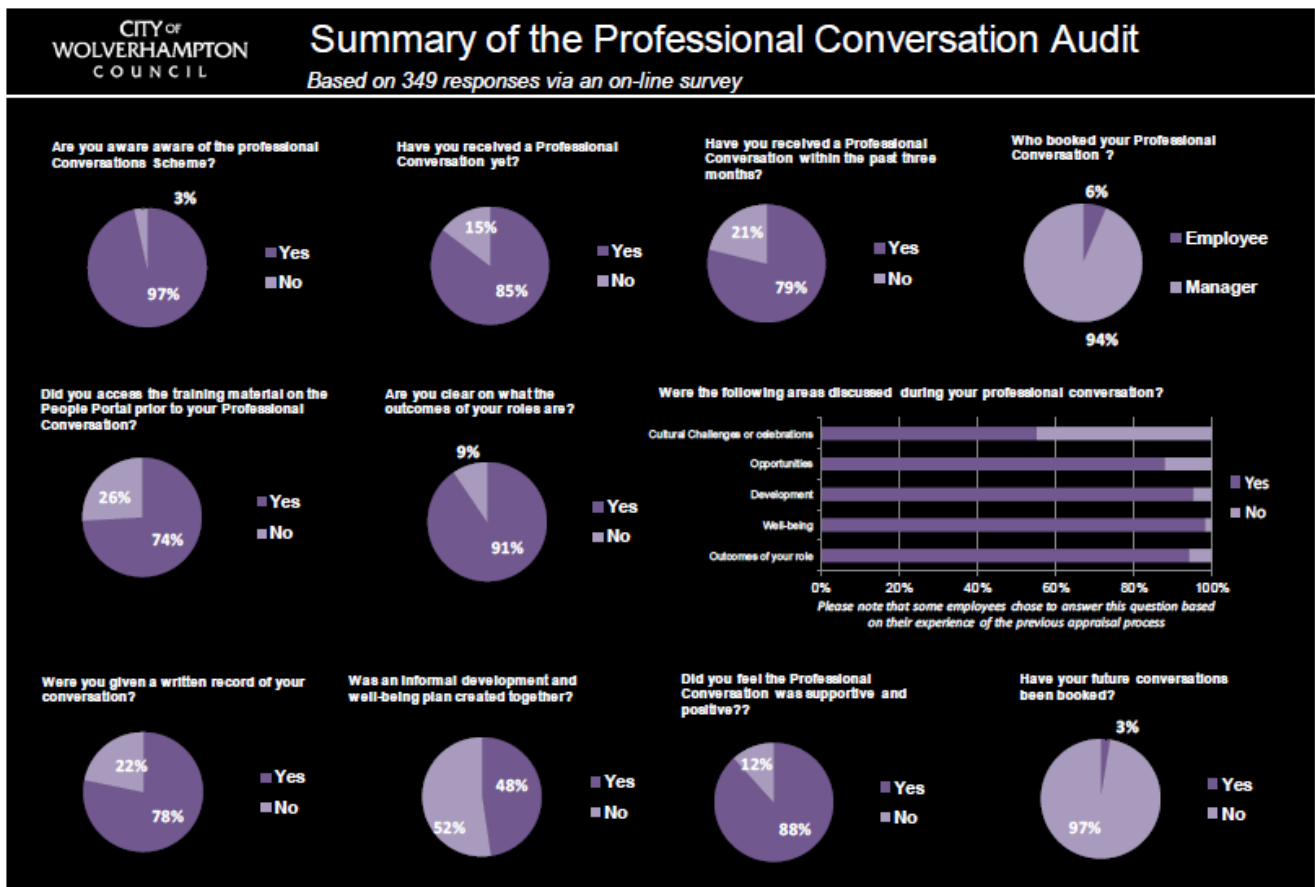
An audit review of the newly introduced Professional Conversations process had previously been undertaken in March 2021 and had led to a limited assurance opinion due to low completion rates, awareness, and training associated with the process.

A follow up review involving a new employee survey was undertaken in order to ascertain if the improvements recommended had been implemented. Based on the findings of a survey we undertook as a key component of our review, there had been a significant improvement on the awareness of the Professional Conversation scheme and in the completion of such conversations.

Following our latest review, we did make recommendations in the following areas:

- There remained a need to ensure that all employees completed the Professional Conversations mandatory training.
- Equalities should be incorporated as a core item within the Professional Conversation Process.
- Consideration to be given to recording Professional Conversations on Agresso Business World.

The results from the latest survey were as follows:



Key Financial Systems

The 2021-2022 key financial systems reviews are underway. These reviews involve the auditing of each financial system's core controls. The team have changed the way we undertake these reviews as we are now undertaking transactional testing throughout the year in order to minimise the impact on services at year end. The advantage of adopting this approach also means that we can identify issues earlier so that corrective measures can be put in place. A summary report of the year's findings will be produced towards the end of the year.

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.

9 Changes to the Audit Plan during the year

As a result of timing issues and other mitigating factors a small number of audits have been fed back into the audit universe and where appropriate will be completed and reported upon in the 2022-2023 year. This will not impact upon the ability to provide an end of year audit opinion on the adequacy and effectiveness of the Council's governance, risk management and control framework. These include SEND and Post 16 Provision in Schools, the wider Programme and Project Management Framework, Recruitment Selection, Housing Capital Programme and Adult Services Service Provider Fee Review.

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CITY OF WOLVERHAMPTON COUNCIL	Audit and Risk Committee 14 March 2022
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Report Title	Audit Services – Counter Fraud Update	
Accountable Director	Claire Nye	Finance
Accountable employee	Peter Farrow	Head of Audit
	Tel	01902 554460
	Email	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 Central Government.

3.0 Progress, options, discussion, etc.

- 3.1 At the last meeting of the Audit and Risk Committee in December 2021, 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/25022022/S]

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.
[TC/28022022/D]

6.0 Equalities implications

- 6.1 Equalities issues are taken into consideration where appropriate during fraud related activities undertaken during the year.

7.0 All other implications

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

8.0 Schedule of background papers

- 8.1 There are no background papers.



Audit Services Counter Fraud Report @ March 2022

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 leads 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 have supported the due diligence activities undertaken before and after the award of the various support grants introduced by Central Government to reduce the risk of fraud.

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 Department for Energy & Industrial Strategy (BEIS) 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]

Type of applicant:	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)
	Existing data sets	Data specification	Claw 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 BEIS placed an emphasis on speed of payment the Council completed due diligence checks in accordance with the BEIS Counter Fraud toolkit. These checks were designed to reduce the risk of fraud and error in the grant schemes. BEIS 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

Business Grants Paid April to September 2020

The total number of Small Business Grants, Retail, Leisure and Hospitality Grants and Discretionary Grants paid was:

Small Business Grants paid	3,255	£32,550,000
Retail, Hospitality and Leisure Grants paid	724	£12,620,000
Discretionary Grants paid	296	£2,275,000
Total number of grants paid	4,275	£47,445,000

Following a series of post payments checks on the above 4,275 grants, invoices were raised to recover payment for ineligibility, as follows:

Small Business Grants found to be ineligible and an invoice raised for recovery	20	£210,000
Retail, Hospitality and Leisure Grants found to be ineligible and an invoice raised for recovery	3	£75,000
Discretionary Grants	3	£15,000
Total grants where invoices were raised for recovery	26	£300,000

Of the above 26 invoices raised £152,065 has been recovered. The number of grants being recovered previously totalled 31, but this has reduced to 26 after recipients provided additional evidence to confirm eligibility to receive a grant. Recovery action for the remaining outstanding amounts is continuing and further progress will be reported to future meetings of this Committee.

Business Grants Paid October 2020 onwards

Since October 2020 BEIS introduced a series of additional local and national restrictions support grants designed to provide financial support to businesses and individuals affected by the ongoing Covid-19 measures. These grants are subject to similar due diligence checks to those applied to the previous rounds of grants and this process will remain a significant piece of work. As at the mid-February 2022 the following grants had been awarded.

Total number of grants paid (all types)	11,220	£32,840,431
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To assist with managing the grants awarded since October 2020 the Council has used third party software to manage the application, checking and award process.

Following a series of post payments checks on the above 11,220 grants paid, invoices were raised to recover payment for ineligibility, as follows:

Total Local and National Restrictions Support Grants (all types)	23	£102,528
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Of the above 23 invoices raised £17,123 has been recovered. The number of grants being recovered previously totalled 25, but this has reduced to 23 after recipients provided additional evidence to confirm eligibility to receive a grant. Recovery action for the remaining invoices is continuing and further progress will be reported to future meetings of this Committee.

Reporting Potentially Fraudulent Business Grants

The Council will continue to complete pre and post payment checks for all business grants awarded and take recovery action where necessary. Further action may also be required due to fraudulent activity. It is anticipated that BEIS will provide the Council with further advice and guidance on any recovery or legal action required to be taken.

Grants where an invoice has been raised to recover the payment, plus several other applications where a payment was not made but potential fraud was suspected, have been reported to the National Anti-Fraud Network (NAFN). BEIS has appointed NAFN to collate details of all potentially fraudulent activity in relation to the Covid-19 Business Grants. The information is also used by Crime Agencies to identify potential criminal activity and organised crime.

BEIS Business Grant Post Payment Assurance

Following completion of the first three business grant schemes, in September 2020, the Council was required to provide evidence of the pre and post payment checks completed for fifteen applications randomly selected by BEIS. A similar process will

now be required for each of the Business Grant schemes introduced since October 2020. BEIS will assess the evidence to determine whether the Council has followed a satisfactory process when awarding the grants.

BEIS has indicated that they are to provide further guidance on business grant debt recovery and counter fraud activities. Once details are known the Council will determine the impact and report any outcomes to future meetings of this Committee.

National Fraud Initiative Exercise 2020/21

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 10,407 matches have been released. The matches are graded with over 1,500 classed as the highest quality of match, these are prioritised for investigation. Work is progressing to investigate the various types of matches with over 1,543 matches checked. As further matches are processed details of the progress made will be brought before the Committee.

Counter Fraud Team - Tenancy Fraud

The Counter Fraud Teams Tenancy Fraud results for April 2021 to February 2022 are shown in the following tables:

	Apr 2021 – Aug 2021		Sept 2021 – Feb 2022	
Type of fraud and / or error	Cases	*Value £	Cases	*Value £
Social Housing Application fraud – offers withdrawn and/or applicants excluded from waiting list	1	3,240	4	12,960
Tenancy sub-letting – Illegal subletting of properties which were recovered	1	93,000	-	-
Succession/Assignment – applicant prevented from obtaining a tenancy to which they are not entitled.	1	93,000	3	279,000
Right to buy – preventing fraudulent RTB applications	-	-	1	65,000
Non-occupation – not using the property as a residence.	-	-	3	279,000
Total	3	189,240	11	635,960

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

Social housing tenancy fraud - Notional £23,000 that recognises the future losses prevented from recovering the property. Previously the calculation only considered one year's loss.

Social housing application fraud – Notional £3,240 this is based on the annual cost of temporary accommodation, the likelihood that individuals on the waiting list would be provided a council property, and the duration for which fraud or error may continue undetected.

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

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 or are applicable to all Councils, are notified 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.

Emerging areas of fraud and subject to recent fraud alerts include Omicron grant fraud where the details of a number of fraudulently used bank accounts have recently been provided. All have been checked and none were found to have been used at Wolverhampton. Another alert was issued regarding Postal Vote Fraud.

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 2022 discussions were held on:

- Post verification of Covid-19 grants.
- Money Laundering.
- Other cases of interest.

Counter Fraud Plan Update

Issue	Action	Timescale
Raising counter fraud awareness across the Council	Develop and deliver Fraud Awareness seminars	Fraud based training provided Autumn 2019. Next round of training to be planned
	Develop on-line fraud training for staff.	To be refreshed Spring 2022
	Work with Workforce Development to develop and promote fraud training.	Fraud seminars and surgeries previously promoted through City People New training package to be introduced Summer 2022
	Establish measures for assessing the level of employee fraud awareness.	Spring 2022
	Hold fraud surgeries to enable staff to report areas of suspected fraud.	Fraud surgeries planned for Spring 2022
	Use various forms of media to promote fraud awareness across the Council including City People, the intranet and the internet.	Fraud seminars and surgeries will be promoted through City People
	Work closely with Wolverhampton Homes and seek opportunities to promote joint fraud awareness.	On-going
Work with national, regional and local networks to identify current fraud risks and initiatives.	Maintain membership of the National Anti-Fraud Network (NAFN).	On-going
	Participate in the Cabinet Office's National Fraud Initiative (NFI) data matching exercises. Acting as key contact for the Council, the West Midlands Pension Scheme and Wolverhampton Homes.	On-going. Latest exercise commenced January 2021
	Complete the annual CIPFA fraud survey.	CIPFA Survey last required to be completed Aug 2020
	Investigate opportunities to develop the use of NFI real time and near real time data matching.	Ongoing
	Participate in CIPFA's technical information service.	On-going
	Maintain membership of the Midlands Fraud Group.	On-going – last meeting February 2022 next meeting June 2022
	Attend external fraud seminars and courses.	Midland Fraud Forum Conference July 2021, CIFAS Working together to prevent fraud September

Issue	Action	Timescale
		2021, NAFN AGM & Conference October 2021, Cyber Security Conference November 2021, Whistleblowing November 2021, Economic Crime Conference February 22
Assess the counter fraud strategy against best practice	Complete national fraud self-assessments, for example:	
	<ul style="list-style-type: none"> • CIPFA Code of Practice 	As and when next updated by CIPFA
	<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
Identify and rank the fraud risks facing the Council	Manage the Council's fraud risk register to ensure key risks are identified and prioritised.	Updated quarterly and presented to the Audit and Risk Committee
	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.	Liaise with other services where appropriate
	Look for opportunities to use analytical techniques such as data matching to identify frauds perpetrated across bodies, for example other Councils.	On-going

Issue	Action	Timescale
	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.	Liaise with other services where appropriate
	Manage and co-ordinate fraud investigations across the Council.	As reported back to the Audit and Risk Committee on a quarterly basis
	Implement and update the Council's portfolio of fraud related policies in response to changes in legislation.	Latest version will be presented to the Audit and Risk Committee in Summer 2022
	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 2022
	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 2022
	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 2022

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 was open to fraud and misappropriation due to changes in legislation and the speed in which government support grants needed 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

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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 14 March 2022
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Report title	Payment Transparency	
Accountable director	Claire Nye, Finance	
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, there have been no requests for information from the public (as an 'armchair auditor').

3.0 Progress, options, discussion

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/25022022/Q]

5.0 Legal implications

5.1 There are no legal implications arising from the recommendation in this report.
[TC/28022022/E]]

6.0 Equalities implications

6.1 Any equalities issues will be addressed as part of the process for the procurement of goods and services where appropriate, and as such will be addressed at that time.

7.0 All other implications

7.1 There are no other implications arising from this report.

8.0 Schedule of background papers –

8.1 None