

# Audit Committee

## 6 July 2015

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

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

## Membership

**Chair** Cllr Craig Collingswood (Lab)

**Vice-chair**

### Labour

Cllr Harbans Bagri  
Cllr Philip Bateman  
Cllr Keith Inston  
Cllr Jasbir Jaspal  
Cllr Stephen Simkins

### Conservative

Cllr Christine Mills  
Cllr Patricia Patten

### Independent Member

Mr Mike Ager  
Mr Terry Day

Quorum for this meeting is two Councillors.

## Information for the Public

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

**Contact** Dereck Francis

**Tel/Email** Tel: 01902 555835 or [dereck.francis@wolverhampton.gov.uk](mailto:dereck.francis@wolverhampton.gov.uk)

**Address** Democratic Support, Civic Centre, 1st floor, St Peter's Square,  
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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

*Item No.*    *Title*

- 1        **Apologies for absence**
- 2        **Declaration of interests**
- 3        **Election of Vice-Chair**
- 4        **Minutes of previous meetings (Pages 5 - 16)**
  - (a)    **Audit Committee – 9 March 2015**  
[For approval]
  - (b)    **Audit (Monitoring of Audit Investigations) Sub-Committee - 28 April 2015**  
[For information]
- 5        **Matters arising**  
[To consider any matters arising from the minutes]
- 6        **Work programme 2015/16 (Pages 17 - 18)**  
[For information]

### DECISION ITEMS

- 7        **External Audit Progress Report 2014/15**  
[To receive the report][**REPORT TO FOLLOW**]
- 8        **Annual Governance Statement - 2014/15 (Pages 19 - 42)**  
[To review and comment upon the contents of the Annual Governance Statement for 2014/15]
- 9        **Annual Internal Audit Report 2014/15 (Pages 43 - 60)**  
[To note the content of the annual internal audit report]
- 10       **Audit Committee Annual Report - 2014/15 (Pages 61 - 66)**  
[To endorse the annual report and refer it to Full Council for approval]

- 11        **Annual Review of the Effectiveness of Internal Audit** (Pages 67 - 72)  
[To provide the Committee with sources of information and measures in place in order to assist it in being able to reach a conclusion on the adequacy and effectiveness of the Internal Audit Service]
- 12        **Strategic Risk Register and Strategic Assurance Map** (Pages 73 - 96)  
[To note the latest summary of the Council's corporate risk register, and the main sources of assurance available to show that the risks are being mitigated]
- 13        **Protecting the Public Purse - Fraud Briefing** (Pages 97 - 114)  
[To note and comment on the Audit Commission's fraud briefing]
- 14        **CIPFA Audit Committee Update - Issue 17** (Pages 115 - 128)  
[To note the contents of the latest CIPFA Audit Committee update]
- 15        **Payment Transparency** (Pages 129 - 132)  
[To note the Council's current position with regards to the publication of all its expenditure]
- 16        **P-card Update** (Pages 133 - 136)  
[To review the changes made to the use of the council's procurement cards]

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# Audit Committee

## Minutes - 9 March 2015

### Attendance

#### Members of the Audit Committee

Cllr Keith Inston (Chair)  
Cllr Christine Mills (Vice-Chair)  
Cllr Wendy Thompson  
Cllr Harbans Bagri  
Cllr Philip Bateman  
Cllr Alan Bolshaw  
Cllr Dr Michael Hardacre  
Cllr Jasbir Jaspal  
Mike Ager (Independent Member)

#### Employees

Peter Farrow	Head of Audit
Keith Ireland	Managing Director
Orlen Johnson	Principal Officer School Funding
James McElligott	Director of Education
Katy Morgan	Client Lead Auditor
Richard Morgan	Senior Audit Manager
Mark Taylor	Director of Finance
Dereck Francis	Democratic Support Officer

#### External Auditors

Richard Vialard                      PricewaterhouseCoopers

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

*Item No.*     *Title*

- 1 Apologies for absence**  
Apologies for absence were submitted on behalf of Terry Day, Independent Member and Richard Bacon, PricewaterhouseCoopers.
- 2 Declaration of interests**  
Mike Ager, Independent Member declared a personal interest in item 12 (Secondary school balances) in so far as he is a Governor of Coppice Community School.  
  
Cllrs Alan Bolshaw, Dr Mike Hardacre and Wendy Thompson all declared a personal interest in item 9 (Internal Audit update – quarter three) in so far as they are Governors on schools referred to in the report.

3 **Minutes of previous meetings**

(a) **Audit Committee – 15 December 2014**

Resolved:

That the minutes of the meeting held on 15 December 2014 be approved as a correct record and signed by the Chair.

(b) **Audit (Monitoring of Audit Investigations) Sub-Committee – 2 February 2015**

Resolved:

That the minutes of the meeting of the Sub Committee held on 2 February 2015 be noted.

4 **Matters arising**

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

5 **Update on Work Programme 2014/15**

The Committee received the updated work programme for the remainder of the municipal year 2014/15.

Resolved:

That the updated Audit Committee work programme for 2014/15 be received and noted.

6 **External Audit Plan 2014/15**

Richard Vialard from the Council's external auditors PricewaterhouseCoopers (PwC) presented their external audit plans for 2014/15. He reported that this would be their tenth and final audit plan for the Council as the Audit Commission had appointed Grant Thornton UK LLP as the Council's auditors from 2015/16. In presenting the report he touched on the audit approach and the summary of significant and elevated audit risks identified for 2014/15; the Minimum Revenue Provision (MRP); implementation of Agresso; the Council's Medium Term Financial Strategy, Equal Pay, Materiality; and the Committee's views on fraud risks and arrangements to mitigate them.

Cllr Wendy Thompson asked PwC how many items above the materiality level of £17.25 million had they identified in the last year and by random testing how many items they would expect to find at the materiality level. PwC confirmed that the Materiality figure was based on an industry standard. The figure was used to assist its planning of the overall audit strategy and to assess the impact of any adjustments identified. He explained that they also had a planning materiality level lower than £17.25 million. He also confirmed that their work involved random testing of small value transactions as well as large value issues.

PwC also informed the Committee that it had clarified its and the Council's responsibilities regarding the MRP. It was for the Council to determine its position regarding MRP and for the External Auditors to audit the numbers affected by the Council policy.

Resolved:

That the External Audit plan 2014/15 from the Council's external auditors, PwC be noted.

7 **Annual Certification Report 2013/14**

Richard Vialard from the Council's external auditors PricewaterhouseCoopers (PwC) presented an overview of their certification work and fees for the year ended 31 March 2014.

Referring to the certification work on 'Housing Benefit Subsidy Claim', Cllr Dr Mike Hardacre commented that he found the benefits system to be complex and warranted guidance in order to understand it. He suggested that some of the non-compliance in this area of work was probably due to the complexity of the benefits system. PwC agreed that it was a complex area on which there were several sources of guidance setting out the rules. It was an area of work identified by most Council's because the complexity.

Cllr Keith Inston (Chair) commended that he was sorry to see that the relationship the Committee and the Council had built up with PwC would soon end following the decision of the Audit Commission to appoint Grant Thornton UK LLP as the Council's new auditors from 2015/216. Members of the Committee endorsed the Chair's remarks and asked that they be conveyed to PwC.

Resolved:

That the Annual Certification report 2013/14 be received and noted.

8 **Strategic Risk Register and Strategic Assurance Map**

Peter Farrow, Head of Audit outlined the salient points of the report on the key risks the Council faced and how it could gain assurance that the risks are being mitigated. He highlighted that some of the risks had been managed down from Red to Amber.

In response to the Committee's request at its last meeting, Jim McElligott, Director of Education presented a high level overview of progress made on school improvement since the strategy on the Council's change in approach to governance and school improvement was approved in December 2014. He reported that 75% of the local authority's schools were performing as they should, with 60 schools currently rated 'good' and 11 'outstanding'.

During the ensuing discussion on the Director of Education's high level snapshot of the framework in operation for school improvement and in response to the Committee questions:-

- The Head of Audit reported that the review on the effectiveness of the School Improvement Strategy in 2015 to provide the further assurance the measures in place to manage risk, would involve the Audit team working with schools and there would be an element of a third tier review.
- The Director of Education reported on the range of factors that could trigger an intervention in a school such as the stability of the School Governing, local intelligence, and intelligence from teams, parental complaints and budgets. The Council would use and engage with the good performing schools to work with those needing support.

Mike Ager, Independent Member commented that all the audit work taking place on Agresso would mean that some of the planned audit work might not happen. He added that he hoped the Committee would not be left with any gaps. In response the

Head of Audit reported that he was satisfied that all of the risks in the register would be managed.

Cllr Wendy Thompson, referring to risk 16 (Equal Pay), asked whether there was a figure for the amount paid out under Equal Pay. Mark Taylor, Director of Finance responded.

Resolved:

1. That the latest summary of the Council's strategic risk register be noted.
2. That the identification of two new strategic risks in respect of the 2015 elections (risk 18) and a Combined Authority (risk 19) be noted.
3. That the reduction in the assessments of risks 3 and 7- Information Governance and Safeguarding respectively be noted.
4. That the reduction in the assessment of risk 5- FutureWorks and the ending of this risk which would result in it being removed from the strategic risk register be noted.
5. That the main sources of assurance available to the Council against its strategic risks be noted.

#### 9 **Internal Audit Update - Quarter Three**

The Committee received a report on progress made against the 2014/15 internal audit plan and on recent work which had been completed.

Cllr Alan Bolshaw reported that he was disappointed that Information Governance and Protective marking had received a limited assurance report and queried whether it related to protective markings on emails. Peter Farrow, Head of Audit confirmed that to be the case and from the sample tested the majority of emails contained the security marking. Some employees were overcautious in the category used and some emails were under categorised.

Cllr Christine Mills expressed concern at the report relating to the City of Wolverhampton College on the audited area 'Compliance with learners and learning difficulties and /or disabilities post 16 service level agreement. She requested a follow up report on this item.

Mike Ager, Independent Member reported that he felt it worrying to see the number of limited assurance reports. He noted that there had been seven this year and that the numbers seemed to be increasing. Referring to the two red recommendations on Contract management Agreements (Community), he requested that future reports identify the areas.

Keith Ireland, Managing Director reported that the Audit Service was improving and was providing a firmer challenge to the organisation. The increase in limited assurance reports was part of that improvement and robust challenge.



Referring to the audit work on the Agresso system and a backlog of invoices, Cllr Wendy Thompson commented that she was surprised that after the bedding in period the system was not working as effectively as she felt it should. The Managing Director reported that the system was working well. He acknowledged that there are blips with invoices but that they were as a result of suppliers not following the laid down process. He suggested that at the Committee's next meeting the Hub Manager provide the Committee with the detail.

Resolved:

1. That the contents of the latest internal audit update as at the end of quarter three be noted.
2. That a follow up report be submitted to a future meeting on the 'Compliance with learners and learning Difficulties and /or Disabilities post 16 Service Level Agreement.
3. That an update report from Internal Audit on the Agresso system be submitted to the next meeting.

10 **Internal Audit Plan 2015/16**

Peter Farrow, Head of Audit presented the proposed internal audit plan for 2015/16.

Resolved:

That the risk based internal audit plan for 2015/16 be approved.

11 **Payment Transparency**

The Committee received for information an update on the current position with regards to the publication of all the Council's expenditure since the last meeting in December 2014.

Resolved:

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

12 **Secondary School Balances**

Further to the request at the last meeting, Orlen Johnson, Finance Manager presented a report on the level of balances held by secondary schools as at 31 March 2014 and which provided details on schools current projections on balances to 2016/17.

In response to the Committee's questions the Finance Manager reported that where a school operating a deficit budget decides to convert to an Academy, that organisation would take the deficit budget with them. However, if the Secretary of State determines that a local authority school should become an Academy the local authority would take on the deficit.

Cllr Dr Mike Hardacre commented that 38% of the local authority's secondary schools were in deficit. He was also concerned that there were another ten schools within the city about which neither the local authority nor the Education Funding Agency had any idea on their financial position. He also reported that he found it worrying that he was not clear on the implications through Audit how it would

manage the issue of up skilling the Wolverhampton population when the local authority had no curriculum or financial control over all schools in the city. This was a risk that had not been quantified.

Referring to the financial position at Coppice Community High School, Cllr Phil Bateman commented that there was still a challenge for the school in meeting its deficit plan. He also asked whether the energy cost issue and the unpaid invoices had all been resolved.

Mike Ager, Independent Member reported that the Governors of Coppice Community School would be considering the information at its meeting. He added that the biggest concern for the Governors was the energy cost issue and they would need the support of local authority to identify the cause of the problem.

In response Jim McElligott reported that the invoices had been resolved but it had affected the deficit. The issues had been dealt with by Council employees and governors of the school going through the budget line by line. The issues regarding the building programme would be one strand of that process. On the general management of the deficit, he informed the Committee that the Finance Manager and his team were working closely with the school on the deficit plan.

Resolved:

1. That the position on school balances and the action taken with regard to schools with deficit budgets be noted.
2. That a follow up report on Coppice Community High School be submitted to a future meeting of the Committee.

### 13 **2014/2015 Statement of Accounts Progress Update**

Mark Taylor, Director of Finance presented, for information, a progress report on the planning and delivery of the annual statement of accounts for 2014/15. He reported that the plan and timetable for the production of the annual statement of accounts was on track.

Resolved:

1. That the progress on planning and delivering the Statement of Accounts for 2014/15 be noted.
2. That it be noted that the Director of Finance continues to be of the opinion that the Council has provided sufficient resources to allow the statutory responsibilities in relation to the statement of accounts to be fulfilled.

### 14 **Appointment of External Auditor**

The Committee received a report which advised of the Audit Commission's decision to appoint Grant Thornton UK LLP to audit the accounts of the Council for the two years from 2015/16.

Resolved:

That the appointment of Grant Thornton UK LLP to audit the accounts of the Council for two years from 2015/16 be noted.

15 **Audit Committee - Terms of Reference**

Peter Farrow, Head of Audit presented the terms of reference for the Committee as approved on 10 March 2014. In accordance with best practice the Committee was asked undertake its annual review of the terms of reference to ensure they remained fit for purpose and reflected the Chartered Institute of Public Finance and Accountancy's (CIPFA's) new position statement, "Audit Committee in Local Authorities".

Resolved:

That it be noted that the terms of reference for the Committee as approved on 10 March 2014 still reflect the CIPFA new position statement Audit Committees in Local Authorities.

16 **Audit Committee - Self Assessment of Good Practice and Effectiveness**

Peter Farrow, Head of Audit delivered a presentation by way of introduction to the Committee carrying out a review of its performance and effectiveness alongside a number of other self-assessment activities. The first part of what would be a three stage review was for members of the Committee to individually complete a self-assessment of good practice, based on the model provided by the Chartered Institute of Public Finance and Accountancy (CIPFA). Once completed and analysed the results would be reported to the next meeting.

Resolved:

That members of the Committee complete the model CIPFA self-assessment of good practice form and return it to the Democratic Support Officer.

17 **Exclusion of the press and public**

Resolved:

That in accordance with Section 0DA(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business as it involves the likely disclosure of exempt information falling within the paragraphs of Schedule ANA of the Act set out below:

<i>Item No.</i>	<i>Title</i>	<i>Applicable Paragraph</i>
18	Procurement cards - briefing note	7

18 **Procurement Cards - Briefing Note**

Further to the request at the Audit (Monitoring of Audit Investigations) Sub Committee on 2 February 2015 Andy Moran, Head of Procurement presented a briefing note on procurement cards (p-cards). He reported that p-cards were an efficient way of dealing with the purchase of goods or services of a low value level but that following a review it was proposed to introduce new controls on the issue and operation of p-cards within the Council.

During the ensuing discussion members of the Committee accepted the efficiency and value for money reasons for some employees being issued with p-cards. Others were not convinced that it was impossible for employees to follow the standard invoicing arrangements for the purchase rather than use a p-card. Referring to the p-cards issued to schools, a member of the Committee also commented that he had

not heard about p-cards at his School Governing Body meetings. He suggested that perhaps a briefing note should be issued to school governing bodies.

Resolved:

1. That the Committee receive an itemised breakdown on the top ten categories of p-card spend between April 2014 to January 2015.
2. That a monitoring report on p-cards issued and usage for the period 1 April to 31 July 2015 be submitted to a future meeting of the Committee together with an updated table on the top ten categories of p-card spend for that period.

# Audit (Monitoring of Audit Investigations) Sub-Committee

## Minutes - 27 April 2015

### Attendance

#### Members of the Audit (Monitoring of Audit Investigations) Sub-Committee

Cllr Christine Mills (Chair)  
Cllr Keith Inston (Vice-Chair)  
Cllr Dr Michael Hardacre  
Cllr Wendy Thompson  
Mike Ager – Independent Member

#### Employees

Peter Farrow	Head of Audit
Dereck Francis	Democratic Support Officer
Richard Morgan	Senior Audit Manager
Kevin O'Keefe	Director of Governance
Mark Taylor	Director of Finance
Mark Wilkes	Client Lead Auditor

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

*Item No.*    *Title*

- 1 Apologies for absence**  
No apologies for absence were received for the meeting.
- 2 Declarations of interests**  
No declarations of interests were made.
- 3 Minutes of the previous meeting (2 February 2015)**  
Resolved:  
That the minutes of the previous meeting held on 2 February 2015 be approved as a correct record and signed by the Chair.
- 4 Matters arising**  
There were no matters arising from the minutes of the previous meeting.
- 5 Audit Services - Counter Fraud Report - April 2015**  
Mark Wilkes, Client Lead Auditor presented a report which updated the Sub Committee on the current counter fraud activities undertaken by the Counter Fraud Unit within Audit Services.

Peter Farrow, Head of Audit informed the Sub Committee that the counter fraud report would be the last it would receive in its present format. At the end of May 2015 employees within the relatively small Benefits Fraud Investigations team would transfer to the Department for Work and Pension's (DWP's) Single Fraud Investigations Service. The Council would be kept informed on some cases relating to benefits fraud as there would continue to be joined up working with the DWP.

The Sub Committee reiterated the concerns expressed at the last meeting, that the transfer of the local authority benefit fraud investigators to the DWP was a retrograde step and the benefits of local knowledge and efficiencies of working in a small team would be a loss to the city.

Cllr Dr Mike Hardacre asked that the joined up working arrangements with the DWP provide the Council with the fullest exchange of information on benefit fraud within Wolverhampton. The Audit Manager undertook to relay this message to DWP.

Mark Taylor, Director of Finance informed the Sub Committee that the Council would retain some fraud resource to carry out non benefit fraud investigations.

In light of the abovementioned change to future reporting on counter fraud activities and the knock on effect on the work of the Sub Committee, it was recommended that the terms of reference of the Sub Committee be subsumed into the Audit Committee and that the Sub Committee be disestablished. The Chair and Vice-Chair of the Audit Committee were present supported the suggestion.

Resolved:

1. That the report be noted.
2. That the Sub Committee place on record its thanks and appreciation to the staff of the Benefits Fraud Investigations team for the excellent work they undertaken in benefits fraud detection.
3. That the recommendation that the Sub Committee not be reconstituted for the 2015/16 municipal year and the terms of reference of the Sub Committee be incorporated into the terms of reference for the Audit Committee, be forwarded for consideration with the governance and constitutional changes to be presented to Annual Council in May 2015.

## 6 **Exclusion of press and public**

Resolved:

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

<i>Item no.</i>	<i>Title</i>	<i>Applicable paragraph</i>
7	Audit Investigations Update	1, 2 and 3

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

7 **Audit Investigations Update**

The Sub Committee received updates on current audit investigations.

Resolved:

That the current position with regard to the audit investigations be noted.

8 **Vote of thanks**

The Sub Committee placed on record its thanks and appreciation to the Chair (Cllr Christine Mills) for the able and courteous manner in which she had conducted the business of the Sub Committee during the Municipal Year.

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# Audit Committee Work Programme 2015/16

Agenda Item: **6**

Committee Meeting Date All at 2.00pm	Final Accounts / Annual Governance Statement	Internal Audit Reports	Risk Management	External Audit Reports and Inspection
21 September 2015  Page 17	Audited Statement of Accounts 2014/15	Internal Audit Update Counter Fraud Update Payment Transparency Internal Audit Charter Review Audit Committee – Self Assessment of Good Practice and Effectiveness Update	Strategic Risk Register and Assurance Map	Annual Report to those charged with Governance (ISA 260)
14 December 2015	Annual Governance Statement Update Budget Update and Review	Internal Audit Update Counter Fraud Update Payment Transparency Audit Committee – Self Assessment of Good Practice and Effectiveness Update	Strategic Risk Register and Assurance Map	Annual Audit Letter

Committee Meeting Date All at 2.00pm	Final Accounts / Annual Governance Statement	Internal Audit Reports	Risk Management	External Audit Reports and Inspection
14 March 2016	Statement of Accounts Progress Update 2015/16	Internal Audit Update Counter Fraud Update Payment Transparency Internal Audit Plan 2016/17 Review of Fraud Related Policies Audit Committee Terms of Reference Review Audit Committee – Self Assessment of Good Practice and Effectiveness	Strategic Risk Register and Assurance Map	External Audit Plan 16/17

# Audit Committee

6 July 2015

<b>Report title</b>	Annual Governance Statement – 2014/15	
<b>Cabinet member with lead responsibility</b>	Councillor Andrew Johnson Resources	
<b>Accountable director</b>	Mark Taylor, Finance	
<b>Originating service</b>	Audit	
<b>Accountable employee(s)</b>	Peter Farrow Tel Email	Head of Audit 01902 554460 <a href="mailto:peter.farrow@wolverhampton.gov.uk">peter.farrow@wolverhampton.gov.uk</a>
<b>Report to be/has been considered by</b>	Strategic Executive Board	16 June 2015

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## Recommendation(s) for action or decision:

The Committee is recommended to:

1. Review and comment upon the contents of the council's Annual Governance Statement for 2014/15.

## **1.0 Purpose**

- 1.1 That Members review and comment upon the content of the Annual Governance Statement for the year 2014/2015.
- 1.2 The council is required under Regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulation 2006 to produce an Annual Governance Statement to be included in the annual statement of accounts, which is signed by the Leader of the council and the Managing Director.

## **2.0 Background**

- 2.1 The Annual Governance Statement draws upon the management and internal control framework of the council, especially the work of internal and external audit and the council's risk management arrangements. In compiling the Annual Governance Statement assurance is obtained from a range of sources in order that the signatories to the statement can assure themselves that it reflects the governance arrangements for which they are responsible.

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

- 3.1 Progress on the implementation of the actions required in the key areas will be monitored by Audit Services and reported to the Audit Committee during the year.

## **4.0 Financial implications**

- 4.1 There are no financial implications arising from the recommendation in this report (GE/18062015/O).

## **5.0 Legal implications**

- 5.1 There are no legal implications arising from the recommendation in this report (RB17062015/K).

## **6.0 Equalities implications**

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

## **7.0 Environmental implications**

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

## **8.0 Human resources implications**

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

**9.0 Corporate landlord implications**

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

**10.0 Schedule of background papers**

10.1 Annual Governance Statement - 2014/15

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# Annual Governance Statement 2014/15

## Scope of Responsibility

The City of Wolverhampton is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. This code is incorporated within the council's Constitution, which is available for review on the council's website.

The council is also responsible for the strategic management and administration of the **West Midlands Pension Fund** with the council's Managing Director, Monitoring Officer and Section 151 Officer holding specific responsibilities for supporting both the members of the Pensions Committee and the Local Pension Board in their role.

**Wolverhampton Homes** is the council's Arm's Length (Housing) Management Organisation (ALMO) and is a company wholly owned by the council. The control of the ALMO is through the Board which has representatives drawn from 1/3 council, 1/3 tenants and 1/3 independent. There is a Management Agreement between the council and Wolverhampton Homes which sets out the contractual and governance arrangements between the parties.

## How the statement has been prepared

Each Director is required to complete and sign an annual controls assurance statement. These are then considered by the Head of Audit and other

key officers, alongside a number of other key documents as laid out in the table charting the council's governance framework (review of effectiveness column) later in this statement. The outcome of this exercise forms the backdrop to this statement, and the statement was approved by the Strategic Executive Board on 16 June 2015 and the Audit Committee on 6 July 2015.

## **The Governance and Assurance Framework**

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The governance framework comprises the systems and processes, and culture and values, by which the council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the council to monitor the achievements of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The council is composed of 60 Councillors. There are ten Cabinet Members with distinct areas of responsibility. Overview and Scrutiny arrangements include a Scrutiny Board and a number of Scrutiny panels. There are also a number of Committees and Councillor Advisory Groups. All Councillors meet together as the Council and meetings are open to the public. The conduct of the council's business is defined by formal procedures and rules, which are set out in the Constitution. The Constitution explains the roles and responsibilities of the executive, non-executive, scrutiny and officer functions and the delegation arrangements that are in place. It also contains the Financial Procedures Rules, Contract Procedure Rules and the Codes of Conduct. The council is required to appoint a Monitoring Officer who, in addition to leading an annual review of the Constitution to ensure it remains fit for purpose, also advises on compliance with the Constitution and ensures that decision making is lawful and fair. The Director of Governance has been appointed to this statutory post.

Risk management and internal control are a significant part of the governance framework and are designed to manage risk to a reasonable level. They cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The systems of risk management and internal control are based on an on-going process designed to identify and prioritise the risks to the achievement of the council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

Both internal and external audit are key assurance providers and they report back regularly to the council throughout the year.

The council has a Corporate Plan, which sets out what the strategic priorities are for the City – a stronger economy, stronger communities, supported by a Confident Capable Council. The plan articulates the seven outcomes the council are working to achieve and the objectives which underpin these. Each objective has a more detailed 'plan on page', which is owned by a Director or Service Director and sets out the key things needed to do to achieve it. This will ensure clear leadership and accountability for performance across the council. This approach is underpinned by the governance environment, which is consistent with the six core principles of the CIPFA/ SOLACE framework. In reviewing the council's priorities and the implications for its governance arrangements, the council carries out an annual review of the elements that make up the governance framework to ensure it remains effective.

The governance framework has been in place at the council for the year ended 31 March 2015 and up to the date of approval of the annual report and statement of accounts.

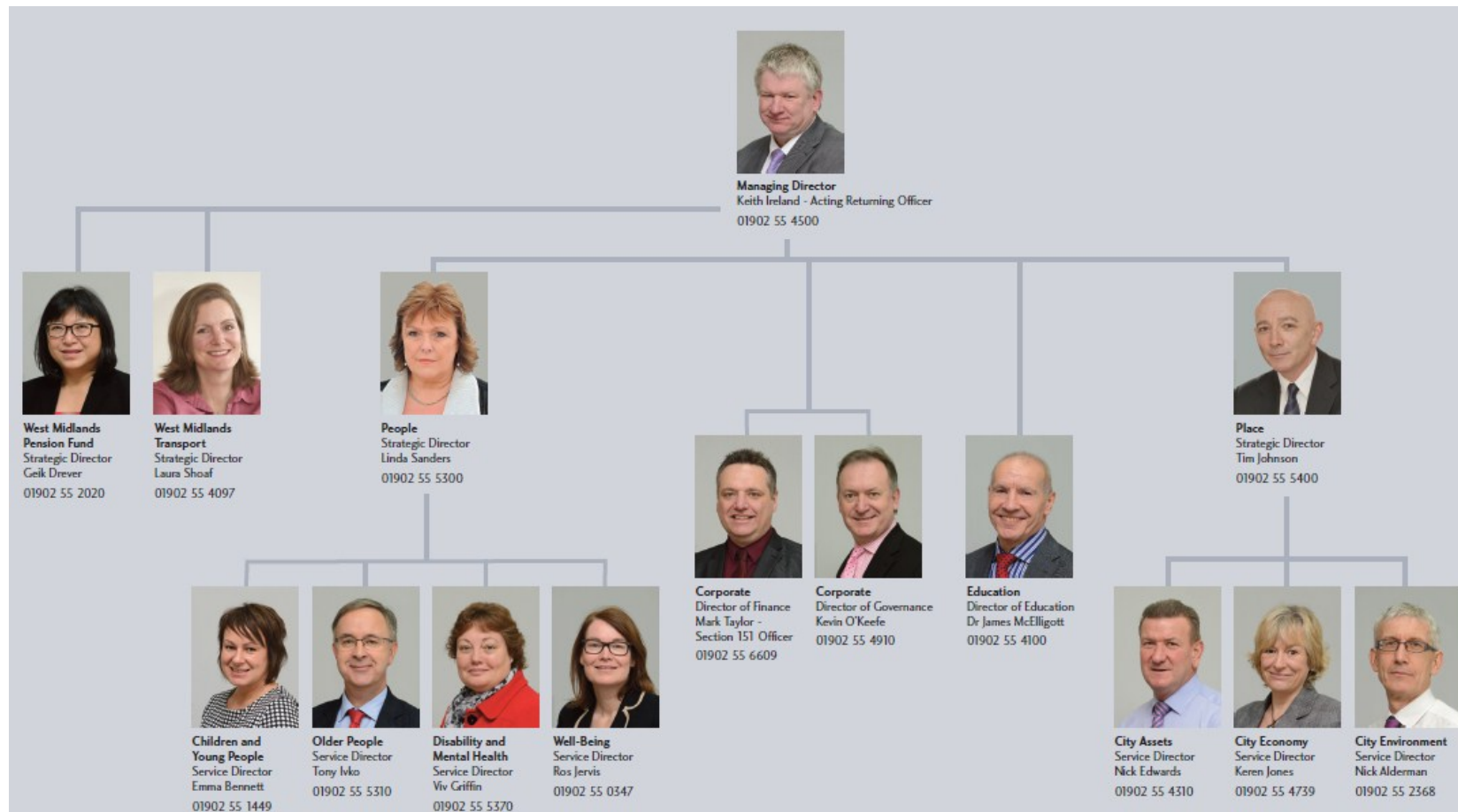


The key elements of the systems and processes that comprise the council's governance framework, and where assurance against these is required, and can be found, are described below.

Core principles of the CIPFA/ SOLACE framework	Assurances required	Governance framework providing assurance	Review of Effectiveness	Issues identified
<p>Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area</p> <p>Members and officers working together to achieve a common purpose with clearly defined functions and roles</p> <p>Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour</p> <p>Taking informed and transparent decisions which are subject to effective scrutiny and managing risk</p> <p>Developing the capacity and capability of members and officers to be effective</p> <p>Engaging with local people and other stakeholders to ensure robust public accountability</p>	<ul style="list-style-type: none"> <li>• Delivery and communication of an agreed corporate plan</li> <li>• Quality services are delivered efficiently and effectively</li> <li>• Clearly defined roles and functions</li> <li>• Management of risk</li> <li>• Effectiveness of internal controls</li> <li>• Compliance with laws, regulation, internal policies and procedures</li> <li>• Value for money and efficient management of resources</li> <li>• High standards of conduct and behaviour</li> <li>• Public accountability</li> <li>• Published information is accurate and reliable</li> <li>• Implementation of previous governance issues</li> </ul>	<ul style="list-style-type: none"> <li>• <a href="#">The Constitution</a> (including Head of Paid Service, Chief Financial Officer and Monitoring Officer)</li> <li>• Council, Cabinet and Committees</li> <li>• Scrutiny function</li> <li>• <a href="#">Audit Committee</a> (and Sub-Committee)</li> <li>• Standards Committee</li> <li>• Internal and External Audit</li> <li>• Strategic Executive Board</li> <li>• Wider Leadership Team</li> <li>• Directors Assurance Statements</li> <li>• <a href="#">Corporate Plan</a></li> <li>• Medium Term Financial Strategy</li> <li>• <a href="#">Strategic Risk Register</a> and Assurance Map</li> <li>• Codes of Conduct</li> <li>• Business Planning and Performance Management Framework</li> <li>• Whistleblowing and other anti-fraud related policies</li> <li>• Complaints System</li> <li>• Financial Procedures Rules</li> <li>• Contract Procedure Rules</li> <li>• modern.gov (the council's committee management information system)</li> </ul>	<ul style="list-style-type: none"> <li>• LGA Corporate Peer Challenge</li> <li>• Independent Review of the process for the Medium Term Financial Strategy and Budget</li> <li>• External Audit Report to Those Charged with Governance (ISA 260) Report</li> <li>• External Audit – Financial Resilience Report</li> <li>• Annual Internal Audit Report</li> <li>• Annual Audit Committee Report</li> <li>• SIRO Annual Report</li> <li>• Statement of Accounts</li> <li>• Local Government Ombudsman Report</li> <li>• Scrutiny reviews</li> <li>• Annual Governance Statement – follow up of previous year issues</li> </ul>	<ul style="list-style-type: none"> <li>• Future Space</li> <li>• Corporate Landlord</li> <li>• Savings targets</li> <li>• Procurement, Contract Management and Monitoring</li> <li>• The Better Care Fund</li> <li>• Future Works</li> <li>• Partnership Governance</li> <li>• Combined Authority</li> <li>• Corporate Peer Challenge</li> </ul>

The key change to the governance framework during the year was that of a senior management restructure creating a new focus on performance and delivery of the council's corporate plan. This was achieved through replacing the Chief Executive post with that of a new Managing Director (Head of Paid Service) role, reducing the number of strategic directors from three to two and refocusing the assistant director roles as service directors in order to ensure accountability.

In previous years statements the council reported that it was not fully compliant with CIPFA's Statement on the Role of the Section 151 Officer in Local Government (2009) as the Section 151 Officer post was not at the same level in the council as members of the Corporate Management Team (known as the Strategic Executive Board) and they did not report directly to the Chief Executive. However, following the senior management restructure referred to above, the Section 151 Officer is now at this level and reports directly to the new Managing Director post. Therefore, the council is now able to report full compliance with the CIPFA statement. The new senior management structure is shown below.



### **The role of the Director of Children's Services**

The statutory DCS role within the council is held by the Strategic Director – People, who also holds a Statutory Director of Adult Social Services role and reports directly to the Managing Director.

An assurance process was undertaken when the structure was first implemented in 2011 and a matrix management approach is well established to ensure the single and unambiguous line of accountability required. A whole family approach is considered to be fundamental to effective service delivery and capacity to achieve this integrated approach is ensured through a People Directorate Leadership Team with four Service Directors as follows:

- Children and Young People
- Older People
- Disability and Mental Health (including All Age Disabilities)
- Public Health and Well-Being

The Cabinet Member with responsibility for Children and Young People and the DCS meet regularly with and work closely with the Director and Cabinet Member for Education; positions which were deliberately established in order to ensure an enhanced focus on driving educational performance in the City.

A new monthly Education Board involving the Managing Director and chaired by the DCS helps to ensure a co-ordinated approach. The Children and Young People's Trust Board is chaired by the statutory Cabinet Member for Children and Young People and also contributes significantly to a whole system children's approach in the City.

It is considered that these arrangements together provide a clear line of political and professional accountability for children's well-being. They also allow the full and comprehensive leadership focus in the City on delivering the 'People'/Children and Family elements of the council's Corporate Plan whilst also ensuring absolute clarity of senior officer accountability.

### **West Midlands Pension Fund**

The West Midlands Pension Fund has completed its own "Assurance Framework – Supporting the Annual Governance Statement" which identified that there had been no adverse matters arising from the work behind their assurance framework.

### **Wolverhampton Homes**

Wolverhampton Homes have included a Statement of Corporate Governance within the Company's Financial Statements for 2014/15. This states that the control framework has been reviewed by the Company's Audit Committee on behalf of the Board of Wolverhampton Homes and found to be effective. The review included an assurance statement from the Company's internal auditors.

### **Managing the Risk of Fraud and Corruption**

With regards to the CIPFA Code of practice on managing the risk of fraud and corruption - having considered all the principles, we are satisfied that the council has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud. The activities undertaken in this area were primarily led during the year by a dedicated sub-committee of the Audit Committee.

### **The Review of Effectiveness**

The council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Members and senior officers within the council who have responsibility for the development and maintenance of the governance framework, Internal Audit's annual report, the Scrutiny function and also by reports made by the council's external auditors and other review agencies and inspectorates, as noted above.

Internal Audit has concluded that based on the work undertaken during the year of areas key risk, the implementation by management of the recommendations made and the assurance made available to the council by other providers as well as directly by Internal Audit, it can provide reasonable assurance that the council has adequate and effective governance, risk management and internal control processes". Key areas of concern have been included within the governance issues noted below.

A number of issues were identified in the 2013/4 Annual Governance Statement and an update of the progress made in implementing the actions to improve these areas is included below. Where sufficient progress has not been made, the issues have been included in the 2014/15 issues.

## Progress on the Governance Issues from 2013/14

The table below describes the governance issues identified during 2013/14 and the progress made against these during 2014/15. While a number of issues from 2013/14 have been carried forward to 2014/15, these often relate to a range of on-going activities that develop as issues are addressed and programmes continue.

2013/14 - Key areas for Improvement	Update on position and implication for the 2014/15 Annual Governance Statement
<p><b>Future Space</b></p> <p>Delivery arrangements are being developed for the refurbishment of the Civic Centre. The intention is that construction works will begin in early 2015 subject to the final business case evidencing an on-going annual revenue saving of £500,000.</p> <p><b>Corporate Landlord</b></p> <p>The adoption of the Corporate Landlord Model is being progressed incrementally against the Strategic Asset Management Review. The adopted work programme for the implementation was approved by both the Strategic Land and Property Board and the Operational Land and Property Board and is now being actively monitored by both Boards. The key deliverables in the programme include:</p> <ul style="list-style-type: none"> <li>• Centralisation of property related budgets.</li> <li>• Creation and delivery of a funded programme of annual condition surveys and statutory testing.</li> <li>• Creation and delivery of more robust cyclical maintenance programme based on the annual condition surveys.</li> <li>• Development and delivery of a more robust Disposal Programme to achieve the capital receipts from disposals in the MTFS.</li> <li>• Agreement of service profiles by building profile for services for Facilities Management to deliver to their clients.</li> <li>• Development and delivery of the annual renewables programme.</li> </ul>	<p><b>Future Space</b></p> <p>Work has progressed with the programme moving under the Place Directorate (in terms of leadership and accountability). New governance is in place with a Future Space Programme Board meeting monthly.</p> <p>A refreshed business case will be presented to Members in June 2015 after which the council will have clarified the scope and intention of the programme and resources it wishes to deploy to achieve the agreed outcomes.</p> <p><b>Carried forward to 2014/15</b></p> <p><b>Corporate Landlord</b></p> <p>The Corporate Landlord model continues to be embedded within the council's policies and procedures. As part of senior management restructure the Corporate Landlord transferred to City Assets within the Place Directorate in January 2015. An initial review of the functional operation of the Corporate Landlord teams has been undertaken to reflect corporate priorities and statutory compliance – along with ensuring value for money for users of the service.</p> <p>As part of this, a review of the planned actions took place. Some aspects remain on track as previously described (such as the disposals programme). Others have been consciously deferred to allow resources to be re-directed to ensure effective management of the Corporate Landlord services and achievement of corporate objectives (such as financial outturn). One such item which has been deferred is the</p>

<ul style="list-style-type: none"> <li>• Support to service reviews being conducted with Directorates in respect to providing options appraisals in respect to meeting the property needs for new service operating models.</li> <li>• Development of a revised Corporate Asset Management Plan.</li> </ul>	<p>Strategic Asset Management Plan which will now be developed and subsequently adopted to reflect services' requirements aligned with the Medium Term Financial Plan.</p> <p><b>Carried forward to 2014/15</b></p>
<p><b>Savings Targets</b></p> <p>Whilst the council's current and historical savings targets have been largely delivered the extremely challenging financial environment continues to require substantial year on year savings. The failure to deliver already identified savings and develop further savings will adversely impact upon the council's ability to meet its objectives. Close monitoring of the situation continues at both senior officer and Councillor level.</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 30</p>	<p>Significant work continued to be undertaken through the budget process to identify the additional savings required for 2015/16. As a result, in March 2015, Council were able to approve a balanced budget for 2015/16 without the use of general reserves. Recasting the projected budget challenge to include pressures that we have become aware of during the last year has resulted in the budget challenge increasing from £123 million to £134 million over the period 2014/15 to 2018/19. The increase is largely due to the rising costs of Looked After Children, pay and pension costs, and continuing Government grant cuts. However, savings totalling £87.8 million have been identified during the 2014/15 and 2015/16 budget setting processes. The council is now faced with finding further savings totalling £46.3 million over the next four years. Council approved that £20 million of additional savings for 2016/17 should be identified and reported to Cabinet in June 2015, in order to demonstrate that a balanced budget can be achieved in 2016/17. Work has started to identify the next £20 million of savings.</p> <p><b>Carried forward to 2014/15</b></p>
<p><b>PSN Compliance</b></p> <p>Prior to 2013 Wolverhampton City Council obtained GCSx accreditation enabling secure access to and exchange of information with central government and government agencies. The introduction of the Public Services Network (PSN) during 2013 demanded improved technical security standards and more robust Information Governance requirements. The council's compliance with the PSN Code of Connection requirements was approved by the Cabinet Office on 19 November 2013 following an independent health check of the council's ICT estate, looking for vulnerabilities from external sources of attack and from within the council followed by a comprehensive evaluation of the council's network and security</p>	<p>Significant progress has been made regarding the removal of Windows XP desktops and Windows 2003 servers from the ICT estate. A small number of each type of device remains with a schedule and active programme of work to complete their removal by May 2015. Internal and external ICT health checks have been performed in preparation for the next PSN submission during May and June 2015. Remedial actions are underway in response to a small number of identified vulnerabilities. All vulnerabilities will be dealt with by May 2015. Reconfiguration and enhancement of the remote and mobile access architecture is progressing, reflecting the latest PSN guidance, enabling</p>



<p>architecture, ICT operational practices and information governance policies by CLAS consultants at the Cabinet Office. PSN compliance remains at the heart of all ICT decisions regarding the introduction of new services. A continual programme of infrastructure upgrades and refresh ensures compliance is maintained, with the council undertaking the annual accreditation process during May and June 2014.</p>	<p>the provision of additional online services to mobile workers. A pilot architecture is currently operational working towards a full operational solution by the end of quarter two. The existing remote and mobile access architecture remains compliant with PSN guidelines.</p>
<p><b>Contract Management and Monitoring</b></p> <p>Having identified the range of contracts that are in place the main task is to establish how the reporting process is being managed and whether the contracts are meeting their original expectations. With the wide variety of contracts it will be necessary to develop several different approaches to contract management however the main principles will be early involvement for the contract managers (at tender stage), regular reporting on performance, planned reviews to assess the options available and general awareness training for nominated contract managers.</p>	<p>A Contract Register has been populated with details of all current contracts with the commissioning officer, responsible person (Service Director) and procurement lead stated.</p> <p>A Category management and Procurement Gateway process has been introduced that includes identification of the Contract Manager at the start of the procurement process.</p> <p>A standard Contract Review template has been developed and a programme of training is being developed to support a consistent approach to realising benefits from contracts.</p> <p><b>Carried forward to 2014/15</b></p>
<p><b>Procurement</b></p> <p>The Procurement Board will be instrumental in guiding the development of strategic procurement. The introduction and utilisation of e-procurement systems (Agresso and Due North) will increase the overall visibility of spend and the profile of this spend can be matched to the contract register. The improved management information will be useful to target particular categories of expenditure and develop procurement strategies that will extract value for money. The use of market sounding, options appraisals and output based specifications will also contribute to improving budgetary controls and increasing the percentage of on contract spend. We will be using collaborative arrangements where these are beneficial to the council and selecting the appropriate frameworks will be carried out in conjunction with the operational experts. The use of standardised forms and procedures will also aid compliance.</p>	<p>A Category management and Procurement Gateway process has been introduced that sets out the 3 year plan linked to the MTFs for each category of spend and the steps required to successfully undertake a procurement process.</p> <p>The new Public Contracts Regulations require a revision of the 'Procurement Code' which is in progress to be completed by June 2015. We are working with Wolverhampton University to develop a standard set of procurement documents that can be used by both organisations.</p> <p><b>Carried forward to 2014/15</b></p>

## Health and Social Care Reforms

Over the next few years adult social care is required to take a lead role in implementing a service delivery transformation to effectively respond to a number of challenges and opportunities which arise due to significant budget reductions and changes to local and national policy. To be delivered successfully, the service transformation involves putting agreed strategies and plans in place. One of the strategies to be implemented is the Better Care Fund which is an integrated pooled budget to support health and social care to work together in local areas. To achieve the outcomes of the fund will require strong partnership working. Significant planning and investment of resources will also be required to set up primary care, prevention and community services in order to achieve the fund outcomes.

Another strategy the council will be required to implement will be the Care and Support Bill in April 2015. Mapping, analysis and assessment of the detailed requirements of the Bill to identify the resources required to implement the changes, needs to be undertaken to fully assess the impact of the Bill on the council. 'The Health and Wellbeing Board will be accountable for the authorisation and delivery of the fund. The Terms of Reference and governance of the Health and Wellbeing Board are being reviewed to take account of these new responsibilities'

The Better Care Fund Section 75 and Governance arrangements were approved by Cabinet in February 2015. The Director of Finance and Director of People sign off of the final Section 75 took place on 30 March 2015 and the pooled budget commenced on 1 April 2015.

### Carried forward to 2014/15

## Future Works

The FutureWorks Programme delivered the new Agresso IT system on 1 April in line with the contractual timescales. This new system and processes are being used across the council and its partner organisations of Wolverhampton Homes and the West Midlands Pension Fund. This successful delivery has enabled the council to start delivering the agreed year one savings.

The council is now embarking on delivering phase 2 of the programme in rolling our self-service functionality which will maximise the return on investment as council services are transformed. The council will continue to manage the risks around the general

The Agresso functionality has continued to be developed and rolled out during 2014/15 including:

- Booking of annual leave via self-service was launched in September 2014 and has been rolled out by personal leave dates.
- Expenses claims via self-service from August 2014.
- Managers HR self-service for vacancy management, inductions, probation, company assets, position register from December 2014.
- Online payslips available from October onwards.
- P60's available on line for the first time for employees accessing



<p>governance and structure of this programme and through the general programme controls it will bring.</p>	<p>their payslip online.</p> <ul style="list-style-type: none"> <li>• Additional academy payrolls delivered.</li> <li>• Planning and closure of accounts for end of year.</li> <li>• Budget manager forecasting rolled out across the organisation from August 2014.</li> </ul> <p>Although the Agresso element of the Future Works Programme was formally closed in December 2014, the system and associated procedures and processes will continue to be developed and streamlined on an ongoing basis in order to maximise the benefits from the investment. It should also be noted that the council's external auditors (PwC) will be undertaking further assurance work when auditing the 2014/15 accounts during summer 2015, the outcome of this will be reflected in their audit opinion of those accounts.</p> <p><b>Carried forward to 2014/15</b></p>
<p><b>Partnership Governance</b></p> <p>While work has begun on a number of the council's key partnerships, a systematic approach to identifying all of the significant partnerships and in determining the level of review of the governance arrangements alongside the 'health' of each partnership, is still being rolled out and will be quite a sizeable task.</p>	<p>The City Board, Growth Board and Inclusion Board, are now fully operating. An evaluation of the first year of operation is planned for Spring 2015. The Black Country Local Steering Group for European Structural and Investment Funds 2014-2020 is now operational and the Committee is chaired by the Leader.</p> <p>The council's Managing Director is leading on work to establish the Combined Authority.</p> <p><b>Carried forward to 2014/15</b></p>
<p><b>Information Governance</b></p> <p>The council is building on the robust framework and effective working practices it has put in place since consensual audits from the Information Commissioner's Office in 2012 and an enforcement notice in 2014, including:</p> <ul style="list-style-type: none"> <li>• Supporting the Information Governance Board through the development of an operational group to drive progress</li> <li>• Mapped out a centralised work programme and resources including a new structure</li> <li>• Review of all Information Governance policies</li> </ul>	<p>Over the past two years the Information Governance Framework has evolved from a simple framework covering data protection and freedom of information to a wider structure covering all six areas of information governance, including information/cyber security, information sharing, records management and data quality. Our current suite of information governance policies and procedures consists of the following:</p> <ul style="list-style-type: none"> <li>• Quick Guide to Information Governance Policies</li> <li>• Data Protection Policy</li> <li>• Information Security Policy</li> <li>• Data Quality Policy</li> <li>• Transparency Policy</li> </ul>

- Roll out of a suite of training programmes, including ensuring there is 100% compliance with the mandatory 'Protecting Information' training to all employees

- Confidentiality Audit Procedure
- Information Governance Policy
- Freedom of Information Policy
- Records Management Policy
- Information Protective Marking and Handling Policy
- Information Risk Policy
- Confidential Information Disposal Policy

We have also established an Information Governance management structure, having in place key roles such as a Senior Information Risk Owner (SIRO), two Caldicott Guardians, the IG Board and a centralised IG Team, and as such covers the management of information governance at corporate, managerial and operational levels across the council.

Performance in responding to Freedom of Information requests has also greatly improved during this period. In 2012/13 performance in responding to FOI requests was 56% and in 2014/15 it was 95%.

In terms of external compliance and accreditation the council has also achieved level two of the Information Governance toolkit which allows us to engage an 'N3' secure connection to share data with health services.

**Strategic Asset Management**

The Corporate Landlord model has now been formally adopted by the council. The implementation of the model and developing a clear understanding of the accountability for activities and financial management will continue.

As part of the Corporate Landlord approach Strategic and Operational Land and Property management is now covered by two governance Boards. The Strategic Land and Property Board is chaired by the Strategic Director Education and Enterprise, and attended by the Corporate Landlord (Strategic Director Delivery). The Operational Land and Property Board is chaired by the Strategic Director Delivery.

The Strategic Land and Property Board meets monthly and the Operational Land and Property Board meet fortnightly. Both Boards consider land and property matters and consult Members through the

As described in the update on Corporate Landlord, following the transfer of the service in January 2015 the opportunity is being taken to further evaluate many of the management, operational and governance arrangements put in place when the Corporate Landlord model was first established.

This process is intended to further embed the Strategic Asset Management function and will ultimately establish a Strategic Asset Management Plan.

**Carried forward to 2014/15** (as part of the Corporate Landlord programme)

existing processes of Cabinet Member Briefing; Property Advisory Group and Executive Team prior to decisions being formally made in line with the council's Constitution.

The Strategic Asset Review has now concluded with the agreed categorisation of assets, and clear accountability established for assets including those considered to be of strategic importance (for Economic Growth and Regeneration including Housing).

Strategic Asset Management will in the future be supported by the Corporate Landlord's Asset Management team acting as a single source of information and knowledge for the council's assets making sure that the respective governance boards are provided with accurate and relevant information enabling informed decision making and direction.

### **Schools Improvement**

The council's vision is to create an education system in Wolverhampton that promotes higher standards for all children and young people and closes the attainment gap. This is a system where the council celebrates school autonomy and supports school leaders and teachers in leading school improvement and having the highest expectations of every child and young person.

The council's strategic approach to school improvement therefore is to support effective school to school collaboration, strong partnerships and to develop excellent practice in schools whilst demonstrating clear leadership and challenge in the delivery of its duties in relation to school improvement. This leads to three clear and related targets:

- To ensure that every child in the city has an excellent education.
- To raise standards in schools and academies so that by September 2016 attainment and progress measures at all key stages match or exceed national averages.
- To improve the quality of provision in schools and academies so that by September 2016 all schools, settings and

The School Improvement and Governance Strategy received final Executive Team approval in December 2014 but has been operational since September 2014.

The strategy outlines the Local Authority's approach to challenging schools and holding school leaders to account for improving standards in their schools. Based on the strategy the following actions have been taken:

- Every maintained school within the City has been placed within a LA category based on published criteria and has been informed of this by letter. These categories have been reviewed at the start of each term and any changes have been communicated to schools.
- All schools have received a differentiated level of challenge and intervention from the local Authority School Improvement Advisors dependent on their category.
- All maintained schools in LA Categories B2 and C have also been challenged and held to account through regular individual School Improvement Board meetings (36 schools in total).
- The Local Authority has also used its statutory powers of intervention to further challenge schools that are not improving at a rapid enough pace with one pre-warning notice, three warning

academies achieve an Ofsted inspection judgement of good or outstanding.

notices, three Interim Executive Board's (IEB) and the strengthening of three governing bodies with additional governors.

All Governing Bodies in maintained schools are currently in the process of being RAG rated. Once rated schools where the governing body has been rated as red or amber will be directed by the local authority to participate in a full review of governance by an independent National Leader of Governance or, where support fails to see quick results an IEB may be established.

The School Standards Service are currently in the process of recruiting to a number of new posts (within current budgetary constraints) to strengthen the capacity of the team to fully implement the School Improvement and Governance Strategy moving forward. The new posts include: an additional Primary School Improvement Advisor, an 11-19 School Improvement Advisor, a Special Educational Needs and Disability (SEND) School Improvement Advisor, an At-Risk School Improvement Advisor and a Schools' Safeguarding Officer. The School Standards Team have also been successful in a funding bid to the Local Education Partnership (Inspire) to support the implementation of a school leadership development programme (£300,000 in year 1 with the possibility of two further years funding). The programme has four strands to it:

- The development of a self-improving school to school support network supported by a multi-school teaching school alliance
- The development and training of effective Headteachers through a range bespoke training and mentoring packages that support them through every stage of their career.
- The development and training of effective middle leaders to ensure that the city has clear succession planning in place to recruit talented new Headteachers from in the future. This will include the training and mentoring of effective and appropriately skilled school governors at every stage of their work in schools.
- There is an experienced Training Programme Coordinator about to take up post who will be line managed by the Head of School

Standards.

The majority of the training programmes will begin in September 2015 and tenders are currently out for training providers to develop and deliver strands 2 and 3 of the programme. Strand 4 will be delivered through the School Standards Workforce Development Team.

## Action Plan for the Significant Governance Issues identified during 2014/15 which will need addressing in 2015/16

Based on the council's established risk management approach, the following issues have been assessed as being "significant" for the purpose of the 2014/15 annual governance statement. Over the coming year appropriate actions to address these matters and further enhance governance arrangements will be taken.

2014/15 - Key areas and actions for implementation	Responsibility and expected implementation date
<p><b>Future Space</b></p> <p>An updated business case for the works to the Civic Centre clarifying the scope and intention of the programme and the resources it wishes to deploy, will be prepared and submitted to Councillors in June 2015. Further work will be required to then develop the programme in line with the decision made by Councillors.</p>	<p>Strategic Director - Place June 2015</p>
<p><b>Corporate Landlord</b></p> <p>The Corporate Landlord model continues to be embedded within the council's policies. The proposed workplan to continue this is as below:</p> <ul style="list-style-type: none"> <li>• Stabilising the service following changes in leadership and transition to the Place Directorate <ul style="list-style-type: none"> <li>• Address the financial challenge and seek performance improvements within the existing scope, resources and operating model</li> <li>• Review the operating model for 2016/17 onwards</li> <li>• Present to SEB for comment</li> <li>• Develop a proposal which will be consulted upon and progressed through the decision making process to agree and then implement</li> <li>• Implement the agreed operating model and organisational structures</li> <li>• New model in place</li> </ul> </li> </ul>	<p>Service Director – City Assets January 2016</p>
<p><b>Savings Targets</b></p> <p>This continues to be a key area for the council to manage as it is faced with finding savings of £46 million over the next four years. As part of this process £20 million of additional savings is to be identified for 2016/17 and reported to Cabinet, in order to demonstrate that a balanced budget can be achieved in 2016/17.</p>	<p>Director of Finance June 2015</p>

<p>Also, the recommendations identified as on-going, made in the recent independent review of 'the process for the medium term financial strategy and budget report' will need to continue to be addressed.</p>	
<p><b>Procurement , Contract Management and Monitoring</b>  A revision of the 'Procurement Code' is in progress and will need completion in order to meet the requirements of the new Public Contracts Regulations and a standard approach to Contract Management will be implemented, with a programme of training developed to support a consistent approach to realising the benefits from contracts.</p>	<p>Head of Procurement  December 2015</p>
<p><b>Better Care Fund</b>  There will be a range of on-going performance management/ governance / pooled budget financial management issues that will need close monitoring through the early stages of the Fund.</p>	<p>Service Director -  Disability and Mental Health  Service Director - Older People  March 2016</p>
<p><b>Future Works</b>  Although the Agresso element of the Future Works Programme was formally closed in December 2014, the system and associated procedures and processes will continue to be developed and streamlined on an on-going basis in order to maximise the benefits from the investment. The next steps for Agresso future development is to implement an upgrade from Milestone 3 to Milestone 4 plus the added functionality of seven experience packs. This work is expected to be completed by December 2015 alongside the continual development and enhancement of reporting functionality.  Following the formal closure the FutureWorks Programme was re-established in April 2015 as the governance board for the council's ICT programme of work. The programme will maintain an oversight of all the council's significant ICT initiatives including the development of the council's ICT and Digital Strategies in addition to the delivery of improved Business Intelligence capability, Master Data Management solutions and the continuing delivery of mobile and agile solutions such as Office 365 during 2015 /2016.</p>	<p>Head of ICT  December 2015</p>
<p><b>Partnership Governance</b>  While the City Board, Growth Board and Inclusion Board, are now fully operating, a systematic approach to identifying all of the other significant partnerships and in determining the level of review of the governance arrangements alongside the 'health' of each partnership, is still being rolled out.</p>	<p>Director of Governance  March 2016</p>

<p><b>Combined Authority</b></p> <p>The council is in the process of establishing a Combined Authority (CA) with partners in the West Midlands and potentially other local authorities that make up the three Local Enterprise Partnerships that cover the area. The council needs to ensure it plays a key part in the development of the CA, in order to ensure that the interests of, and the maximum benefit for the City of Wolverhampton, is achieved. At key points in the process of establishing the CA reports will be taken to either full Council or Cabinet as appropriate for approval.</p>	<p>Managing Director March 2016</p>
<p><b>Corporate Peer Challenge</b></p> <p>The council undertook a Corporate Peer Challenge in December 2014, and the final feedback provided to the council in March 2015. The focus of the peer review was strategic planning and there was both an internal focus around what organisation we want to be, and an external focus around what kind of role we want to have in the city. There was an acknowledgement of the enormous amount of change at rapid pace and that the organisation as a whole was supporting that journey. There was also recognition that there is an ambitious agenda to improve the city, and that stronger collective ownership on the savings challenges is required. It was also found that partnership working in Wolverhampton is a real strength to be built on.</p> <p>In 2015/16, we will continue to respond to the areas of feedback, including continuing to discuss our future role and purpose, review our governance structures and processes and continue to lead on the Combined Authority for the West Midlands region.</p>	<p>Managing Director March 2016</p>

**Future Assurance**

A progress report on the implementation of the above actions from the key areas will be produced by Audit Services and reported to the Audit Committee during 2015/16.



## Certification

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To the best of our knowledge, the governance arrangements, as outlined above have been effectively operating during the year with the exception of those areas identified as requiring improvement. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified during the review of effectiveness and will monitor their implementation and operation as part of our annual review.



**Roger Lawrence, Leader of the Council**

Date:



**Keith Ireland, Managing Director**

Date:

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# Audit Committee

6 July 2015

<b>Report title</b>	Annual Internal Audit Report 2014/15	
<b>Cabinet member with lead responsibility</b>	Councillor Andrew Johnson Resources	
<b>Accountable director</b>	Mark Taylor, Finance	
<b>Originating service</b>	Audit	
<b>Accountable employee(s)</b>	Peter Farrow Tel Email	Head of Audit 01902 554460 <a href="mailto:peter.farrow@wolverhampton.gov.uk">peter.farrow@wolverhampton.gov.uk</a>
<b>Report to be/has been considered by</b>	Not applicable	

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## Recommendations for noting:

The Committee is asked to note:

1. The contents of the Annual Internal Audit Report and the overall opinion that “based on the work undertaken during the year, the implementation by management of the recommendations made and the assurance made available to the council by other providers as well as directly by Internal Audit, Internal Audit can provide reasonable assurance that the council has adequate and effective governance, risk management and internal control processes”

## **1.0 Purpose**

- 1.1 The purpose of this report is to provide the Audit Committee with an annual internal audit opinion on the adequacy and effectiveness of the council's governance, risk management and internal control processes.

## **2.0 Background**

- 2.1 This report gives a brief description of the role of Internal Audit, the control environment within which it operates, its compliance with the Public Sector Internal Audit Standards and a summary of the work carried out during the year to 31 March 2015.

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

- 3.1 Regular progress reports on the work of Internal Audit will continue to be presented to the Audit Committee.

## **4.0 Financial implications**

- 4.1 There are no financial implications arising from the recommendation in this report (GE/18062015/O).

## **5.0 Legal implications**

- 5.1 There are no legal implications arising from the recommendation in this report (RB/17062015/J).

## **6.0 Equalities implications**

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

## **7.0 Environmental implications**

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

## **8.0 Human resources implications**

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

## **9.0 Corporate landlord implications**

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

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



CITY OF  
WOLVERHAMPTON

## Internal Audit Annual Report – 2014/15



Section	
1	Introduction
2	Internal audit opinion
3	Compliance with the Public Sector Internal Audit Standards
4	Summary of work completed

## 1. Introduction

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- 1.1 Our internal audit work for the period from 1 April 2014 to 31 March 2015 was carried out in accordance with the Internal Audit Plan. The plan was constructed in such a way as to allow us to make a statement on the adequacy and effectiveness of the council's governance, risk management and control processes.

In this way our annual report provides one element of the evidence that underpins the Annual Governance Statement the council is required to make to accompany its annual financial statements. This is only one aspect of the assurances available to the council as to the adequacy of governance, risk management and control processes. Other sources of assurance on which the council may rely, could include:

- The work of the External Auditors (currently PricewaterhouseCoopers - PwC)
- The result of any quality accreditation
- The outcome of any visits by Her Majesty's Revenues and Customs (HMRC)
- Other pieces of consultancy or third party work designed to alert the Council to areas of improvement
- Other external review agencies (i.e. Ofsted, the Information Commissioner's Office)

As stated above, the framework of assurance comprises a variety of sources and not only the authority's internal audit service. However, Internal Audit holds a unique role within a local authority as the only independent source of assurance on all internal controls. Internal Audit is therefore central to this framework of assurance and is required to acquire an understanding not only of the authority's risks and its overall whole control environment but also all sources of assurance. In this way, Internal Audit will be able to indicate whether key controls are adequately designed and effectively operated, regardless of the sources of that assurance.

- 1.2 The definition of internal audit, as described in the Public Sector Internal Audit Standards, is "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".

Internal audit activity is organisationally independent and further details behind the framework within which internal audit operates, can be found in the internal audit charter.

### Overall Assurance

- 1.3 As the providers of internal audit to the council, we are required to provide the Managing Director and Section 151 Officer with an opinion on the adequacy and effectiveness of the council's governance, risk management and control processes. In giving our opinion it should be noted that assurance can never be absolute. The most that internal audit can provide to the Managing Director and Section 151 Officer is reasonable assurance that there are no major weaknesses in the council's governance, risk management and control processes. In assessing the level of assurance to be

given, we have taken into account:

- All audits undertaken for the year ended 31 March 2015.
- Any follow-up action taken in respect of audits from previous periods.
- Any key recommendations not accepted by management and the consequent risks.
- Any limitations which may have been placed on the scope of internal audit.
- The extent to which any resource constraints may impinge on the ability to meet the full audit needs of the council.

## 2. Internal audit opinion

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2.1 We have conducted our audits in accordance with the Public Sector Internal Audit Standards. Within the context of the parameters set out in paragraph 1.3 above, our opinion is as follows:

2.2 Based on the work undertaken during the year, the implementation by management of the recommendations made and the assurance made available to the council by other providers as well as directly by Internal Audit, Internal Audit can provide **reasonable assurance** that the council has adequate and effective governance, risk management and internal control processes.

However, throughout the year we did note a number of key control issues, either through our work or in the preparation of the Annual Governance Statement, and these are listed below:

While not fundamental to the overall control environment, we gave a 'limited' rating in the following areas:

• Information Governance Protective Marking
• Petty Cash Procedures – Locality teams
• Very Sheltered Housing Contract Arrangements
• Treatment of VAT on Certificate Payments
• Performance Appraisal Scheme
• Contract Management Arrangements
• Compliance with Learners with Learning Difficulties and/or Disabilities Post 16
• Fit Card Administration
• Personnel, Administration and Contracts Team (PACT) – DBS Checks
• Invoice Payment Procedures
• Dunstall Hill Primary School
• Duplicate Invoice Payments (Accounts Payable)



**Significant governance issues arising from the Annual Governance Statement:**

The council recognises that the identification, evaluation and monitoring of risks is a key aspect in the governance of the organisation. The following matters represent the most significant current governance issues that are subject to attention in order to ensure that lessons are learnt and good practice is embedded:

• FutureSpace
• Corporate Landlord
• Savings Targets
• Procurement, Contract Management and Monitoring
• The Better Care Fund
• FutureWorks
• Partnership Governance
• Combined Authority
• Corporate Peer Challenge

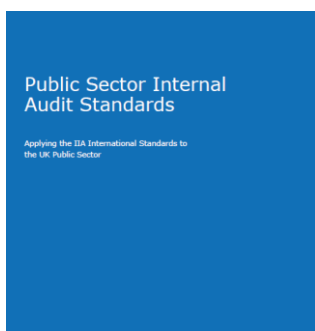
Further details on each of these can be found in the 2014/15 Annual Governance Statement.

2.3 In reaching our opinion, the following factors were taken into particular consideration:

- The need for management to plan appropriate and timely action to implement our and other assurance providers recommendations.
- Key areas of significance, identified as a result of our audit work performed in year are detailed in section 4 of this report.

**3. Compliance with the Public Sector Internal Audit Standards**

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During the year we complied with the Public Sector Internal Audit Standards which came into effect from 1 April 2013.



#### 4. Summary of work completed

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A detailed written report and action plan is prepared and issued for every review where appropriate. The responsible officer will be asked to respond to the report by completing and returning an action plan. This response must show what actions have been taken or are planned in relation to each recommendation.

##### Year on year comparison

A total of 48 pieces of audit work were completed during the year, where an audit opinion has been provided. A summary of these audit opinions, with a comparison over previous years is given below.

Opinion	2014/15	2013/14	2012/13
Substantial	7	18	22
Satisfactory	29	51	42
Limited	12	9	6

Where appropriate each report we issue during the year is given an overall opinion based on the following criteria:

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

**The following internal audit reviews were completed during 2014/15**

Key: AAN = Assessment of Assurance Need

Auditable Area	AAN Rating	Recommendations					Level of Assurance
		Red	Amber	Green	Total	Number accepted	
<b>Previously reported in Q1, Q2 and Q3 reports</b>							
Bert Williams Leisure Centre – Income	Medium	-	5	2	7	7	Satisfactory
Coppice Performing Arts School – Initial Review	NA *	-	-	-	-	-	NA **
Legal Services Recharges	NA *	-	4	-	4	4	NA **
Adoption Reform Grant Certification	NA *	-	-	-	-	-	NA **
Parkfield Primary School	Medium	-	1	7	8	8	Satisfactory
Oxley Primary School	Medium	-	1	1	2	2	Substantial
St Luke's CE Primary School	Medium	-	1	3	4	4	Satisfactory
St Andrew's CE Primary School	Medium	-	4	4	8	8	Satisfactory
Grove Primary School – Mini Review	NA *	-	-	-	6	6	NA **
New Park Special School – Healthcheck	NA *	-	-	-	19	-	NA **
Woodthorne Primary School	Medium	-	4	7	11	11	Satisfactory
Stow Heath Primary School	Medium	-	2	16	18	18	Satisfactory
Automated Biometric Systems	Medium	-	1	2	3	3	Satisfactory
Adults and Community – Complaints Procedures	Medium	-	-	2	2	2	Substantial
Pensions Gratuities	Medium	-	4	1	5	5	Satisfactory
Equal Pay Claims	High	-	2	-	2	2	Substantial

Auditable Area	AAN Rating	Recommendations				Total	Number accepted	Level of Assurance
		Red	Amber	Green				
Information Governance Protective Marking	High	2	2	-	4	4	Limited	
Single Status - Collective Agreement Compliance	High	-	-	1	1	1	Substantial	
Budgetary Control Managed Audit	High	-	-	4	4	4	Substantial	
General Ledger Managed Audit	High	-	-	2	2	2	Substantial	
Senior Officers Emoluments	NA *	-	-	-	-	-	NA **	
Senior Officers Salaries > £50K Check	NA *	-	-	-	-	-	NA **	
CRC – Annual Assurance Review	High	-	2	-	2	2	Satisfactory	
CRC – Assurance Statement	High	-	-	-	-	-	NA **	
Adult Education Service – HR Issues	NA *	-	-	-	4	-	NA **	
Project Costing and Billing System	NA *	-	-	-	5	-	NA **	
Rakegate Primary School – After School Club	NA *	-	-	5	5	5	Satisfactory	
Petty Cash Procedures – Locality Teams	NA *	-	7	-	7	7	Limited	
Very Sheltered Housing Contract Arrangements	Medium	1	5	3	9	9	Limited	
Treatment of VAT on Certificate Payments	NA *	-	3	-	3	3	Limited	
Performance Appraisal Scheme	High	1	4	2	7	7	Limited	
Bantock Primary School	Medium	-	1	2	3	3	Substantial	
Oak Meadow Primary School	Medium	-	3	7	10	10	Satisfactory	
Kingston Centre Pupil Referral Unit	Medium	-	8	3	11	11	Satisfactory	
Dovecotes Primary School	Medium	-	-	8	8	8	Satisfactory	

Auditable Area	AAN Rating	Recommendations			Total	Number accepted	Level of Assurance
		Red	Amber	Green			
Wood End Primary School	Medium	-	-	8	8	8	Satisfactory
Contract Management Arrangements (Community)	High	2	6	-	8	8	Limited
Compliance with Learners with Learning Difficulties and/or Disabilities Post 16 SLA	Medium	2	3	1	6	6	Limited
<b>Q4 reports not previously reported</b>							
Wodensfield Primary School	Medium	-	3	8	11	11	Satisfactory
Pupil Premium ****	Medium	-	-	-	-	-	Satisfactory
Fit Card Administration	Medium	1	4	-	5	5	Limited
Personnel, Administration and Contracts Team – DBS Checks	N/A *	1	2	2	5	5	Limited
Electrons Payroll	Medium	-	5	2	7	7	Satisfactory
Invoice Payment Procedures – Maintenance Contractor	N/A *	-	10	-	10	10	Limited
Dunstall Hill Primary School	N/A *	1	5	4	10	10	Limited
i54 Financial Management Protocol	High	-	1	2	3	3	Satisfactory
ERDF Black Country Gold Programme	Medium	-	1	2	3	3	Satisfactory
Duplicate Invoice Payments (Accounts Payable)	High	1	10	1	12	12	Limited
Accounts Payable Managed Audit	High	-	3	4	7	7	Satisfactory
Accounts Receivable Managed Audit (draft)	High	-	4	5	9	-	Satisfactory
Budgetary Control Managed Audit (draft)	High	-	3	3	6	-	Satisfactory
General Ledger Managed Audit (draft)	High	-	2	4	6	-	Satisfactory

Auditable Area	AAN Rating	Recommendations				Total	Number accepted	Level of Assurance
		Red	Amber	Green				
Capital Expenditure	High	-	1	-	1	1	Satisfactory	
Fixed Assets Managed Audit	High	-	2	4	6	6	Satisfactory	
Housing Benefit Managed Audit (draft)	High	-	1	3	4	-	Satisfactory	
Housing Rents Managed Audit	High	-	1	1	2	2	Satisfactory	
Local Taxes Managed Audit	High	-	1	0	1	1	Satisfactory	
Payroll Managed Audit (draft)	High	-	2	2	4	-	Satisfactory	

**Notes**

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One-off pieces of work undertaken by request (outside of the Audit Plan).  
 Certification/non-risk based reviews etc. – therefore no audit opinion provided.  
 Detailed, low level recommendations addressing specific issues relating to petty cash and school fund procedures. Rather than agreeing individual actions, it was recommended that we would undertake an additional, detailed audit review of the school’s overall financial management, governance and safeguarding procedures.  
 Summary report provided overall assurance that arrangements adopted at individual schools were generally satisfactory. Specific recommendations made separately to individual schools where appropriate.

## Key issues arising during the year

Issues that arose during quarter 1, quarter 2 and quarter 3 have already been flagged to the Audit Committee during the year, as follows:

### In our quarter 1 progress report we provided further details on:

- Legal Services Recharges

### In our quarter 2 progress report we provided further details on:

- Information Governance Protective Marking Compliance
- Petty Cash Procedures – Locality Teams
- Very Sheltered Housing Contract Arrangements
- Treatment of VAT on Certificate Payments
- Performance Appraisal Scheme

### In our quarter 3 progress report we provided further details on:

- Contract Management Arrangements (Community)
- Compliance with Learners with Learning Difficulties and/or Disabilities Post 16 SLA

### In our quarter 4 progress report we are reporting for the first time on:

#### Dunstall Hill Primary School

At the request of the Interim Executive Headteacher, we were initially requested to provide systems advice to the school in respect of difficulties they had identified with petty cash and school fund systems and procedures. Our review identified that due to a lack of staff stability within the school office and the high staff turnover, procedures for the administration and control of the school fund and the petty cash account were not robust. A number of low level recommendations were made addressing specific problems identified, and it was recommended that a full internal audit review of the school's financial management, governance and safeguarding procedures would be undertaken as a matter of urgency.

This was then undertaken and we identified a significant risk in relation to the school failing to comply with DfE / Ofsted guidance covering the format and content of its Single Central Record as it did not include all of the required information (e.g. eligibility checks, prohibition checks). In addition, we identified amber risks relating to the following:

- Not undertaking pay reviews of staff salaries;
- Not retaining documentation on personal files to confirm the correct processing and approval of payroll changes;
- Not raising orders in advance of the receipt of goods and services in accordance with Financial Procedure Rules resulting in an increased risk of budget overspends; and
- Not implementing a process to confirm that budget amendments have been processed and reported in accordance with approved delegations.

All recommendations were agreed with an appropriate member of the school's Interim Executive Board.

#### Fit Card Administration (leisure card)

Our review of the administration of the previous Wolverhampton Fit Card identified a red risk in relation to the retention and storage of customer information, including direct debit mandates, contravening the provisions of the Data Protection Act. In addition, we identified amber risks relating to the following:

- Limitations of the Leisuremost system mean that the administration of the Fit Card Scheme was resource intensive;
- No appropriately reconciling income receipted through the till system and income manually recorded on the Leisuremost system administered at Central Baths;
- Contradictory terms and conditions relating to the Fit Card Scheme and inconsistencies in practices between centres potentially leading to customer dissatisfaction; and
- Lack of barrier controls and checks at both Central Baths and Aldersley Leisure Village which provides the opportunity for customers to access facilities without paying.

### **Personnel, Administration and Contracts Team (PACT) – DBS Checks**

At the request of HR, we conducted a review of the arrangements for the administration of Disclosure and Barring Service (DBS) checks for schools during. Our review identified a red risk in relation to the use of the Headteacher Declaration Form – DBS and Medical Disclaimer Form and the legal responsibilities of headteachers in the event that staff are employed without proper clearance. In addition, we identified amber risks relating to the following:

- No retaining documentation, particularly ID and risk assessments, in accordance with relevant legislation / corporate policy;
- Not providing clear guidance to schools in respect of the appropriate handling of proof of identification documentation, in accordance with relevant legislation / corporate policy.

### **Invoice Payment Procedures**

Following a request from the Managing Director, we conducted a review of the invoice payment procedures relating to a major building maintenance contractor of the council who were experiencing significant delays in receiving payment. We identified a number of control issues including:

- The lack of clearly defined and appropriately assigned contract ownership and contract management related roles and responsibilities for the contract;
- Performance monitoring of invoice payments incorrectly based on shorter standard payment terms rather than the contractual payment terms of 42 days which take precedence;
- Not raising purchase orders in all instances prior to the receipt of invoices leading to a greater need for resource intensive manual processing by the Payments Team (Hub), requisitioners and budget managers;
- Delays in goods receipting leading to late payment of invoices;
- Failure of budget managers to promptly approve invoices;
- Significant volumes of low value orders and invoices processed leading to greater demand on resources;
- Invoices remaining in the workflow element of Agresso for a number of months requiring remedial action by the Payments Team (Hub) and / or relevant budget managers;
- Significant delays between work/services being completed by WGL and the council being invoiced, with some invoices relating to works/services completed in late 2012/13 and throughout 2013/14;
- Delays in the submission of invoices for scanning leading to delays in payment; and
- No identifying potential duplicate payments before payment processing.

### **Duplicate Invoice Payments (Accounts Payable)**

As part of our work on the implementation of Agresso, we undertook a review of controls in place to prevent the duplicate payment of invoices. We identified a red risk in relation to not establishing a suitable mechanism/reporting facility within and/or alongside the Agresso system

for the prevention and detection of potential duplicate payments. In addition, we identified other control issues in relation to the following:

- Adequate checks not undertaken during the manual processing of invoices to ensure that invoices have not been previously received/paid, or registered against the correct supplier record according to the invoice details and/or Purchase Order details (where available).
- A complete and accurate audit trail within the Agresso logbooks for transactions not clearly maintained in all instances.
- Requisitioners not undertaking appropriate checks to ensure invoices received as an invoice task, had not been previously paid, were for the correct supplier, and ensured that requisitions were created using the correct supplier record.
- Budget managers may not have undertaken appropriate checks prior to approval of an invoice to confirm that it has not been previously paid by themselves or by other budget managers within their approval group.
- Suitable checks not undertaken as part of the processing of Accounts Payable Bulk Uploads undertaken by the Agresso Business Support Team to ensure that the payments have not already been made, or to take corrective action to ensure that they are not subsequently inadvertently paid.
- Supplier records maintenance has not ensured that errors, duplications and clear differentiation between multiple supplier records where these are required had been identified and appropriate remedial action taken to ensure records are accurate, complete and not duplicated.
- Training not covering the issue of potential duplicate payments and the necessity to undertake appropriate and compensating checks in light of the limitations of the checks undertaken by the Agresso system.

All recommendations were agreed in principle with senior management, although the resolution of problems and development of solutions is an on-going process. For this reason, the Director of Finance has taken responsibility for progressing these issues and he chairs periodic meetings to review progress. A follow up audit review has since been undertaken that confirmed that progress had been made in some areas, but some issues remained.

### **Managed Audits**

Managed Audits are the work we do on the Council's key financial systems and incorporate the requirements of the External Auditors, in order that they can place reliance on our work and thereby reduce their own year-end testing accordingly. The programme of Managed Audit testing undertaken during 2014/15 has been completed, with reports are currently at various stages of finalisation and overall assurance levels may be subject to minor change. Given the implementation of Agresso during the year, it was expected that the completion of these audits on key financial systems would be more challenging than has historically been the case. Current indications are that the majority of the managed audits will report satisfactory assurance, but if there are any changes we will report these back to the next Audit Committee.

### **School Audits**

During the year we maintained a strong audit presence in the City's schools. Our annual school audit review programme focuses upon the adequacy and effectiveness of LA maintained schools' governance, risk management and control processes. Schools completed during the year were assessed as having substantial (2) satisfactory (10) or limited (1) levels of assurance. Over the year we found the following recurring issues:

- Schools were not always obtaining declarations of business interests from all staff which is now a requirement within the Scheme for Financing Schools.



- Schools had not established a register of gifts and hospitality which is also now a requirement within the Scheme for Financing Schools.
- Purchase orders continued to be raised after the receipt of goods and services.
- Schools were not reviewing Charging and Remissions Policies and annually reviewing and approving all charges levied.
- Governing Bodies were not always approving expenditure in excess of Headteachers' delegated limits and demonstrating compliance with Contracts Procedure Rules for Maintained Schools with Delegated Budgets.
- Schools were not always undertaking checks on vehicle details. Further, there was no evidence that staff had the required business use insurance when performing official school duties.
- Schools were not always completing or reviewing risk assessments for school buildings and grounds and on occasion not fully complying with the Authority's policy on school trips in relation to the prior completion and approval of risk assessments.
- Inventory records fail to be updated on receipt of items and no annual checks are undertaken.

Over the year a number of schools converted to academy status, and we are pleased that they have contracted with us in order to deliver their internal audit service:

Central Learning Partnership Trust comprising <ul style="list-style-type: none"><li>• Heath Park Secondary</li><li>• Moseley Park Secondary</li><li>• Woden Primary</li><li>• 2 x Rotherham Primary schools</li></ul>
The Bishop Cleary Catholic Multi Academy Company comprising: <ul style="list-style-type: none"><li>• St Edmund's Catholic Academy</li><li>• St Teresa's Catholic Primary Academy</li><li>• St Michael's Catholic Primary Academy</li><li>• SS Mary and John's Catholic Primary Academy</li><li>• The Giffard Catholic Primary Academy</li></ul>
Wolverhampton Girls' High School

Where appropriate we report directly to these academies.

### **Wolverhampton Homes**

In year we successfully bid for the Internal Audit Contract for Wolverhampton Homes for a period of three years commencing 1 April 2015 (with an option to extend up to 12 months). We believe this represents a good achievement for the service in the face of well-established private sector competition.

### **Benefit Fraud Investigations 2014/15**

The Benefit Fraud Team continued to operate within Audit Services during the year. The table below identifies the value and number of benefit fraud overpayments resulting from investigations during 2014/15. A total of 345 investigations were completed, which identified 187 overpayments. Sanctions resulting from these overpayments were as follows:

Sanction	Value of overpayment £000	Number of cases
Non Sanction Over Payment	398	123
Prosecution	222	32
Administrative Penalty	30	28
Formal Caution	1	4
<b>Total</b>	<b>651</b>	<b>187</b>

### National Fraud Initiative

The table below identifies frauds and errors, as at March 2015, from the ex-Audit Commission's National Fraud Initiative (NFI) data matching exercises. The Housing Benefit figures are also included in the figures reported above.

Description	Number of frauds / errors	Current value (£)
Housing benefit claimants to student loans (2014)	5	10,125
Housing benefit claimants to student loans (2015)	3	9,618
Housing benefit claimants to WCC payroll	2	3,026
Housing benefits claimants to WCC pensions	5	18,053
Housing benefit claimants to external payrolls	3	6,837
Housing benefits claimants to external pensions	7	62,546
Housing benefits claims to external housing benefits claims	4	21,271
Housing benefits claims to external housing tenants	1	360
Pension gratuity to DWP deceased records	6	16,005
Overpaid VAT	21	4,474
Right to buy to housing benefit claimants	1	20,000
Duplicate invoice records (different creditors)	2	5,246
<b>Total</b>	<b>60</b>	<b>177,561</b>

Action is being taken to recover the value of the fraud and error wherever possible.

### Audit and assurance effectiveness measures

Our performance against the following Audit and Assurance effectiveness measures, that were prepared around the successful delivery of the audit service, is as follows:

Audit Plan measures	
Audit reports identifying suggested areas for action, issued to auditees within two weeks of completion of fieldwork.	Approximately 65% of audit reports were issued within two weeks of the completion of audit fieldwork.

Number of audits where time taken to complete assignment is more than 10% longer than planned.	Approximately 40% of reviews took 10% longer than anticipated, with the others completed either on target or under. In the majority of instances, reasons for audit work exceeding budget is that unforeseen issues arise which take time to resolve.
Delivery of at least 80% of the audit plan, and an opinion which provides suitable assurance on the overall governance, risk management and control environment.	The audit plan was subject to significant revision during the course of the year in order to take account of emerging issues and a changing risk profile, during what has been a transitional year for the council. However, key risk areas identified in the plan have been completed where appropriate.
Risk Based Audit Plan produced and available to the Council in advance of the year to which it relates.	Yes, the Audit Plan was approved before the year commenced.

### Recommendations measures

90% of recommendations accepted by council management.	Over 90% of our recommendations made in year were accepted by council management.
Number of key recommendations followed up, implemented by the council by the target date.	Approximately 65% of previous key recommendations followed up had been implemented within the agreed date. The main difference related to recommendations contained within the Duplicate Invoice Payments (Accounts Payable) audit referred to earlier in this report, that were still ongoing. We will provide an updated position on this and other follow up work which is currently in progress to a future meeting of the Audit Committee.

### Relationships measure

Positive feedback from completed client satisfaction surveys.	Yes, the vast majority of feedback was of a positive nature, and is available for review if required.
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### External Audit measure

Full reliance placed on internal audit work by External Audit.	Yes, the External Auditors continue to comment favourably on work completed by Internal Audit in support of the Managed Audit arrangement.
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### Quality assurance and improvement programme

Internal audit has a quality assurance and improvement programme. During the year, the internal audit activity has followed this programme and there have been no significant arras of non-conformance or deviations from the standards as set out in the Public Sector Internal Audit Standards.

### Counter fraud and fraud investigations

We have continued to investigate all allegations of suspected fraudulent activity, and where appropriate whistleblowing allegations, throughout the year. Details of these were monitored through the work of the Audit Committee's Investigations Sub-Committee.

We have also undertaken a range of counter fraud initiatives during the year, including the organisation of fraud related seminars, facilitation and on-going co-ordination of the corporate fraud group, development of a counter fraud app for mobile devices and completion of various self-assessments against recognised counter fraud best practice. Again, further details of these have been reported through the Audit Committee's Investigations Sub-Committee.

### **Implementation of Agresso**

The implementation of Agresso was a major focus of our work during the year, as we sought to support the council through a period of major change and considerable risk. Key elements of our activities in this area are as follows:

- Representation on the FutureWorks Board until its dissolution in December 2014, providing assurance to the Board and the Audit Committee at various stages of the programme.
- Working closely with the Payroll team to undertake and review payroll reconciliations in support of the payment of the council and Wolverhampton Homes payrolls from Agresso. This included the secondment of a Client Lead Auditor to the Payroll Team from September 2014 to March 2015.
- Provision of significant internal audit resources to assist the Hub in clearing the backlog of invoices for payment.
- Focused audit work on payments processes, specifically where arrangements were made to facilitate payments outside normal processes and in monitoring duplicate payments.
- An audit review of the benefits realisation process.
- Provision of extensive general advice and support in respect of the project.

Many of our observations have already been raised earlier in this report, and In addition to this and the completion of the managed audit work, we are currently undertaking full end to end audit reviews of all key systems, in order to provide assurance on the implementation of Agresso. These extensive reviews are on-going and will be reported to the Audit Committee in due course on their completion.

# Audit Committee

6 July 2015

<b>Report title</b>	Audit Committee Annual Report – 2014/15	
<b>Cabinet member with lead responsibility</b>	Councillor Andrew Johnson Resources	
<b>Accountable director</b>	Mark Taylor, Finance	
<b>Originating service</b>	Audit	
<b>Accountable employee(s)</b>	Peter Farrow Tel Email	Head of Audit 01902 554460 <a href="mailto:peter.farrow@wolverhampton.gov.uk">peter.farrow@wolverhampton.gov.uk</a>
<b>Report to be/has been considered by</b>	Not applicable	

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## Recommendation(s) for action or decision:

The Committee is recommended to:

1. Endorse the Audit Committee Annual Report for 2014/15 and refer it to Full Council for approval.

## **1.0 Purpose**

1.1 This report summarises the main areas of work undertaken by the Audit Committee during 2014/15.

## **2.0 Background**

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

2.2 The purpose of the Audit Committee is to provide independent assurance on 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:

2.3 The key benefits of the Committee can be seen as:

- Increasing public confidence in the objectivity and fairness of financial and other reporting.
- Reinforcing the importance and independence of internal and external audit and similar review processes.
- Providing additional assurance through a process of independent review.
- Raising awareness of the need for internal control and the implementation of audit recommendations.

2.4 The Audit Committee agrees a work programme for each year, which is refreshed on an on-going basis, and is based on (but not limited to) the following main sources of assurance:

- Accounts/Annual Governance Statement - These are the statutory reports which the Audit Committee approves in relation to the Council's Annual Statement of Accounts.
- Internal Audit Reports - These relate to the ongoing work of the internal audit and allow the Audit Committee to approve and monitor the audit plan and maintain an awareness of ongoing control issues.
- Risk Management - These reports relate to the Council's risk management arrangements.
- External Audit and Inspection Reports - These are the reports submitted to the Audit Committee by the Council's external auditors PricewaterhouseCoopers (PwC) and other inspection agencies.
- Other Governance Issues - These constitute other areas of governance which the Audit Committee needs to keep under review.

2.5 During the year the Audit Committee also had a Monitoring of Audit Investigations Sub-Committee which received reports on the activity the council is taking in order to combat fraud, its participation in national anti-fraud activities, and on the nature and outcome of investigations taking place within the council.

2.6 During the year the Terms of Reference for the Audit Committee were reviewed and it was confirmed that they still accord with the guidance provided in the Chartered Institute of Public Finance and Accountancy (CIPFA) Audit Committees – Practical Guidance for Local Authorities 2013 Edition:

2.7 Key areas of business reviewed by the Committee during the year, were as follows:

Meeting	Activity
14 July 2014	Draft Statement of Accounts Annual Governance Statement Corporate Risk Register Audit Committee Annual Report Annual Internal Audit Report Annual Review of the Effectiveness of Internal Audit Internal Audit Report – Performance Appraisal Scheme CIPFA Audit Committee Update Payment Transparency
22 September 2014	Audited Statement of Accounts External Audit ISA 260 Report External Audit – Financial Resilience Report Budget Update and Review Independent Review of the Process for the Medium Term Financial Strategy Strategic Risk Register and Assurance Map Internal Audit Charter Internal Audit Report on Agresso Internal Audit Update Internal Audit Staffing Arrangements CIPFA Audit Committee Update Payment Transparency
15 December 2014	External Audit Annual Letter Budget Update and Review Annual Governance Statement Update Strategic Risk Register and Assurance Map Internal Audit Update Payment Transparency Review of Fraud Related Policies and Procedures Benefits Fraud Sanctions
9 March 2015	External Audit Plan Annual Certification Report Strategic Risk Register and Assurance Map Internal Audit Update

	Internal Audit Plan Payment Transparency Secondary School Balances Statement of Accounts Progress Appointment of External Auditor Audit Committee – Terms of Reference Audit Committee – Self Assessment of Good Practice and Effectiveness Procurement Cards – Briefing Note
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2.8 The Committee believes its key achievements during the year were:

- Providing assurance through a process of independent review and challenge.
- Raising the profile of internal control issues across the council and of the need to ensure that audit recommendations are implemented.
- Regular consideration and review of the risks that the council faces, through the strategic risk register and accompanying assurance map.
- Maintaining a good working relationship with the council's internal and external auditors.
- Maintaining an awareness of the likely changes to the appointment of external auditors through the Local Audit and Accountability Act, and noting that in 2015/16 the council will have new external auditors (Grant Thornton).
- Building the skills and knowledge of Committee members through regular technical updates and the consideration of related guidance issued by CIPFA.
- The continued presence of two independent members in order to broaden the Committee's experience and independent view point.
- Having a dedicated Sub-Committee in order to focus on the actions being taken to combat fraud.
- Commencing a self-assessment of good practice and effectiveness exercise.

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

3.1 The Audit committee work programme for 2015/16 will continue to be developed and presented at each meeting of the Audit Committee.

### **4.0 Financial implications**

4.1 There are no financial implications arising from the recommendation in this report (GE/18062015/O).

### **5.0 Legal implications**

5.1 There are no legal implications arising from the recommendation in this report (RB0/17062015/G).



**6.0 Equalities implications**

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

**7.0 Environmental implications**

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

**8.0 Human resources implications**

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

**9.0 Corporate landlord implications**

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

**10.0 Schedule of background papers - None**

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# Audit Committee

6 July 2015

<b>Report title</b>	Annual Review of the Effectiveness of Internal Audit	
<b>Cabinet member with lead responsibility</b>	Councillor Andrew Johnson Resources	
<b>Accountable director</b>	Mark Taylor, Finance	
<b>Originating service</b>	Audit	
<b>Accountable employee(s)</b>	Peter Farrow Tel Email	Head of Audit 01902 554460 <a href="mailto:peter.farrow@wolverhampton.gov.uk">peter.farrow@wolverhampton.gov.uk</a>
<b>Report to be/has been considered by</b>	Not applicable	

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## Recommendation(s) for action or decision:

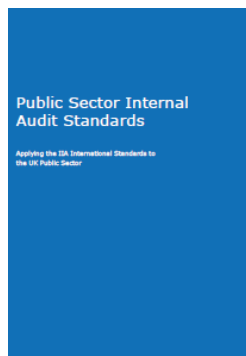
The Committee is recommended to:

1. Approve the annual review of the effectiveness of internal audit in order to discharge their responsibility under Regulation 6 of the Accounts and Audit Regulations 2011, where “the relevant body shall, at least once in each year, conduct a review of the effectiveness of internal audit”.

## 1.0 Purpose

- 1.1 This report provides the Committee with sources of information and measures in place in order to assist in being able to reach a conclusion on the adequacy and effectiveness of the Internal Audit Service.
- 1.2 The definition of internal audit, as described in the Public Sector Internal Audit Standards, is set out below:

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.



- 1.2 The Accounts and Audit Regulations 2011 state that the relevant body must “maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”. For local authorities the proper internal control practices for internal audit are those contained within the Public Sector Internal Audit Standards.
- 1.3 At paragraph 6 the regulations also state that “the relevant body shall, at least once in each year, conduct a review of the effectiveness of internal audit” The regulations go on to say that the findings of this review be considered by a committee of the relevant body, or by the members of the relevant body as whole, as part of the wider consideration of the system of internal control. At the council, the Audit Committee perform this role.

## 2.0 Background

- 2.1 The council's arrangements for Internal Audit are contained within the Constitution, which states that “The Section 151 Officer shall ensure that an adequate and effective internal audit of all council activities is carried out in accordance with the most recent CIPFA Statements on Internal Audit Practice and relevant legislation.”
- 2.2 Throughout 2014/15 Internal Audit followed the Public Sector Internal Audit Standards, which cover both attribute and performance standards.
- 2.3 In reviewing the effectiveness of internal audit, the following have been taken into consideration:
- The process by which the control environment and key controls have been identified.
  - The process by which assurance has been gained over controls.

- The adequacy and effectiveness of the remedial action taken where there are deficits in controls.
- The operation of the Audit Committee and the internal audit function to current codes and standards.
- An assessment against the five principles contained in the CIPFA document “The Role of the Head of Internal Audit”.

Further details on each of these are detailed below.

#### 2.4 The process by which the control environment and key controls have been identified

The control environment and key controls of the council are identified through the risk management system. Risks to the achievement of the council’s priorities are identified and mitigated within the control environment through risk management, with risk registers at various levels across the council, including the Strategic Risk Register which is regularly presented to the Audit Committee.

#### 2.5 The process by which assurance has been gained over controls

Assurance is gained over controls through a number of sources including the work of Internal and External Audit (currently PwC, but from 2015/16 this will be Grant Thornton). Internal Audit produce a risk based Internal Audit Plan, which is driven by the risks the council faces. They also report progress on the delivery of this plan on a quarterly basis to the Audit Committee, and for 2014/15 produced an Annual Internal Audit Report, which gave the following opinion:

*“Based on the work undertaken during the year, the implementation by management of the recommendations made and the assurance made available to the council by other providers as well as directly by Internal Audit, Internal Audit can provide reasonable assurance that the council has adequate and effective governance, risk management and internal control processes”.*

As indicated above, the Strategic Risk Register is also regularly presented to the Audit Committee. When presented it is accompanied by an Assurance Map based on the three lines of defence model.

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

The three lines of defence model

## 2.6 The adequacy and effectiveness of the remedial action taken where there are deficits in controls

Where deficits in internal control are identified, both Internal and External Audit will make recommendations that are entered onto an action plan. Management are then responsible for identifying what remedial action will be undertaken, who by and by when. Internal Audit will then follow up all key recommendations and report back on any significant non-compliance to the Audit Committee.

## 2.7 The operation of the Audit Committee and the internal audit function to current codes and standards

### Internal Audit

In reviewing the internal audit function, the following have been taken into consideration:

- The Quality and Improvement Programme for internal audit - during the year, the internal audit activity has followed this programme and there have been no significant areas of non-conformance or deviations from the standards as set out in the Public Sector Internal Audit Standards.
- The ongoing views of the Audit Committee.
- The external auditor comments from their latest Annual External Audit Reports.
- The internal audit self-assessment checklist included in the CIPFA Application Note that accompanies the Public Sector Internal Audit Standards.
- Ongoing dialogue held with key officers throughout the council on the role internal audit plays.
- An annual review by the Audit Committee of the Internal Audit Charter
- An in-year review of the staffing arrangements within Internal Audit, by the Audit Committee.
- Internal Audit also seeks feedback from each audit they undertake by providing a service quality questionnaire for the auditee to complete and return. Feedback from these has been positive throughout the year, and further details can be provided upon request.
- Finally a series of Internal Audit effectiveness measures have been agreed by the Audit Committee, and good progress has been made against these and is reported in more detail in the Annual Internal Audit Report.

### Audit Committee

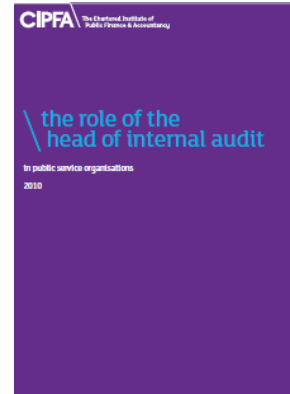
The Audit Committee operate within a Terms of Reference based on the model provided by CIPFA in their Audit Committees – Practical Guidance for Local Authorities 2013 edition. The Terms of Reference were also reviewed in-year by the Audit Committee, and found to remain fit for purpose.



## Assessment of the five principles contained in CIPFA's "Role of the Head of Internal Audit in public service organisations"

This document includes five principles for the Head of Internal Audit:

- Championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments.
- Giving an objective and evidence based opinion on all aspects of governance, risk management and internal control.
- Must be a senior manager with regular and open engagement across the organisation, particularly with the Leadership Team and the Audit Committee.
- Must lead and direct an internal audit service that is resourced to be fit for purpose.
- Must be professionally qualified and suitably experienced.



Underpinning each of the above five principles in the CIPFA document is a series of governance requirements, core responsibilities and personal skills and professional standards. As part of this review the current arrangements have been assessed against these requirements and found to be in compliance.

### 2.8 The Council's Head of Internal Audit's background and experience

The Head of Audit is a qualified accountant (FCCA) and also has the following experience:

- Executive Board member and Treasurer for the National Anti-Fraud Network (NAFN)
- Former Chair and a current member of the Organising Committee for the CIPFA in the Midlands Audit Training Seminars (CATS)
- Chair of the Audit Committee and Governor at an FE college
- A regular speaker on internal audit matters for a number of organisations, including CIPFA and the Chartered Institute of Internal Auditors (CIIA)

The post is a shared service role as part of an arrangement with Sandwell MBC, and the current Head of Audit throughout 2014/15 acted in a similar role for a number of Midlands based public sector organisations, including Wolverhampton City Council, Sandwell Metropolitan Borough Council, the West Midlands Pension Fund and West Midlands Fire Service

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

3.1 The Internal Audit Service will continue to report back to the Audit Committee on all relevant control issues throughout the year.

### **4.0 Financial implications**

4.1 There are no financial implications arising from the recommendation in this report (GE/18062015/V).

### **5.0 Legal implications**

5.1 There are no legal implications arising from the recommendation in this report (RB/23062015/F).

### **6.0 Equalities implications**

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

### **7.0 Environmental implications**

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

### **8.0 Human resources implications**

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

### **9.0 Corporate landlord implications**

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

### **10.0 Schedule of background papers**

- Accounts and Audit Regulations (2011)
- Public Sector Internal Audit Standards and accompanying CIPFA local government application note
- CIPFA Role of the Head of Internal Audit in Public Service Organisations
- Audit Committees – Practical Guidance for Local Authorities 2013 Edition
- Wolverhampton City Council Constitution



# Audit Committee

6 July 2015

<b>Report title</b>	Strategic Risk Register and Strategic Assurance Map	
<b>Cabinet member with lead responsibility</b>	Councillor Andrew Johnson Resources	
<b>Accountable director</b>	Mark Taylor	
<b>Originating service</b>	Audit	
<b>Accountable employee(s)</b>	Peter Farrow Tel Email	Head of Audit 01902 554460 <a href="mailto:peter.farrow@wolverhampton.gov.uk">peter.farrow@wolverhampton.gov.uk</a>
	Narinder Phagura Tel Email	Strategic Risk Manager 01902 554580 <a href="mailto:narinder.phagura@wolverhampton.gov.uk">narinder.phagura@wolverhampton.gov.uk</a>
<b>Report has been considered by</b>	Strategic Executive Board	23 June 2015

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## Recommendations for noting:

The Committee is asked to note:

1. The strategic risk register at Appendix A
2. The reduction in the assessment of the following risks:
  - Risk 2- Skills for work
  - Risk 8- Business continuity management
  - Risk 10- Economic inclusion
  - Risk 14 – School improvement
  - Risk 15 – Emergency planning
3. The transfer of risk 6 – Compliance with the Public Services Network to the corporate services directorate risk register. In June 2015, the council received certification for the next 12 months. However, as there will be on-going work to do to remove legacy solutions and to upgrade systems to ensure future compliance it is proposed that this be overseen at an operational level rather than the strategic level.

4. The closure and removal of risk 18 – Elections from the strategic risk register.
5. That although some progress has been made in the mitigation of risk 17 – Employee Management since last reported, further actions are being implemented to ensure this risk is mitigated to an acceptable level. As a result the target date has been amended to reflect this.
6. The main sources of assurance available to the council against its strategic risks.

## 1.0 Purpose

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

## 2.0 Background

- 2.1 The council is no different to any organisation, and will always face risks in achieving its objectives. Sound risk management can be seen as the clear identification and management of such risks to an acceptable level.
- 2.2 The strategic risk register report was last presented to the Committee in March 2015. Since this time we have met with the risk owners in order to review and update the risks and risk management action plans.
- 2.3 The strategic risk register does not include all of the risks that the council faces. It represents the most significant risks that could potentially impact on the achievement of the corporate priorities. Other risks are captured within operational, programme, project or partnership risk registers in line with the council's corporate risk management framework and strategy.
- 2.4 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 June 2015. These risks are reviewed on an on-going basis and can be influenced by both external and internal factors and as such, may fluctuate over time.
- 2.5 Appendix B provides a summary of the council's strategic assurance map which follows the three lines of defence model (shown below). The assurance map details where the Committee can gain assurance against the strategic risks. This too is a live document and is updated alongside the monitoring and reviewing of the strategic risk register.

### The three lines of defence model:

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

## 3.0 Progress, options, discussion

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

#### **4.0 Financial implications**

4.1 There are no financial implications associated with the recommendations in this report as Councillors are only requested to note the strategic risk register summary. Financial implications may arise from the implementation of strategies employed to mitigate individual corporate risks, but these will be evaluated and reported separately if required (GE/19062015/U).

#### **5.0 Legal implications**

5.1 Although there may be some legal implications arising from the implementation of the strategies employed to mitigate individual strategic risks, there are no direct legal implications arising from this report (RB/22062015/A).

#### **6.0 Equalities implications**

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

#### **7.0 Environmental implications**

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

#### **8.0 Human resources implications**

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

#### **9.0 Corporate landlord implications**

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

#### **10.0 Schedule of background papers**


10.1 None


Red	1, 2, 4, 11, 12,
Amber	3, 6, 7, 8, 9, 10, 14, 15, 16, 17, 19


Summary Strategic Risk Register @ June 2015


<b>Corporate priorities</b>	<ul style="list-style-type: none"> <li>Encouraging new business</li> </ul>	<ul style="list-style-type: none"> <li>Empowering People and Communities</li> </ul>	<ul style="list-style-type: none"> <li>Re-Invigorating the City</li> </ul>	<ul style="list-style-type: none"> <li>Confident, Capable Council</li> </ul>
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The following are / were the strategic risks assessed as high/medium (10 +) that the Council faces in delivering its corporate priorities


Risk ref	Risk title and description	Previous score (Feb 2015)	Direction of travel	Current score (June 2015)	Target score and date	Comment																																													
1 01/14  Page 77	<p><b>Looked After Children (LAC)</b> If the number of LAC is not reduced this may result in an increase in costs, budget overspends and an increased demand on children's services.</p> <p>Risk owner: Linda Sanders (Emma Bennett) Cabinet Member: Cllr Val Gibson</p> <table border="1"> <tr> <td rowspan="5">Likelihood</td> <td>5</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>4</td> <td></td> <td></td> <td></td> <td></td> <td>20</td> </tr> <tr> <td>3</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>2</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>1</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td colspan="6">Impact</td> </tr> </table>	Likelihood	5						4					20	3						2						1								1	2	3	4	5		Impact						20 <b>Red</b>		20 <b>Red</b>	15 <b>Red</b> March 2016	<p>The risk continues to be managed through the multi-agency strategic Families r First programme, with the principles of supporting children to live safely with their families, where possible. The objective of the programme is to reduce the cost of LAC primarily by reducing the numbers of LAC but also by looking at the costs of LAC placements. LAC numbers continue to be stable at 775. The actions taken to mitigate the risk include:</p> <ul style="list-style-type: none"> <li>Monthly progress meetings with the Director of Finance, to enable financial oversight of the budget.</li> <li>A financial projections plan is in place to identify cohorts of children predicted to leave care by March 2016. The numbers targeted are 141 with an associated savings cost of £800,000. However this target does not include any new children becoming looked after. To balance this off, there is a net target which the programme is working to of achieving 10 children leaving care each month until March 2016.</li> <li>A crisis response team is being developed to address out of hours concerns with the aim of preventing children becoming LAC.</li> <li>All LAC are regularly monitored and tracked to progress leaving care plans.</li> <li>A continuous campaign for the recruitment of foster carers.</li> </ul> <p>As a result of the current high numbers and the associated cost, the risk remains red.</p>
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Risk ref	Risk title and description	Previous score (Feb 2015)	Direction of travel	Current score (June 2015)	Target score and date	Comment																																												
2 01/14	<p><b>Skills for Work</b></p> <p>If the city residents do not have the appropriate skills that employers require then they will be unable to access the jobs and opportunities available resulting in high rates of unemployment and increased demand on Council services.</p> <p>Risk owner: Tim Johnson Cabinet Member: Cllr John Reynolds</p> <table border="1"> <tr> <td rowspan="6">Likelihood</td> <td>5</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>4</td> <td></td> <td></td> <td></td> <td></td> <td>20</td> </tr> <tr> <td>3</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>2</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>1</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td colspan="7">Impact</td> </tr> </table>	Likelihood	5						4					20	3						2						1							1	2	3	4	5	Impact							20 <b>Red</b>		15 <b>Red</b>	10 <b>Amber</b> March 2017	<p>Progress made in the management of this risk continues to be overseen by the Wolverhampton Skills and Employment Board which is represented by partners from the college, university, Council and major employers in the City. The reduction in the risk score reflects the actions that have been taken to date which include:</p> <p>The completion of the review by the Enterprise and Business Scrutiny Panel, into “employability and skills in Wolverhampton” which was previously reported has now been completed. The Review’s conclusions and recommendations were presented to Cabinet in March 2015. The Review found that a significant amount of good work is already being delivered across the city and the challenge for the Council is to ensure that the initiatives in place are appropriately targeted, coordinated and supported.</p> <p>The review identified a series of headline recommendations which the Council and its partners should focus on which fall under the themes of:</p> <ul style="list-style-type: none"> <li>• Partnership working</li> <li>• Skills and pathways</li> <li>• Business and enterprise</li> <li>• Resources</li> </ul> <p>The findings of the Review have also informed the work of the Wolverhampton Skills and Employment Commission, which has been tasked with finding solutions aimed at improving the city’s prospects for sustainable, long-term economic growth and prosperity.</p> <p>The Commission discussed its interim findings with the City Board in March 2015 and an action plan is being developed and will be shared with stakeholders. The action plan will be monitored by the City Board.</p>
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3 01/14	<p><b>Information Governance (IG)</b></p> <p>If the Council does not put in place appropriate policies, procedures and technologies to ensure:</p> <ul style="list-style-type: none"> <li>that the handling and protection of its data is undertaken in a secure manner and consistent with the provision of the Data Protection Act 1998;</li> <li>compliance with the Freedom of Information Act and Environmental Information Regulations</li> </ul> <p>then it may be subject to regulatory action, financial penalties, reputational damage and the loss of confidential information.</p> <p>Risk owner: Kevin O' Keefe Cabinet Member: Cllr Paul Sweet</p> <table border="1"> <tr> <td rowspan="6">Likelihood</td> <td>5</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>4</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>3</td> <td></td> <td></td> <td>12</td> <td></td> <td></td> </tr> <tr> <td>2</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>1</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td colspan="7">Impact</td> </tr> </table>	Likelihood	5						4						3			12			2						1							1	2	3	4	5	Impact							12 <b>Amber</b>		12 <b>Amber</b>	8 <b>Amber</b> March 2016	<p>This risk continues to be monitored by the Information Governance Board. Since last reported, the following actions have been taken in the mitigation of this risk:</p> <ul style="list-style-type: none"> <li>An automated IT solution for protective marking documents is being rolled out across the Council.</li> <li>The development of a draft information risk register was considered by the Board at its meetings in March and May 2015. The Board has responsibility for overseeing the implementation of the mitigating actions and the management of these risks. The Board also considered how to ensure actions relating to information incidents were being implemented.</li> <li>Performance in responding to Freedom of Information (FOI) requests continues to be high, and as a result of the temporary resources employed to deal with Subject Access Requests (SARs), there has been an improvement in this area too.</li> <li>The Information Governance Toolkit was submitted to the Department of Health and was achieved in March 2015. This allows the Council to securely access and share data held on NHS systems which is essential to the effective delivery of the Better Care Fund.</li> </ul> <p>Further actions that are planned for that will reduce this further have been incorporated into the Information Governance Framework for 2015-17 which was presented to and approved by the Executive Team on 3 June 2015 and will be considered by Cabinet (Resources) Panel on 28 July 2015. This includes:</p> <ul style="list-style-type: none"> <li>A review of all IG policies and procedures to ensure they remain aligned to best practice.</li> <li>The introduction of further efficient administration processes to support the FOI request and SARs function.</li> <li>Championing the use of the Information Sharing Framework.</li> <li>A review of how the Council is meeting and sustaining requirements around information security and ensuring that processes are fit for purpose.</li> <li>The development of a strategy linked to the IG toolkit that ensures that the council has the quality of data in place to meet statutory requirements for data protection and freedom of information.</li> </ul>
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4 01/14	<p><b>Medium Term Financial Strategy</b></p> <p>If the Council is unable to agree and operate within its medium term financial strategy (MTFS) this may exhaust reserves, result in the potential loss of democratic control and the inability of the Council to deliver essential services and discharge its statutory duties.</p> <p>Risk owner: Keith Ireland Cabinet Member: Cllr Andrew Johnson</p> <table border="1"> <tr> <td rowspan="6">Likelihood</td> <td>5</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>4</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>3</td> <td></td> <td></td> <td></td> <td></td> <td>15</td> </tr> <tr> <td>2</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>1</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td colspan="7">Impact</td> </tr> </table>	Likelihood	5						4						3					15	2						1							1	2	3	4	5	Impact							15 <b>Red</b>		15 <b>Red</b>	15 <b>Red</b>	<p>The results of the 2015/16 budget consultation, the updated position of the MTFS and a summary of the risk register were presented to Cabinet on 25 February 2015. The MTFS shows that</p> <ul style="list-style-type: none"> <li>Recasting the projected budget challenge to include pressures that we have become aware of during the last year has resulted in the budget challenge increasing from £123 million to £134 million over the period 2014/15 to 2018/19.</li> <li>Having identified £87.8 million of savings, a forecast budget challenge of £46.3 million remains for the four year period from 2015/16 to 2018/19. The increase is largely due to the rising costs of Looked After Children, pay and pension costs, and continuing Government grant cuts.</li> <li>The 2014/15 outturn shows a projected outturn for the General Fund with a net £5 million overspend, which is largely attributable to Looked After Children.</li> </ul> <p>As a result of the above, steps to manage this risk include:</p> <ul style="list-style-type: none"> <li>Significant work has been undertaken to identify additional savings to address the projected 2016/17 deficit of £14.8 million. Proposed savings will be presented to Cabinet on 22 July 2015.</li> <li>A new Social Care Savings Board, chaired by the Director of Finance has been established to monitor the delivery of savings previously identified.</li> <li>Expenditure since October 2014 continues to be tightly controlled in order to minimise any overspend. The outturn position for 2014/15 will be reported to Cabinet on 22 July 2015.</li> <li>Assumptions over the MTFS continue to be adjusted based upon the most up to date information available.</li> <li>An internal audit review of the assumptions made in compiling the MTFS is taking place, as part of the recommendations made in the independent report on the Strategy which was carried out in 2014.</li> </ul> <p>The assessment for the medium term remains red as there continues to be significant financial challenge, uncertainty and risk for the Council.</p>
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7 01/14	<p><b>Safeguarding</b></p> <p>If the Council's safeguarding procedures and quality assurance processes are not consistently and effectively implemented then it will fail to safeguard children and vulnerable adults and lead to reputational damage.</p> <p>Risk owner: Linda Sanders (Ros Jervis) Cabinet Member: Cllr Val Gibson and Cllr Elias Mattu</p> <table border="1"> <tr> <td rowspan="5">Likelihood</td> <td>5</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>4</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>3</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>2</td> <td></td> <td></td> <td></td> <td></td> <td>10</td> </tr> <tr> <td>1</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td></td> <td colspan="5">Impact</td> </tr> </table>	Likelihood	5						4						3						2					10	1								1	2	3	4	5			Impact					10 <b>Amber</b>		10 <b>Amber</b>	5 <b>Amber</b> Next Ofsted inspection	<p>This risk continues to be overseen by the children's and adult's local safeguarding boards.</p> <p>The improvement plans from the 2013 safeguarding peer reviews continue to be monitored by the "People" leadership team. As part of the preparations for an Ofsted inspection, all areas previously identified as requiring improvement have been addressed. Other key actions in the management of this risk include:</p> <ul style="list-style-type: none"> <li>The delivery of safeguarding training to Councillors with new councillors receiving training on 18 June 2015.</li> <li>Quarterly safeguarding challenge meetings involving the Leader of the Council, Managing Director, Strategic Director, the service director and the Head of Safeguarding Service (HoSS).</li> <li>The roll out of a mandatory programme of training across the Council's workforce to increase awareness of safeguarding and prevailing issues such as child sexual exploitation (CSE). Completion of this is overseen by the workforce development team and an update report detailing the level of completion will be provided to the HoSS in July 2015.</li> <li>The Section 11 (of the Children's Act 2004) online audit noted there were no areas of significant weakness.</li> <li>The introduction of monthly safeguarding case file audits, where learning from this is disseminated to inform practice improvement.</li> <li>The Quality Assurance Frameworks (which has been developed for children's services and is being piloted for adult services) provides a platform to quality assure the actions implemented and establish whether the changes are being effectively embedded and contribute to service improvement.</li> <li>CSE multi agency sexual exploitation meetings continue to be held with children and their families, with agreed care plans put in place, where a risk of exploitation has been identified.</li> <li>In terms of the Council's role in ensuring safeguarding in schools, the appointment of a school's safeguarding officer has been completed and will commence in September 2015. This will provide assurance on compliance with "Keeping Children Safe in Education". In terms of previous concerns in respect of the satisfactory submission of s175 returns, a report to the safeguarding board in September will confirm 100% of returns being submitted.</li> </ul>
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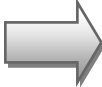
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8 01/14	<p><b>Business Continuity Management (BCM)</b></p> <p>Failure to develop, exercise and review plans and capabilities that seek to maintain the continuity of critical functions in the event of an emergency that disrupts the delivery of Council services.</p> <p>Risk owner: Linda Sanders (Ros Jervis) Cabinet Member: Cllr Sandra Samuels</p> <table border="1"> <tr> <td rowspan="6">Likelihood</td> <td>5</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>4</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>3</td> <td></td> <td></td> <td></td> <td></td> <td>15</td> </tr> <tr> <td>2</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>1</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td colspan="7">Impact</td> </tr> </table>	Likelihood	5						4						3					15	2						1							1	2	3	4	5	Impact							15 <b>Red</b>		10 <b>Amber</b>	8 <b>Amber</b> June 2016	<p>This risk continues to be managed and monitored by the Wolverhampton Resilience Board.</p> <p>The risk has reduced as a result of the actions taken to date which include:</p> <ul style="list-style-type: none"> <li>The approval by SEB of the business continuity policy.</li> <li>The major incident control room has been established which will allow the Council to respond to a no notice disruptive incident.</li> <li>The "priority one" services have been approved by the Strategic Executive Board and are being updated to take account of recent changes to the council's structure.</li> <li>A new draft of the Council Business Continuity Plan is being presented to the Resilience Board at the end of June.</li> <li>A browser based incident management system has been developed and officers are receiving training in its use to develop continuity plans for the priority one services in the first instance.</li> </ul> <p>The plans will be developed using an IT based tool which in due course will be linked into the Council's new Agresso system and will allow automatic alerts to be flagged up to service leads to review and update their plans each time there is a relevant change to employee details (for example, leavers, restructures) or to the Council's property portfolio.</p> <p>:</p>
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10 01/14	<p><b>Economic Inclusion</b></p> <p>If the Council and its partners do not work effectively together to promote and enable growth then the risk of economic exclusion will materialise and demand for Council services will continue to increase.</p> <p>Risk owner: Tim Johnson (Keren Jones) Cabinet Member: Cllr John Reynolds</p> <table border="1"> <tr> <td rowspan="6">Likelihood</td> <td>5</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>4</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>3</td> <td></td> <td></td> <td></td> <td>12</td> <td></td> </tr> <tr> <td>2</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>1</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td colspan="5">Impact</td> </tr> </table>	Likelihood	5						4						3				12		2						1							1	2	3	4	5		Impact					16 <b>Red</b>		12 <b>Amber</b>	8 <b>Amber</b> September 2017	<p>The measures to successfully manage this risk continue to be in place as noted below and have resulted in a reduction in this risk.</p> <ul style="list-style-type: none"> <li>The new City Board partnership structure is now well established, with the Economic Growth Board focused on promoting the city for investment and support to existing business, whilst the Inclusion Board is focusing on tackling unemployment, economic inactivity and the wider barriers for economic inclusion. This also includes working in partnership to reduce any negative impact as Universal Credit is rolled out. The Council's new economic inclusion team has also been established to work intensively with the Department for Work and Pensions and other partners to support the city's most deprived communities.</li> <li>The City Conference programme provides a local platform for showcasing and promoting the City and highlighting its plans and ambitions. This includes the Business Week (in the Autumn), the Working Well week (in the Spring) which draws together all of the support that exists across the City, to assist local people to obtain training and work; and the Cultural Week (which is being held in the Summer).</li> <li>Activity taking place as part of the projects within the Black Country Growth Deal will contribute to the safeguarding and creation of new job opportunities. The strategic development of Wolverhampton City College and specialist training opportunities through the Construction Industry Training Board and the Elite Centre is also contributing to the management of this risk.</li> <li>The continuation of strategies employed by the Council to attract key companies and businesses to the area e.g. Wiggle who is working with the council to fill 140 job vacancies.</li> <li>The partnership with Staffordshire Council also continues to ensure that the City continues to benefit from Jaguar Land Rover and other inward investment into the i54 strategic growth and employment area.</li> <li>The council and its partners are also active in the development and submission of bids for funding under the EU Strategic Investment Fund Programme for 2014 -2020.</li> </ul>
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11 01/14	<p><b>The Care Act</b></p> <p>If the Council does not have robust plans in place to implement the Care Act including:</p> <ul style="list-style-type: none"> <li>• appropriate governance arrangements,</li> <li>• appropriate project management arrangements</li> <li>• sufficient financial resources</li> <li>• sufficient workforce capability and capacity</li> <li>• effective information systems</li> </ul> <p>then it will fail to meet its new responsibilities and discharge its statutory obligations.</p> <p>Risk owner: Linda Sanders (Tony Ivko) Cabinet Member: Cllr Elias Mattu</p> <table border="1" data-bbox="219 788 669 1139"> <tr> <td rowspan="6" style="writing-mode: vertical-rl; transform: rotate(180deg);">Likelihood</td> <td>5</td> <td style="background-color: yellow;"></td> <td style="background-color: yellow;"></td> <td style="background-color: red;"></td> <td style="background-color: red;"></td> <td style="background-color: red;"></td> </tr> <tr> <td>4</td> <td style="background-color: yellow;"></td> <td style="background-color: yellow;"></td> <td style="background-color: yellow;"></td> <td style="background-color: red;"></td> <td style="background-color: red;"></td> </tr> <tr> <td>3</td> <td style="background-color: lightgreen;"></td> <td style="background-color: yellow;"></td> <td style="background-color: yellow;"></td> <td style="background-color: yellow;"></td> <td style="background-color: red; text-align: center;">15</td> </tr> <tr> <td>2</td> <td style="background-color: lightgreen;"></td> <td style="background-color: lightgreen;"></td> <td style="background-color: yellow;"></td> <td style="background-color: yellow;"></td> <td style="background-color: yellow;"></td> </tr> <tr> <td>1</td> <td style="background-color: lightgreen;"></td> <td style="background-color: lightgreen;"></td> <td style="background-color: lightgreen;"></td> <td style="background-color: yellow;"></td> <td style="background-color: yellow;"></td> </tr> <tr> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td colspan="5" style="text-align: center;">Impact</td> </tr> </table>	Likelihood	5						4						3					15	2						1							1	2	3	4	5		Impact					15 <b>Red</b>		15 <b>Red</b>	10 <b>Amber</b> April 2016	<p>Since last reported, the Council has successfully implemented the first phase of the Care Act from 1 April 2015. Prior to implementation the January 2015 update provided by the Council to the Local Government Association (Care Act Stocktake 3) reported that the Council is on track with its plans to deliver the necessary changes arising from the Care Act in both 2015/16 and in 2016/17.</p> <p>Since implementation, a further update (Care Act Stocktake 4) is being collated and is due for submission in June. The focus of this stocktake is primarily to begin to inform a collective understanding about any changes in demand and to consider the high priority issues and specific metrics to inform the Spending Review.</p> <p>The programme issues and risk register which captures the risks associated with the successful implementation of the Act, continues to show key risks in the following areas:</p> <ul style="list-style-type: none"> <li>• Finance - changes imposed by the Care Act in respect of the upper capital threshold limit and the introduction of the care cap - will result in unavoidable additional expenditure to meet care and support needs in the city. This risk will need to be mitigated through the development of a structured, city wide prevention agenda.</li> <li>• Capacity of staffing resources to carry out the required level of assessments may become increasingly significant.</li> <li>• System developments – limited resourcing in the Corporate ICTS social care systems team have impacted on some of the system developments including CareFirst and the funding reform / care account system requirements.</li> </ul> <p>As a result of the above, although the Council has managed the risk to implement the Care Act from 1 April 2015, the focus of the risk is now to ensure the estimates that have been made remain valid and that the second phase of implementation from 1 April 2016 is successfully implemented.</p>
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12 01/14	<p><b>Better Care Fund (BCF)</b></p> <p>If the Council and its partners fail to deliver the improved outcomes required by the Better Care Fund, demand on acute services will not be reduced, the reward money will not be received and the Council will not receive the additional resources promised by the Better Care Fund.</p> <p>Risk owner: Linda Sanders Cabinet Member: Cllr Elias Mattu</p> <table border="1"> <tr> <td rowspan="6">Likelihood</td> <td>5</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>4</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>3</td> <td></td> <td></td> <td></td> <td></td> <td>15</td> </tr> <tr> <td>2</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>1</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td colspan="7">Impact</td> </tr> </table>	Likelihood	5						4						3					15	2						1							1	2	3	4	5	Impact							15 <b>Red</b>		15 <b>Red</b>	10 <b>Amber</b> October 2015	<p>The Better Care Fund is an integrated pooled budget which provides an opportunity to support health and social care to work together in local areas based on a jointly agreed Better Care Plan.</p> <p>The Plan sets out how the fund is to be used to achieve the agreed outcomes and is being managed as a programme with a jointly appointed programme manager, which is overseen by the Health and Well Being Board. It includes four work streams, as follows :</p> <ul style="list-style-type: none"> <li>• Primary and community care</li> <li>• Intermediate care</li> <li>• Mental health</li> <li>• Dementia care</li> </ul> <p>Since last reported, actions taken to manage this risk include:</p> <ul style="list-style-type: none"> <li>• The introduction of revised governance arrangements as the programme has moved from planning stage to the delivery phase. The arrangements now include a programme board which meets monthly and reports to the Health and Well Being Board.</li> <li>• Each of the work streams have a designated senior responsible officer (SRO) to ensure effective delivery of milestones and plans. A SRO group meets fortnightly to report any exceptions and escalate matters for decision making to the programme board.</li> <li>• The s75 agreement has been signed by the Council and the CCG for 2015/16. The value of the pooled resources being managed under this agreement for 2015/16 is £66.6 million.</li> </ul> <p>The receipt of a proportion of the funding for 2015/16 totalling £1.6 million is dependent on meeting agreed performance targets, specifically the reduction in the number of non-elective emergency admissions by 3.5%. The CCG is required to withhold this money from the pooled resources until such time as delivery has been demonstrated.</p> <p>The risk will continue to be assessed until assurances are received over the achievement of successful outcomes for the residents of Wolverhampton.</p>
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14 01/14	<p><b>School Improvement</b></p> <p>If the Council does not provide</p>	15 <b>Red</b>		10 <b>Amber</b>	5 <b>Amber</b>	<p>The risk continues to be managed by the Head of School Standards who was appointed in September 2014.</p>																																												

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	<p>effective support, challenge and appropriate intervention to raise standards in schools and school governance, then the Council and these schools are at risk of underperforming, receiving inadequate Ofsted judgements and a potential loss of control and influence.</p> <p>Risk owner: Jim McElligott Cabinet Member: Cllr Claire Darke</p> <table border="1"> <tr> <td rowspan="6">Likelihood</td> <td>5</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>4</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>3</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>2</td> <td></td> <td></td> <td></td> <td></td> <td>10</td> </tr> <tr> <td>1</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td colspan="7">Impact</td> </tr> </table>	Likelihood	5						4						3						2					10	1							1	2	3	4	5	Impact										July 2016	<p>Since last reported, the following actions have been taken to assist in the reduction of this risk:</p> <ul style="list-style-type: none"> <li>The Wolverhampton 2014 School Improvement Strategy has continued to be implemented and is having an impact on the rapid improvements in school Ofsted outcomes.</li> <li>For 2015/16 the Council's Local Education Partnership Board-Inspire has agreed to fund the development of a new accredited programme of training and support that transforms the leadership of Wolverhampton schools. The programme runs parallel to the Council's School Improvement and Governance Strategy for three years providing positive outcomes can be demonstrated and evidenced after the first year of the programme.</li> </ul> <p>In addition to Ofsted reviews, assurance on the effectiveness of the above strategies is provided through audits and reviews carried out by school support advisors, who report their findings to the school's Improvement Board and where appropriate escalate issues to the Director of Education.</p> <p>In terms of the performance of Academies in the City, the Council has continued with its programme of carrying out desk top analysis and where concerns are identified these are escalated to the Regional Schools Commissioner and the Secretary of State.</p> <p>Further measures to mitigate the risk further include:</p> <ul style="list-style-type: none"> <li>Regular review of the Leadership Transformation Programme to ensure it is having the required impact.</li> <li>A review and refresh of the headteachers' briefing.</li> <li>Regular reviews of the governing bodies' performance on a termly basis.</li> </ul>
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16 01/14	<p><b>Equal Pay</b></p> <p>Significant equal pay liabilities have been dealt with over recent years. However, equal pay will remain a potentially significant risk until:</p>	12 <b>Amber</b>		12 <b>Amber</b>	8 <b>Amber</b> March 2016	<p>This risk continues to be managed by the Equal Pay Project Group, which is chaired by the Director of Finance and has representation from Audit, Legal and HR services.</p> <p>The risk has two strands and relates to:</p> <ul style="list-style-type: none"> <li>Second generation claims which involve additional claims made</li> </ul>																																												

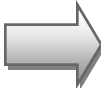


Risk ref	Risk title and description	Previous score (Feb 2015)	Direction of travel	Current score (June 2015)	Target score and date	Comment																																												
	<ul style="list-style-type: none"> <li>the second generation claims, from trade union members, have been dealt with.</li> <li>six years after the implementation of single status, until that time "Abdullah" type claims can still be brought.</li> </ul> <p>Risk owner: Mark Taylor Cabinet Member: Cllr Paul Sweet</p> <table border="1"> <tr> <td rowspan="6">Likelihood</td> <td>5</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>4</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>3</td> <td></td> <td></td> <td>12</td> <td></td> <td></td> </tr> <tr> <td>2</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>1</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td colspan="7">Impact</td> </tr> </table>	Likelihood	5						4						3			12			2						1							1	2	3	4	5	Impact											<p>by claimants who had their original equal pay claim settled in 2007/08 on the basis that single status would be implemented by the Council within a year of this time. However delays encountered meant that single status was not implemented until April 2013.</p> <ul style="list-style-type: none"> <li>The Abdullah type claims which have been brought by employees following a Supreme Court ruling which allows claimants to bring equal pay claims for up to six years after the termination of their employment (as opposed to the previous case where the time limit for presenting an equal pay claim to an employment tribunal was, in the majority of cases, six months from the end of employment. In the Council's case therefore, despite the level of risk reducing with time, and there not being any recent activity evidencing additional claims being brought, equal pay claims may continue to be brought until March 2019 when six years will have lapsed from the implementation of single status.</li> </ul> <p>In terms of managing the risk, the Council has set aside an equal pay reserve to deal with any such claims, which is audited independently by the Council's external auditors as part of the Statement of Accounts.</p>
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19 02/15	<p><b>Combined Authority</b></p> <p>If the Council does not effectively engage with partners in the consideration of the formation of a Combined Authority, ensuring sufficient and appropriate resources are assigned to progress, manage and provide assurances to partners on the</p>	12 <b>Amber</b>		12 <b>Amber</b>	8 <b>Amber</b> April 2016	<p>In November 2014, council leaders from the Black Country and Birmingham agreed to put forward proposals to government to work together through the formation of a Combined Authority (CA). Since this time, both Solihull Council and Coventry City Council have been involved in these discussions and recently both councils have voted to support and join the CA proposal. The main aim of the proposal is to attract additional funding from central government to drive growth, create jobs and improve local skills, thereby bringing prosperity to the</p>																																												





Risk ref	Risk title and description	Previous score (Feb 2015)	Direction of travel	Current score (June 2015)	Target score and date	Comment																																													
	<p>programme and any work streams, then the Council's objectives in respect of growth in the regional economy, employment and skills, business investment and regeneration may not be fully realised.</p> <p>Risk owner: Keith Ireland Cabinet Member: Cllr Roger Lawrence</p> <table border="1" data-bbox="219 517 669 866"> <tr> <td rowspan="5" style="writing-mode: vertical-rl; transform: rotate(180deg);">Likelihood</td> <td>5</td> <td style="background-color: yellow;"></td> <td style="background-color: yellow;"></td> <td style="background-color: red;"></td> <td style="background-color: red;"></td> <td style="background-color: red;"></td> </tr> <tr> <td>4</td> <td style="background-color: yellow;"></td> <td style="background-color: yellow;"></td> <td style="background-color: yellow;"></td> <td style="background-color: red;"></td> <td style="background-color: red;"></td> </tr> <tr> <td>3</td> <td style="background-color: lightgreen;"></td> <td style="background-color: yellow;"></td> <td style="background-color: yellow;"></td> <td style="background-color: yellow; text-align: center;">12</td> <td style="background-color: red;"></td> </tr> <tr> <td>2</td> <td style="background-color: lightgreen;"></td> <td style="background-color: lightgreen;"></td> <td style="background-color: yellow;"></td> <td style="background-color: yellow;"></td> <td style="background-color: yellow;"></td> </tr> <tr> <td>1</td> <td style="background-color: lightgreen;"></td> <td style="background-color: lightgreen;"></td> <td style="background-color: lightgreen;"></td> <td style="background-color: yellow;"></td> <td style="background-color: yellow;"></td> </tr> <tr> <td></td> <td></td> <td style="text-align: center;">1</td> <td style="text-align: center;">2</td> <td style="text-align: center;">3</td> <td style="text-align: center;">4</td> <td style="text-align: center;">5</td> </tr> <tr> <td></td> <td></td> <td colspan="5" style="text-align: center;">Impact</td> </tr> </table>	Likelihood	5						4						3				12		2						1								1	2	3	4	5			Impact									<p>West Midlands region.</p> <p>The Council is playing a pivotal role in shaping the proposed CA. The Leader is chairing regular Leaders' meetings to discuss and agree the vision and purpose of the CA, whilst the Managing Director is the programme director responsible for ensuring the work is delivered effectively, efficiently and to tight timescales. The programme team that's administering, driving forward and co-ordinating activity is also based at the Council. The agreed programme of work includes:</p> <ul style="list-style-type: none"> <li>• Work streams assigned to other councils in respect of communications; economic analysis, voting and balance.</li> <li>• Meetings taking place with other CAs, including Manchester, Sheffield and West Yorkshire to gain a clearer understanding of the work involved and to learn from their experiences.</li> <li>• The commissioning of consultants to provide specialist knowledge.</li> <li>• The development of a draft constitution.</li> <li>• The creation of a prospectus for the region.</li> <li>• The development of a programme risk register</li> </ul> <p>The programme recognises the tight timescales being worked to in order to have a draft scheme in place and consultation commencing by September 2015 with a view to obtaining approval for the potential CA in April 2016.</p> <p>The programme also recognises the need to have suitable proposals in place over the coming months for discussion with government, to ensure the 2015 Autumn comprehensive spending review takes account of a potential CA for the West Midlands region.</p> <p>Despite the recent announcements of Solihull and Coventry supporting the formation of a CA, other risks and issues remain including:</p> <ul style="list-style-type: none"> <li>• The geographical coverage of the CA as it will potentially include three Local Enterprise Partnerships (the Black Country LEP, the Greater Birmingham and Solihull LEP and the Coventry and Warwickshire LEP), two of which represent councils (such as Lichfield District Council and Warwickshire County Council) which are currently not signed up to the CA.</li> <li>• Discussions are also taking place over the government's preference for CAs to have an elected mayor.</li> <li>• The name of the CA may also prove a contentious point which could impact the efficient progress of the programme.</li> </ul>
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The following are/ were the medium/ low (assessed at less than 10) strategic risks that the Council faces in delivering its corporate priorities.

Risk ref	Risk title and description	Previous score (Feb 2015)	Direction of travel	Current score (June 2015)	Target score and date
6 01/14	<p><b>Compliance with Public Services Network (PSN)</b></p> <p>If the Council fails to achieve the required technology controls required for connection to PSN, and other similar information security regimes, then it will experience significant interruption to the delivery of its services.</p> <p>Risk owner: Keith Ireland / Andy Hoare Cabinet Member: Cllr Andrew Johnson</p>	5 <b>Amber</b>		5 <b>Amber</b>	Transferred to the corporate directorate risk register
9 01/14	<p><b>City Centre Regeneration</b></p> <p>If the city centre regeneration programme is not effectively managed in terms of project timings, costs and scope, then it will be unable to maximise opportunities including:</p> <ul style="list-style-type: none"> <li>• the attraction of private sector investment</li> <li>• the creation of space to accommodate new businesses and economic growth</li> <li>• the enhancement and creation of visitor attractions</li> <li>• the creation of well paid employment</li> <li>• retention of skilled workers</li> <li>• the creation of residential opportunities</li> <li>• a functioning city centre offer that serves the residents of the City</li> <li>• increased prosperity and</li> <li>• a reduced demand on Council services</li> </ul> <p>Risk owner: Tim Johnson Cabinet Member: Cllr Peter Bilson</p>	8 <b>Amber</b>		8 <b>Amber</b>	8 <b>Amber</b>
15 01/14	<p><b>Emergency Planning</b></p> <p>Failure to develop, exercise and review plans and capabilities for preventing, reducing, controlling or mitigating the effects of emergencies in both the response and recovery phases of major a incident.</p> <p>Risk owner: Linda Sanders (Ros Jervis) Cabinet Member: Cllr Roger Lawrence and Cllr Sandra Samuels</p>	9 <b>Amber</b>		6 <b>Amber</b>	4 <b>Amber</b> June 2016

Risk ref	Risk title and description	Previous score (Feb 2015)	Direction of travel	Current score (June 2015)	Target score and date
17 10/14	<p><b>Employee Management</b></p> <p>If policies dealing with employee management and in particular appraisals are not effectively implemented and complied with then:</p> <ul style="list-style-type: none"> <li>employees may not be fully aware of the Council's objectives and their contribution to the achievement of them, and</li> <li>employees may not have the appropriate training and support to achieve high standards of performance</li> <li>the Council may not have the required capability to deliver its objectives.</li> </ul> <p>Risk owner: Kevin O' Keefe Cabinet Member: Cllr Paul Sweet</p>	8 <b>Amber</b>		8 <b>Amber</b>	4 <b>Amber</b> From May to August 2015
18 02/15	<p><b>Elections</b></p> <p>The Council is required to provide the Returning Officer with the resources to run elections, as a result of which the Council needs to plan and prepare for the elections, putting in place the appropriate policies, protocols and procedures. Failure to comply with these policies, protocols and procedures may result in the Council not being able to maintain the integrity of the election and the Returning Officer not being able to effectively discharge his statutory responsibilities.</p> <p>Risk owner: Kevin O' Keefe Cabinet Member: Cllr Paul Sweet</p>	8 <b>Amber</b>		Ended	Achieved

Strategic Risk Assurance Map – June 2015

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Risk Ref	Risk Title and Description	Current Score	External/ Independent (Third Line of Defence)	Types of Assurance Risk and Compliance (Second Line of Defence)	Operational and Management (First Line of Defence)	Comments/Gaps in Assurance/Risk Exposure
1	<p><b>Looked After Children (LAC)</b> If the number of LAC is not reduced this may result in an increase in costs, budget overspends and an increased demand on children's services.</p>	20 Red	<p>Performance indicator- number of LAC per 10,000 population</p> <p>Internal audit review 2015/16 - Placements and LAC</p>	<p>Update to Children's Trust Board- September 2014</p> <p>Care panel reviews of placement costs</p> <p>Report to Cabinet (Performance Management Panel) September 2014</p> <p>Scrutiny review of LAC February 2014</p> <p>Monthly programme reports to Corporate Programme Office</p>	<p>Reports to LAC Budget Monitoring Group (every two months)</p> <p>Controls Assurance Statement</p>	<p>Present sources will continue to provide assurance regarding the changes in number of LAC and progress made against the Families r First programme. Assurances regarding the cost of LAC need to be continually provided to ensure effective management of the budgetary pressures associated with this risk.</p>
2	<p><b>Skills for Work</b> If the city residents do not have the appropriate skills that employers require then they will be unable to access the jobs and opportunities available resulting in high rates of unemployment and increased demand on council services.</p>	15 Red	<p>Wolverhampton Skills Commission Review – November 2014 to April 2015</p> <p>Internal audit review - Employment Opportunities 2013/14</p> <p>Black Country performance management framework</p> <p>Internal audit review – City of Wolverhampton College- Learners with learning difficulties post 16, December 2014</p>	<p>Enterprise and Business Scrutiny Panel review of "employability and skills in Wolverhampton" report to Cabinet 11 March 2015</p> <p>Enterprise and Business Scrutiny Panel review of "employability and skills" September 2014</p> <p>Performance indicator - % of residents with no qualification</p> <p>Performance indicator - number of work experience/ volunteering/ apprenticeships opportunities provided</p> <p>Monthly unemployment briefings</p>	<p>Reports to the Wolverhampton Skills and Employment Board</p> <p>Controls Assurance Statement</p>	<p>In addition to the performance indicators in place, the review undertaken by the Wolverhampton Skills Commission provides assurance over the effectiveness of the various measures and initiatives in place to manage this long term risk.</p>
3	<p><b>Information Governance</b> If the council does not put in place appropriate policies, procedures and technologies to ensure:</p> <ul style="list-style-type: none"> <li>that the handling and protection of its data is undertaken in a secure manner and consistent with the provision of the Data Protection Act 1998;</li> <li>compliance with the Freedom of Information Act and Environmental Information risk Act</li> </ul> <p>then it may be subject to regulatory action, financial penalties, reputational damage and the loss of confidential information.</p>	12 Amber	<p>Internal audit review 2013/14 - Management of information sharing agreements (Satisfactory assurance)</p> <p>Internal audit review– Protective marking compliance, September 2014 (Limited assurance)</p> <p>Information Commissioner audit (October 2011, July 2012)</p> <p>Internal audit review 2014/15 – Information sharing agreements</p>	<p>Information risk register and reports to Information Governance Board</p> <p>Update reports to Cabinet, Scrutiny Board and SEB</p> <p>Performance indicators reported to Cabinet- Number of data breaches</p> <p>Performance indicator - % of Freedom of Information (FOI) requests met within timescales</p>	<p>Senior Risk Information Officer briefings to Strategic Executive Board</p> <p>Controls Assurance Statements</p>	<p>Ongoing audits, performance against FOI and SAR requests and information incidence logs will continue to provide assurance over this risk.</p>

			(Satisfactory assurance)  Internal audit advice and support  Internal audit review 2015/16- Information Governance	Performance indicator- % of Subject Access Requests (SAR) met within timescales		
4	<b>Medium Term Financial Strategy</b> If the council is unable to agree and operate within its medium term financial strategy (MTFS) this may result in insufficient reserves to remain solvent, the potential loss of democratic control and the inability of the council to deliver essential services and discharge its statutory duties.	<b>15 Red</b>	PwC report: Report to those charged with governance (ISA 260) September 2014  Independent review of process for MTFS and budget- E Sullivan, May 2014  Internal audit review Budgetary Control - 2014/15  Internal audit review – 2014/15 Assumptions of the MTFS  PwC report: Report to those charged with governance (ISA 260) September 2015	MTFS risk register  Reports to Budget Working Party  Reports to Cabinet	Management accounts  Controls Assurance Statements	Ongoing internal and external reviews will continue to provide assurances over the achievement of efficiency savings and the resilience of the MTFS.
6	<b>Compliance with Public Sector Network (PSN)</b> If the council fails to achieve the required technology controls required for connection to PSN, and other similar information security regimes, then it will experience significant interruption to the delivery of its services.	<b>5 Amber</b>	PSN healthcheck by CLAS Consultancy at Cabinet Office 2014 and 2015	Reports to Information Governance Board	Controls Assurance Statement  Briefings to SEB	No further assurances required at present.
7	<b>Safeguarding</b> If the Council's safeguarding procedures and quality assurance processes are not consistently and effectively implemented then it will fail to safeguard children and vulnerable adults and lead to reputational damage.	<b>10 Amber</b>	West Midlands Association of Directors of Adult Social Services peer review – Adult safeguarding September 2014  West Midlands Association of Directors of Children's Services peer review- children's safeguarding September 2014  Ofsted inspection safeguarding services- June 2011  Peer review – Local safeguarding Children's board 2013  LGA peer review - Local safeguarding adults board November 2013  Internal audit review 2015/16 – Safeguarding in schools	Reports to safeguarding boards  Annual reports from adults and children's local safeguarding boards  'Our Story' report to Cabinet Member for Children and Families.  National and local Wolverhampton performance indicators in relation to social care  Report to Wolverhampton Safeguarding Children's Board- December 2014 - Schools Safeguarding  Self- audits confirmation by schools of s175 compliance	Children's safeguarding self - assessment- September 2014  Adults safeguarding self- assessment – September 2014  Quality Assurance Framework and assessments  Controls Assurance Statement	Up to date assurance from Ofsted is required to confirm risk is being effectively managed.  In addition, further assurances continue to be sought in respect of the adequacy and effectiveness of the safeguarding arrangements in schools.  Assurances will also be required in future on the Council's compliance with the statutory framework in respect of adults safeguarding which becomes effective from April 2015.

8	<p><b>Business Continuity Management</b></p> <p>Failure to develop, exercise and review plans and capabilities that seek to maintain the continuity of critical functions in the event of an emergency that disrupts the delivery of Council services.</p>	<p><b>10</b> <b>Amber</b></p>	<p>Internal audit review August 2013 - Resilience management and BCP</p> <p>Follow up of internal audit recommendations - January 2014</p> <p><a href="#">Internal audit review 2015/16 – Business continuity and resilience management</a></p>	<p>Reports from Wolverhampton Resilience Board to SEB</p>	<p>Incident management: St Alban's Church of England School February 2015</p> <p>Incident management : i.e. industrial action July 2014</p> <p>Reports to Wolverhampton Resilience Board</p> <p>Controls Assurance Statement</p>	<p>The exercise and testing programme once developed and implemented will provide further assurances on the management of this risk.</p> <p>Given the continual reductions in the Council's workforce, ongoing testing will be required to provide assurance over the resilience of the provision of Council services.</p>
9	<p><b>City Centre Regeneration</b></p> <p>If the city centre regeneration programme is not effectively managed in terms of project timings, costs and scope, then it will be unable to maximise opportunities including:</p> <ul style="list-style-type: none"> <li>• creation of well paid employment</li> <li>• retention of skilled workers</li> <li>• sector and economic growth</li> <li>• increased prosperity and</li> <li>• reduced demand on council services</li> </ul>	<p><b>8</b> <b>Amber</b></p>	<p><a href="#">Internal audit review 2015/16- City centre development</a></p>	<p>Programme and project risk registers</p> <p>Project reports to Cabinet and Scrutiny</p> <p>Monthly reporting to the City Centre Regeneration Programme Board</p> <p>Monthly programme reports to Corporate Programme Office</p>	<p>Reports to Programme Board from project managers</p> <p>Controls Assurance Statement</p>	<p>Regular update reports to the Programme Board and Cabinet continue to provide assurance on the management of this risk.</p>
10	<p><b>Economic Inclusion</b></p> <p>If the Council and its partners do not work effectively together to promote and enable growth then the risk of economic exclusion will materialise and demand for Council services will continue to increase.</p>	<p><b>12</b> <b>Amber</b></p>	<p>Reports to the Black Country Local Enterprise Partnership and City Board</p> <p>National performance indicators e.g. % residents unemployed, child deprivation, skills profile, etc.</p> <p>Wolverhampton Skills Commission Review – November 2014 to April 2015</p>	<p>Report to SEB – City Board – December 2014</p> <p>Monthly unemployment briefings</p> <p>Report to Cabinet - Welfare Reform, December 2014</p>	<p>Controls Assurance Statement</p>	<p>National indicators will demonstrate the effectiveness of the measures in place to manage this long term risk.</p>
11	<p><b>The Care Act</b></p> <p>If the Council does not have robust plans in place to implement the Care Act it will fail to meet its statutory obligations.</p>	<p><b>15</b> <b>Red</b></p>		<p>Care Act Stocktake 3 self - assessment</p> <p>Regular reports to Care Act Implementation Programme Board</p> <p>Programme risk register</p> <p>Report to Adults and Community Scrutiny Panel November 2014</p> <p><a href="#">Care Act Stocktake 4 – June 2015</a></p>	<p>Monthly programme management reports to CPO</p> <p>Controls Assurance Statement</p>	<p>Assurances on the management of this risk will continue to be provided through the Corporate Programme Office and Programme Board.</p>
12	<p><b>Better Care Fund</b></p> <p>If the Council and its partners fail to deliver the improved outcomes required by the Better Care Fund, demand on acute services will not be reduced, the reward money will not be received and the Council will not receive the additional resources promised by the Better Care Fund.</p>	<p><b>15</b> <b>Red</b></p>	<p>Revised plan submission to Department of Health and full approval received - December 2014</p>	<p>Reports to the Health and Well Being Board (HWBB) March, July and November 2014</p> <p>Programme risk register</p> <p>Reports to the Quality and risk sub group</p> <p><a href="#">Better Care Plan performance indicators</a></p>	<p>Monthly project reports</p> <p>Controls Assurance Statement</p>	<p>Assurance on the management of the programme will be provided by the HWBB, and the measure of key outcome based performance indicators.</p>

14	<p><b>School Improvement</b></p> <p>If the Council does not provide effective support, challenge and appropriate intervention to raise standards in schools, then the Council and these schools are at risk of underperforming, receiving inadequate Ofsted judgements and a potential loss of control and influence.</p>	<p><b>10</b> <b>Amber</b></p>	<p>Ofsted annual report – Schools 2013/14, December 2014</p> <p>Ofsted inspections 2014/15</p> <p>School internal audit reviews 2013/14 and 2014/15 and 2015/16</p> <p><a href="#">Internal audit review 2015/16 – Governance Strategy</a></p> <p><a href="#">Internal audit review 2015/16 – Pupil Premium</a></p>	<p>Performance indicator – gaps in educational performance</p> <p>Performance indicator – end of key stage outcomes</p> <p>Report to Children and Young People Scrutiny Panel- Ofsted inspection outcomes April to September 2014, November 2014</p> <p>Audits carried out by School Support Advisors and External Governance reviews</p>	<p>Reports to Cabinet</p> <p>Controls Assurance Statement</p>	<p>The Ofsted inspections continue to be the primary source of assurance for this risk.</p> <p>A review on the effectiveness of the School Improvement Strategy in 2015 will provide further assurance on the measures in place to manage this risk.</p>
15	<p><b>Emergency Planning</b></p> <p>Failure to develop, exercise and review plans and capabilities for preventing, reducing, controlling or mitigating the effects of emergencies in both the response and recovery phases of major a incident.</p>	<p><b>6</b> <b>Amber</b></p>	<p>Internal audit review - Resilience management and BCP, August 2013</p> <p>Follow up of internal audit recommendations, January 2014</p>	<p>Reports to Wolverhampton Resilience Board (WRB)</p> <p>Regular reports from WRB to SEB and C3 Scrutiny Panel</p>	<p>Incident management, e.g. weather incidences 2014, Public disorders Summer 2012, Hickman Avenue fire September 2014</p> <p>Test exercise “Exercise Chillout” August 2014</p> <p>Debrief report to SEB on mosque incident – 24 July 2013</p> <p>Winter debrief report to WRB – June 2014</p> <p>Controls Assurance Statement</p>	<p>The exercise and testing programme once developed and implemented will provide further assurances on the management of this risk. In the meantime, unplanned incidences and the lessons learned from these exercises continue to provide some level of assurance over this risk.</p>
16	<p><b>Equal Pay</b></p> <p>If schools do not comply with the Collective agreement and agree local pay scales and conditions then there is a potential for significant equal pay claims to materialise.</p>	<p><b>12</b> <b>Amber</b></p>	<p>Internal audit review - Equal Pay claims, September 2014 (Substantial assurance)</p> <p><a href="#">Internal audit review 2015/16 – Equal Pay</a></p> <p><a href="#">PwC report: Report to those charged with governance (ISA 260) September 2015</a></p>	<p>Reports to Equal Pay Project Board</p>	<p>Controls Assurance Statement</p>	<p>Ongoing review by management of the level of claims continues to provide assurance on this risk, over which the Council has little control.</p>
17	<p><b>Employee Management</b></p> <p>If policies dealing with employee management and in particular appraisals are not effectively implemented and complied with then:</p> <ul style="list-style-type: none"> <li>employees may not be fully aware of the Council’s objectives and their contribution to the achievement of them, and</li> <li>employees may not have the appropriate training and support to achieve high standards of performance</li> </ul> <p>the Council may not have the required capability to deliver its objectives.</p>	<p><b>8</b> <b>Amber</b></p>	<p>Internal audit review – Performance Appraisal Scheme, September 2014 (Limited assurance)</p> <p>Update report to Audit Sub Committee- February 2015</p> <p><a href="#">Internal audit review 2015/16 – Performance appraisals</a></p> <p><a href="#">Internal audit review 2015/16 – HR System Data Quality</a></p>	<p>Corporate performance indicator- re: appraisals completed</p>	<p>Controls Assurance Statement</p>	<p>Ongoing review of the corporate performance indicator by management will continue to provide assurance over the management of this risk.</p>



18	<p><b>Elections</b></p> <p>The Council is required to provide the Returning Officer with the resources to run elections, as a result of which the Council needs to plan and prepare for the elections, putting in place the appropriate policies, protocols and procedures. Failure to comply with these policies, protocols and procedures may result in the Council not being able to maintain the integrity of the election and the Returning Officer not being able to effectively discharge his statutory responsibilities.</p>	<p><b>Ended</b></p>	<p><a href="#">Internal audit review- Elections Account 2015/16</a></p>	<p>Elections risk register</p> <p>Report to SEB, January 2015- Preparing for the 2015 elections, pre- election period</p> <p>Report to SEB June 2015 – lessons learned</p>		<p>The running of previous elections together with the communications and protocols in place provide further assurances on the management of this risk.</p>
19	<p><b>Combined Authority</b></p> <p>If the Council does not effectively engage with partners in the consideration of the formation of a Combined Authority, ensuring sufficient and appropriate resources are assigned to progress, manage and provide assurances to partners on the programme and any work streams, then the Council's objectives in respect of growth in the regional economy, employment and skills, business investment and regeneration may not be fully realised.</p>	<p><b>12 Amber</b></p>		<p>Updates to joint Leaders' and joint Chief Executives' meetings</p> <p>Programme risk register</p> <p>Reports to programme office</p>		<p>Assurances on the management of this risk will be obtained as programme milestones are achieved e.g. governance review, consultation process, etc.</p>

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# Audit Committee

6 July 2015

<b>Report title</b>	Protecting the Public Purse – Fraud Briefing	
<b>Cabinet member with lead responsibility</b>	Councillor Andrew Johnson Resources	
<b>Accountable director</b>	Mark Taylor, Finance	
<b>Originating service</b>	Audit	
<b>Accountable employee(s)</b>	Peter Farrow Tel Email	Head of Audit 01902 554460 <a href="mailto:peter.farrow@wolverhampton.gov.uk">peter.farrow@wolverhampton.gov.uk</a>
<b>Report to be/has been considered by</b>	Not applicable	

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## Recommendation(s) for action or decision:

The Committee is recommended to:

1. Note and comment upon the contents of the Audit Commission's fraud briefing – Protecting the Public Purse.

## **1.0 Purpose**

- 1.1 To bring to Members of the Audit Committee's attention the contents of the Audit Commission's fraud briefing – Protecting the Public Purse.

## **2.0 Background**

- 2.1 Protecting the Public Purse was an annual publication from the Audit Commission which was strongly supported by Central Government. It described year-on-year changes in cases and values of detected fraud, based on the Commission's annual survey of local government bodies. It also describes trends and draws on the learning from the Commission's significant experience in counter-fraud in local government. Its aim was to inform the development of effective counter-fraud in local government, and was designed for those responsible for governance in local government, particularly councillors.

To accompany the publication, the Audit Commission has provided the council with a bespoke fraud briefing. This brings together key facts about Protecting the Public Purse, and provides details of detected fraud cases and the value of such fraud for the council in comparison to other metropolitan borough council's. This demonstrates that the council has performed well in detecting fraud, although there are still some areas of potential fraud including blue badge, insurance and social care fraud which the council will target in the year ahead.

Following the final abolition of the Audit Commission it is our understand that The European Institute for Combatting Corruption and Fraud will be taking the lead on the annual Protecting the Public Purse exercise in the future.

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

- 3.1 The activities undertaken by the council in tackling fraud will continue to be reported back to the Audit Committee through regular Counter Fraud Update reports.

## **4.0 Financial implications**

- 4.1 There are no financial implications arising from the recommendation in this report (GE/17062015/Z).

## **5.0 Legal implications**

- 5.1 There are no legal implications arising from the recommendation in this report. (RB/29062015/J).

## **6.0 Equalities implications**

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

## **7.0 Environmental implications**

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

## **8.0 Human resources implications**

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

## **9.0 Corporate landlord implications**

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

## **10.0 Schedule of background papers**

10.1 Audit Commission Fraud Briefing – ‘Protecting the Public Purse’

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# Protecting the Public Purse

## Fraud Briefing 2014

### Wolverhampton City Council

Page 101



# Purpose of Fraud Briefing



Provide an information source to support councillors in considering their council's fraud detection activities

Page 102



Extend an opportunity for councillors to consider fraud detection performance, compared to similar local authorities



Give focus to discussing local and national fraud risks, reflect on local priorities and the proportionate responses needed



Be a catalyst for reviewing the council's current strategy, resources and capability for tackling fraud

# Understanding the bar charts

Outcomes for the first measure for your council are highlighted in yellow in the bar charts. The results of your comparator authorities are shown in the green bars.



Outcomes for the second measure for your council are highlighted as a green symbols above each bar. The results of your comparator authorities are shown in the white triangles.



A ‘\*’ symbol has been used on the horizontal axis to indicate your council.

All data are drawn from council submissions on the Audit Commission’s annual fraud and corruption survey for the financial year 2013/14.

In some cases, council report they have detected fraud and do not report the number of cases and/or the value. For the purposes of this fraud briefing these ‘Not Recorded’ records are shown as Nil.

# Interpreting fraud detection results



Contextual and comparative information needed to interpret results



Detected fraud is indicative, not definitive, of counter fraud performance (*Prevention and deterrence should not be overlooked*)



No fraud detected does not mean no fraud committed (*Fraud will always be attempted and even with the best prevention measures some will succeed*)

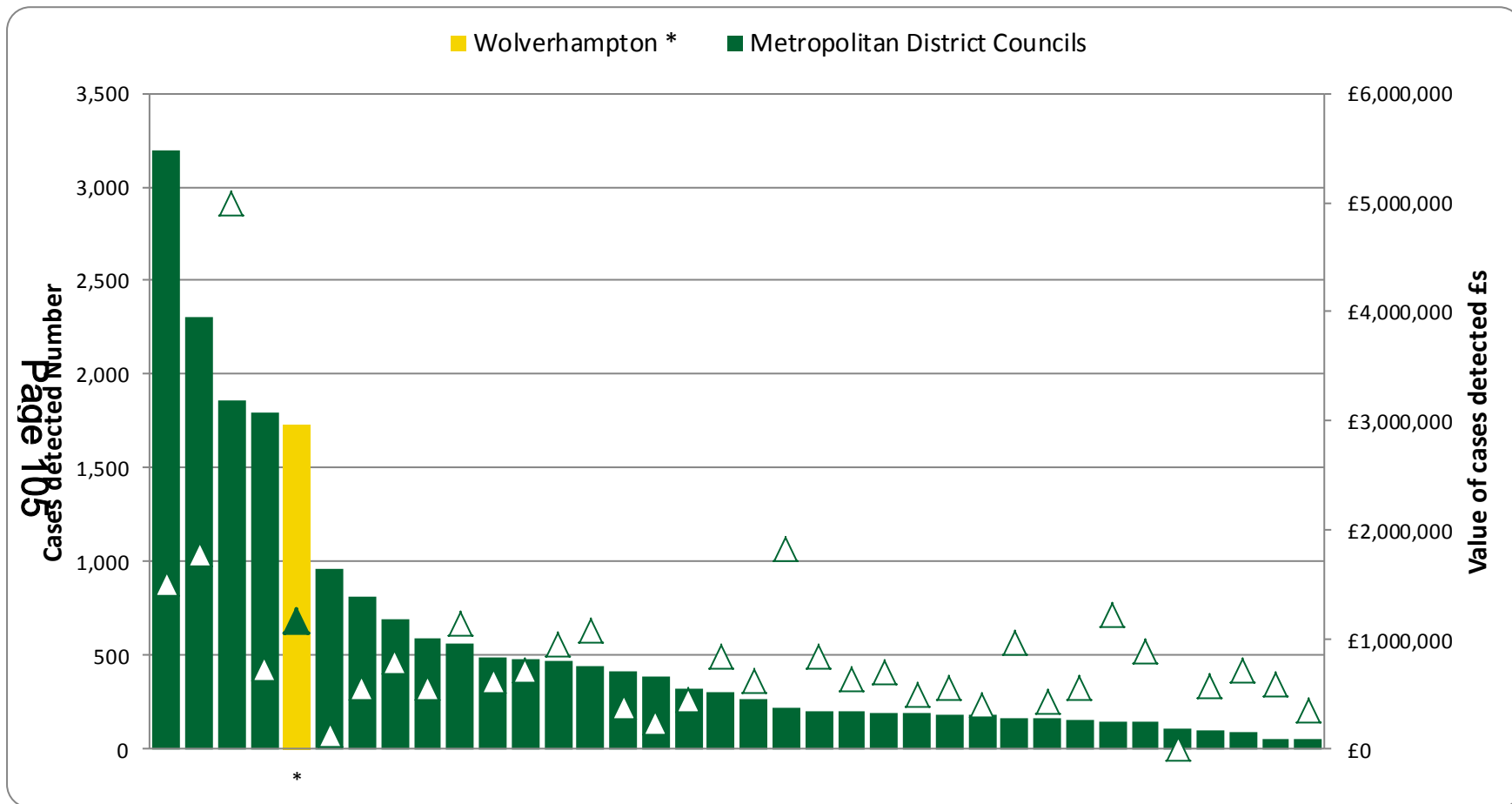


Councils who look for fraud, and look in the right way, will find fraud (*There is no such thing as a small fraud, just a fraud that has been detected early*)



# Total detected cases and value 2013/14 (Excludes Housing tenancy fraud)

## Wolverhampton



Wolverhampton detected 1726 cases of fraud. The value of detected fraud was £1,164,525 #.

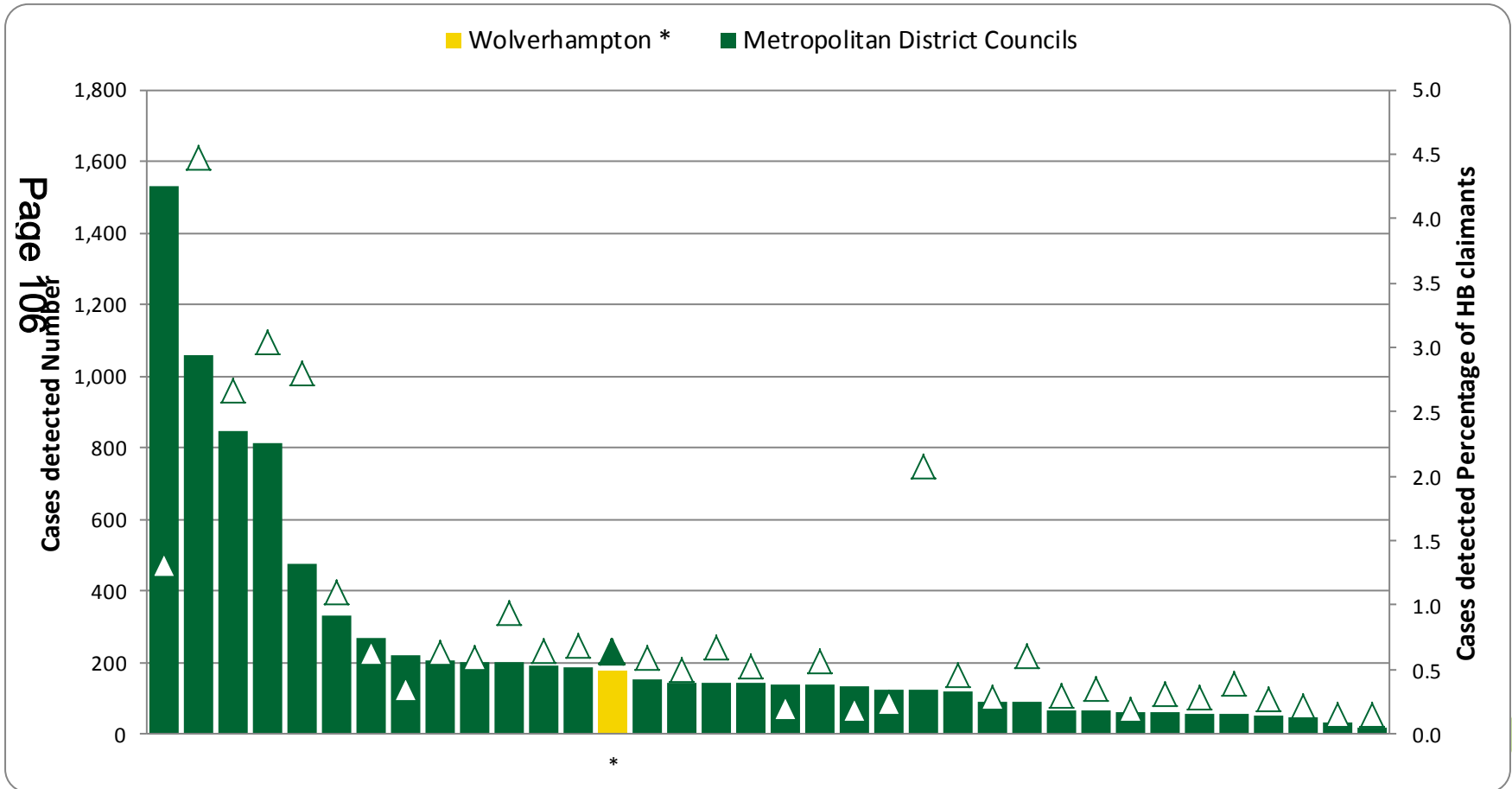
Average for other Metropolitan District Councils: 539 cases, valued at £853,072



# Housing Benefit (HB) and Council Tax Benefit (CTB) 2013/14

## Total detected cases, and as a proportion of housing benefit caseload

### Wolverhampton



Wolverhampton detected 177 cases of this type of fraud. The value of detected fraud was £586,180.

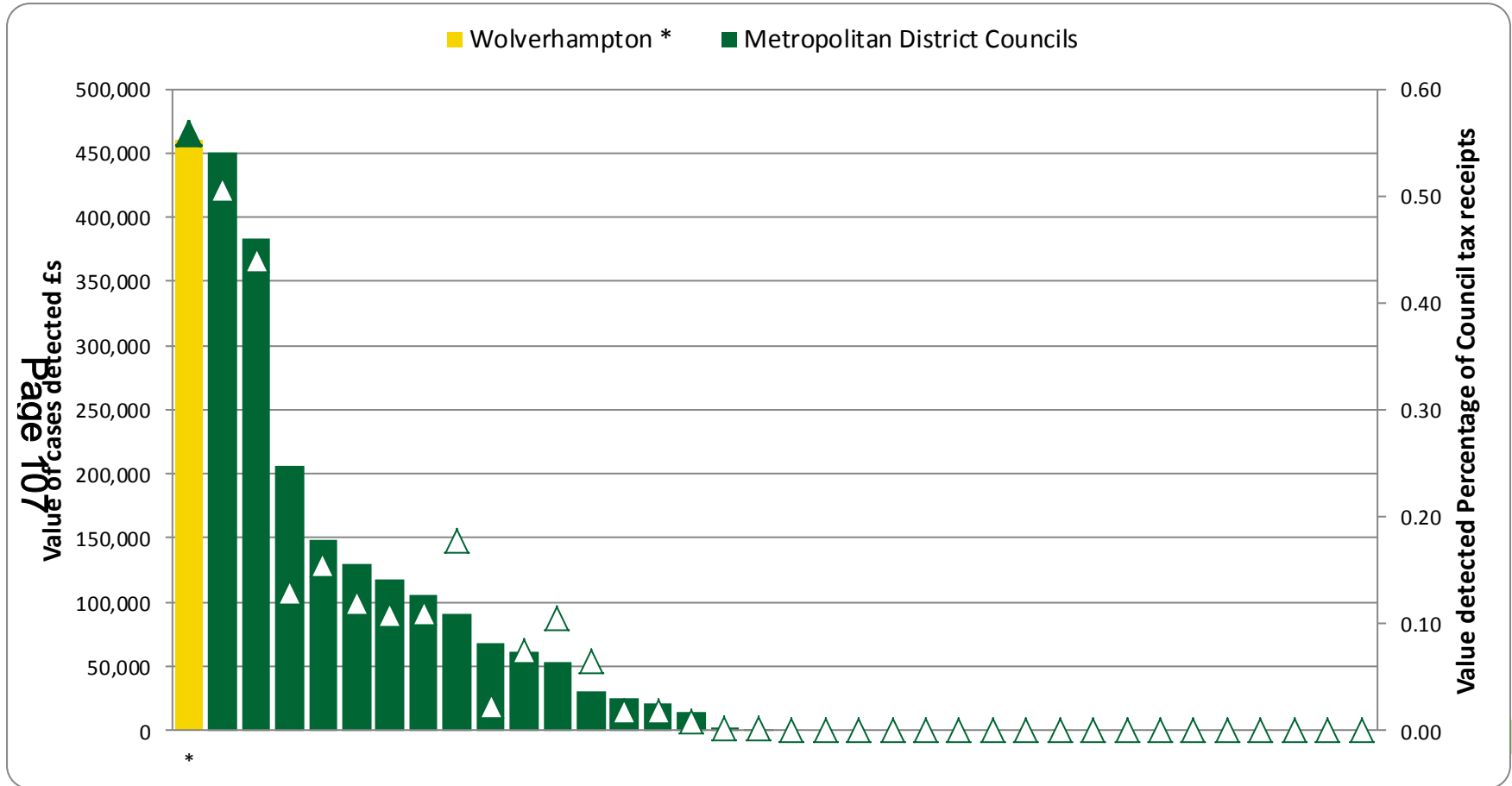
Average for other Metropolitan District Councils: 245 cases, valued at £725,000



# Council tax discount fraud 2013/14

## Total detected value, and value as a proportion of council tax income

### Wolverhampton



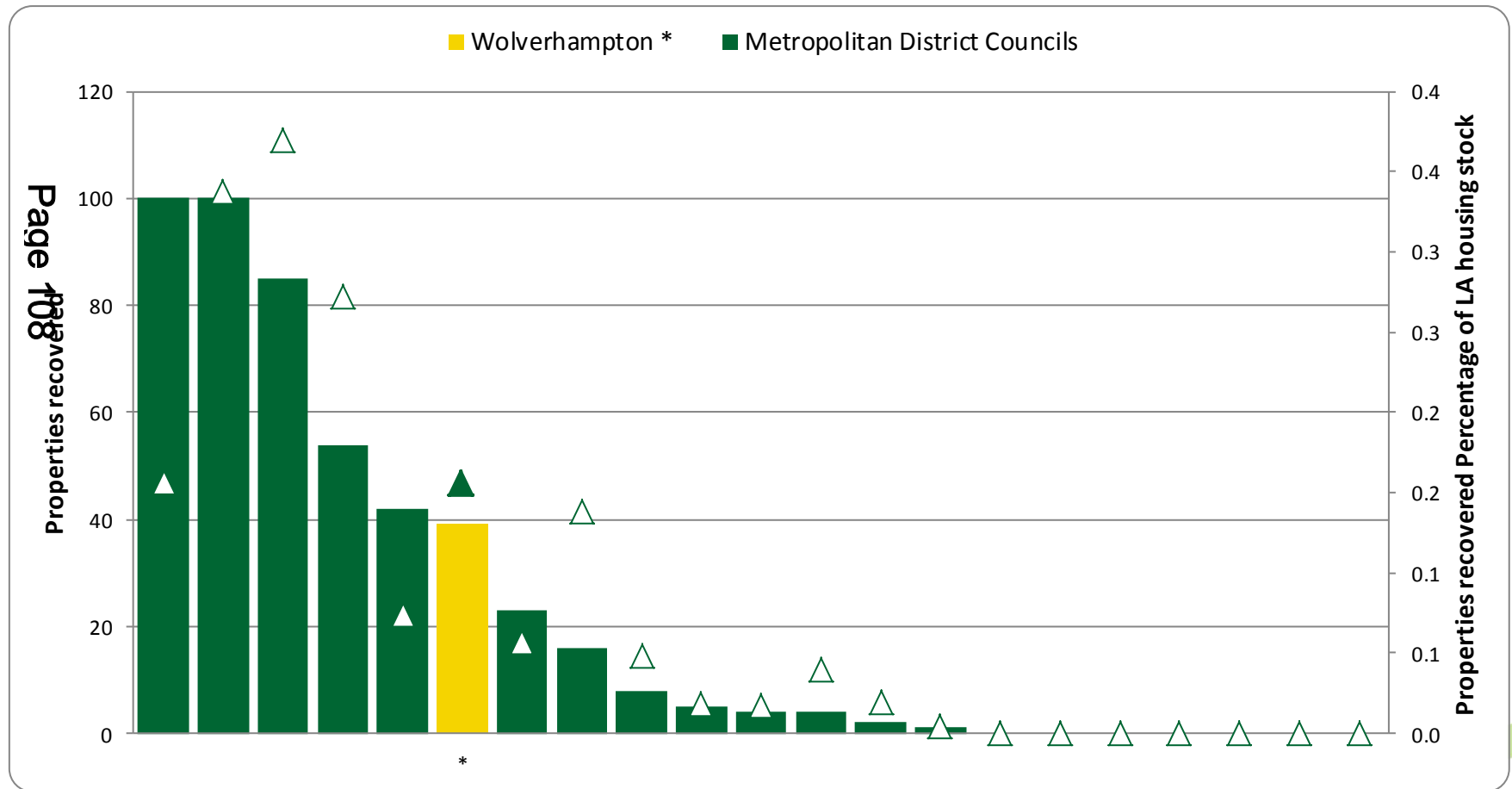
Wolverhampton detected 1507 cases of this type of fraud. The value of detected fraud was £459,365.

Average for other Metropolitan District Councils: 252 cases, valued at £54,507

# Social Housing fraud (only councils with housing stock) 2013/14

## Total properties recovered, and as a proportion of housing stock

### Wolverhampton



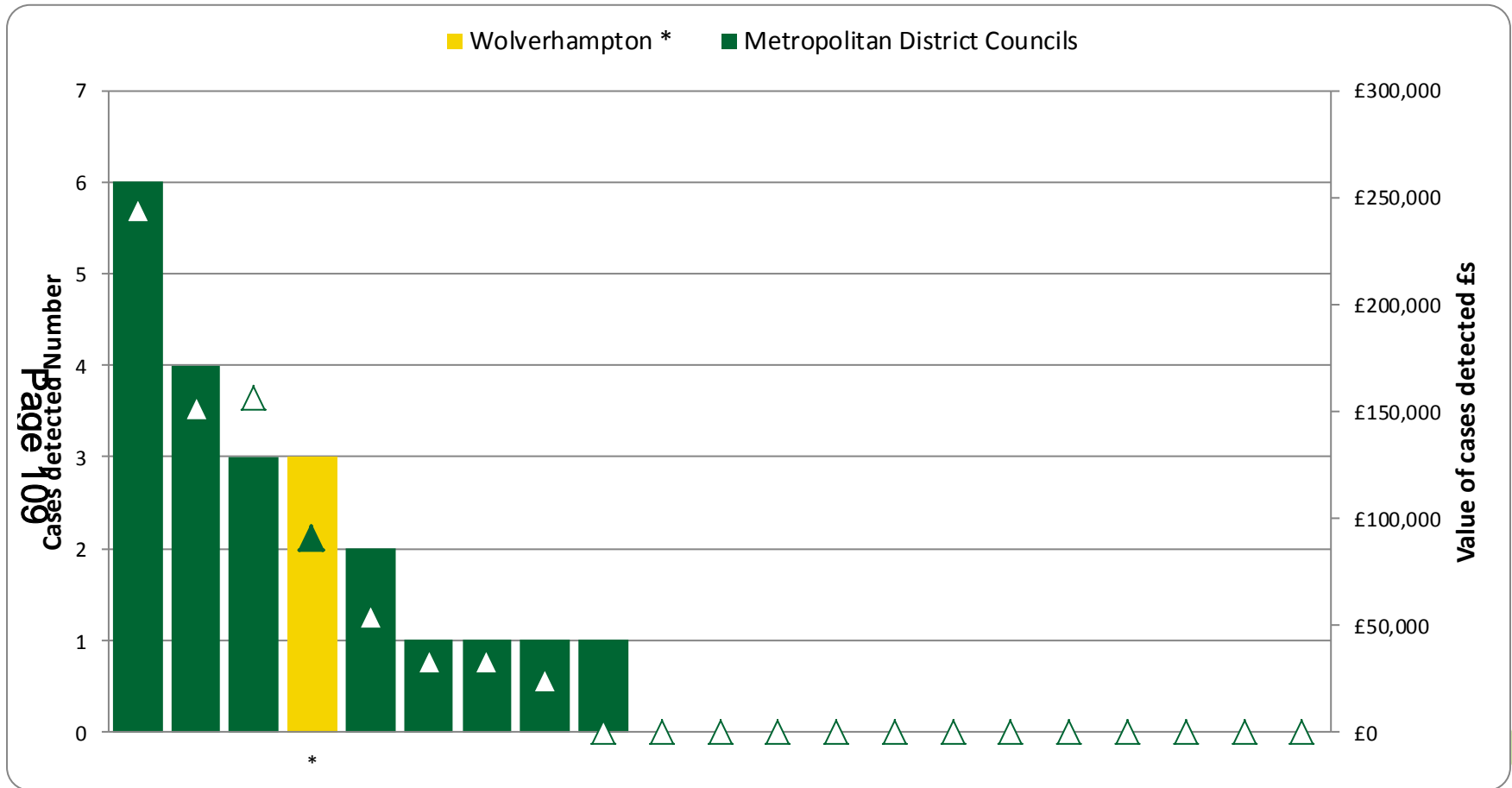
Wolverhampton recovered 39 properties.  
 Average for other Metropolitan District Councils with housing stock: 22 cases



# Right to buy fraud (only councils with housing stock) 2013/14

## Right to buy cases and value

### Wolverhampton

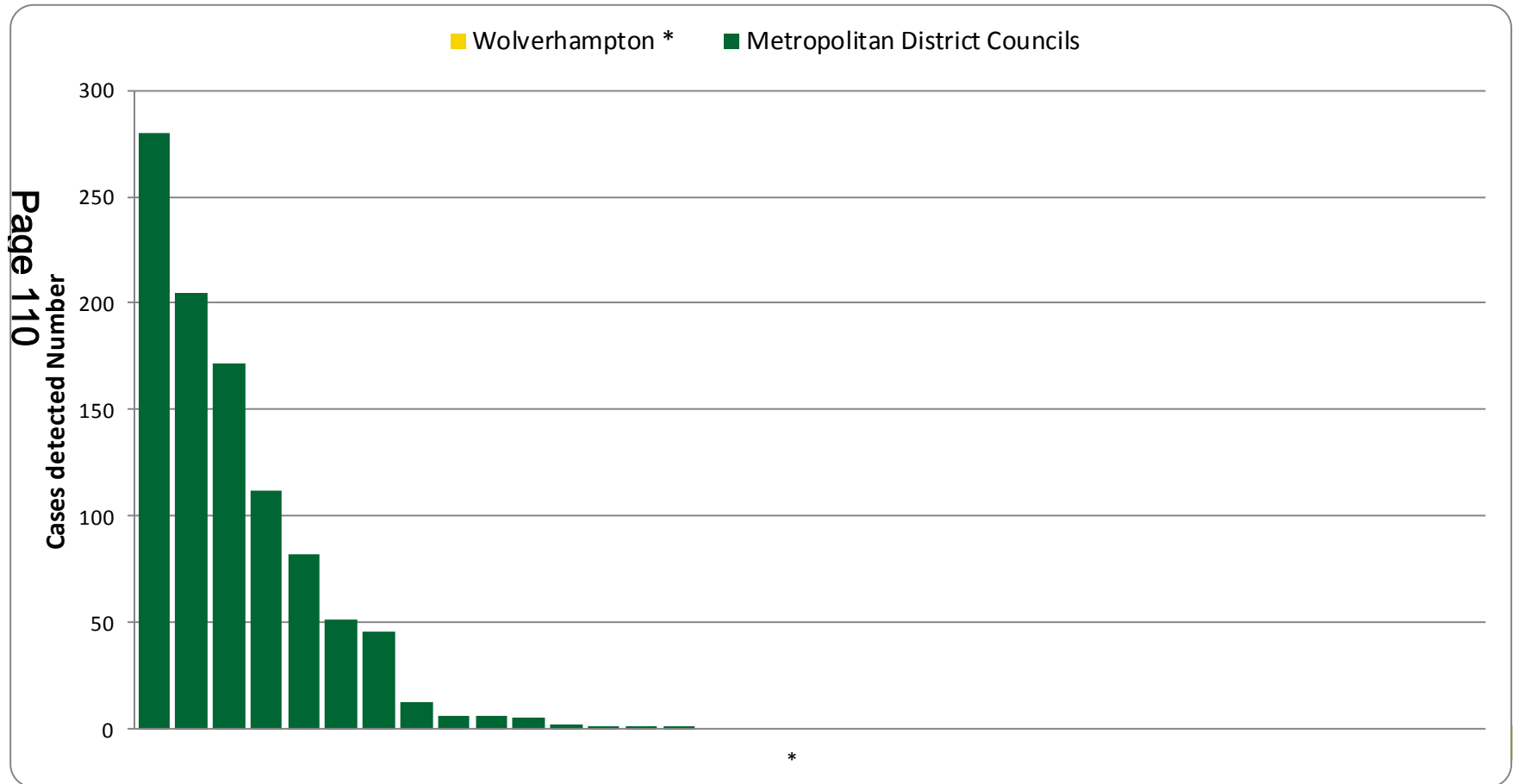


Wolverhampton detected 3 cases of this type of fraud. The value of detected fraud was £90,000.

Average for other Metropolitan District Councils with housing stock: 1.0 case, valued at £99,541

# Disabled parking (Blue Badge) fraud 2013/14

## Wolverhampton



Wolverhampton did not detect any cases of this type of fraud.  
Average for other Metropolitan District Councils: 28 cases

## Other frauds 2013/14 Wolverhampton

Procurement: Wolverhampton detected 1 case of this type of fraud. The value of detected fraud was £10,160.

Total for other Metropolitan District Councils: 6 cases, valued at £610,380

Insurance: Wolverhampton did not detect any cases of this type of fraud.

Total for other Metropolitan District Councils: 94 cases, valued at £1,248,884

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Social care: Wolverhampton did not detect any cases of this type of fraud.

Total for other Metropolitan District Councils: 61 cases, valued at £490,078

Internal: Wolverhampton detected 9 cases of this type of fraud. The value of detected fraud was £36,897.

Total for other Metropolitan District Councils: 326 cases, valued at £622,469

*Correctly recording fraud levels is a central element in assessing fraud risk.*

*It is best practice to record the financial value of each detected case*

# Questions elected members and decision makers may wish to ask

Page 112

**Post SFIS**

Are our remaining counter-fraud resources and skill sets adequate after our benefit fraud investigators have left to join SFIS?

**Local priorities**

Are local priorities reflected in our approach to countering fraud?

**Partnerships**

Have we considered counter-fraud partnership working?

**Using information and data**

Are we satisfied that we will have access to comparative information and data to inform our counter-fraud decision making in the future?



# Any questions?



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# Audit Committee

6 July 2015

<b>Report title</b>	CIPFA Audit Committee Update – Issue 17	
<b>Cabinet member with lead responsibility</b>	Councillor Andrew Johnson Resources	
<b>Accountable director</b>	Mark Taylor, Finance	
<b>Originating service</b>	Audit	
<b>Accountable employee(s)</b>	Peter Farrow Tel Email	Head of Audit 01902 554460 <a href="mailto:peter.farrow@wolverhampton.gov.uk">peter.farrow@wolverhampton.gov.uk</a>
<b>Report to be/has been considered by</b>	Not applicable	

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## Recommendations for noting:

The Committee is asked to note:

1. The contents of the latest CIPFA Audit Committee Update, Issue 17 – helping audit committees to be effective.

## **1.0 Purpose**

1.1 CIPFA issue regular briefings for audit committee members in public sector bodies. Their aim is to provide members of audit committees with direct access to relevant and topical information that will support them in their role.

## **2.0 Background**

2.1 The latest edition of these briefings covers, amongst other topics, the Audit Committee role in reviewing the financial statements

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

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

## **4.0 Financial implications**

4.1 There are no financial implications arising from the recommendation in this report. [GE/29062015/T]

## **5.0 Legal implications**

5.1 There are no legal implications arising from the recommendation in this report (TS/22062015/T).

## **6.0 Equalities implications**

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

## **7.0 Environmental implications**

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

## **8.0 Human resources implications**

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

## **9.0 Corporate landlord implications**

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

## **10.0 Schedule of background papers**

10.1 CIPFA Audit Committee Update – Issue 17

**CIPFA Better Governance Forum**

## **Audit Committee Update**

- Helping audit committees to be effective

**Issue 17**

**The audit committee role in reviewing the financial statements**

**Update on current developments**

**June 2015**

## Introduction

Dear audit committee member,

Welcome to Issue 17 of our briefings for audit committee members in public sector bodies.

Its aim is to provide members of audit committees with direct access to relevant and topical information that will support them in their role. It has been produced by the CIPFA Better Governance Forum and is free to our subscribing organisations. Additionally this issue is being made available to subscribers of the Finance Advisory Network.

This issue's main article focuses on the role of the audit committee when reviewing the financial statements. This is an important role of the committee but can be daunting for those unfamiliar with accountancy. The article explains some of the essentials that underpin the statements and encourages committee members to ask questions as part of their review. I hope you will find this issue helpful. We welcome feedback on these briefings and suggestions for future topics. Please let us know if we are getting them right.

Best wishes

Diana Melville

Governance Advisor

CIPFA Better Governance Forum

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## Sharing this Document

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

If you have an organisational email address (for example [jsmith@mycouncil.gov.uk](mailto:jsmith@mycouncil.gov.uk)) then you will also be able to register on our website and download any of our guides and briefings directly. Register now, please click here <https://www.cipfa.org/Register>

## Previous Issues of Audit Committee Update

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

Issue	Principal Content	Link
<b>Issues from 2010</b>		
1	Reviewing the Audit Plan – Please note that Issue 13 provides an updated review of this topic.	<a href="#">Issue 1</a>
2	Reviewing the Annual Governance Statement – Issue 10 includes an update on this topic	<a href="#">Issue 2</a>
3	Countering Fraud – Please note that Issue 15 provides an updated review of this topic.	<a href="#">Issue 3</a>
<b>Issues from 2011</b>		
4	Strategic Risk Management, Governance Risks in 2011, Role of the Head of Internal Audit	<a href="#">Issue 4</a>
5	Understanding the Impact of IFRS on the Accounts, Key Findings from CIPFA’s Survey of Audit Committees in Local Government	<a href="#">Issue 5</a>
6	Partnerships from the Audit Committee Perspective	<a href="#">Issue 6</a>
<b>Issues from 2012</b>		
7	Assurance Planning, Risk Outlook for 2012, Government Response to the Future of Local Audit Consultation	<a href="#">Issue 7</a>
8	Commissioning, Procurement and Contracting Risks	<a href="#">Issue 8</a>
9	Reviewing Assurance over Value for Money	<a href="#">Issue 9</a>
<b>Issues from 2013</b>		
10	Public Sector Internal Audit Standards and Updates to Guidance on Annual Governance Statements	<a href="#">Issue 10</a>
11	Local Audit and Accountability Bill, the Implications for Audit Committees Update of CIPFA’s Guidance on Audit Committees	<a href="#">Issue 11</a>
12	Reviewing Internal Audit Quality, New CIPFA Publication, Audit Committees Practical Guidance for Local Authorities and Police, Regular Briefing on Current Issues	<a href="#">Issue 12</a>

Issues from 2014		
13	Reviewing the Audit Plan, Update on the Local Audit and Accountability Act, Briefing on Topical Governance Issues	<a href="#">Issue 13</a>
14	External Audit Quality and Independence, Government Consultation on Local Audit Regulations, CIPFA's Consultation on a new Counter Fraud Code, Regular Briefing on Current Issues	<a href="#">Issue 14</a>
15	CIPFA Code of Practice on Managing the Risk of Fraud and Corruption, The Audit Committee Role in Countering Fraud, Regular Briefing on Current Developments	<a href="#">Issue 15</a>
Issues from 2015		
16	What Makes a Good Audit Committee Chair? Governance Developments in 2015	<a href="#">Issue 16</a>

## Workshops and Training for Audit Committee Members in 2015

### Good Governance for the Audit Committee

Our 2015 audit committee workshops will provide a topical briefing on current issues and focus in particular on the updated framework of good governance, to be launched by CIPFA and Solace during 2015.

**2 December 2015, Chester; 3 December 2015, London.**

**Further dates at York and Birmingham in 2016**

### Open training

We will be running a number of open training events for audit committee members. These will cover introductory sessions for new audit committee members and provide the opportunity for the development of knowledge and skills.

### In house training

In house audit committee training tailored to your needs is available. Options include:

- key roles and responsibilities of the committee
- effective chairing and support for the committee
- working with internal and external auditors
- public sector internal audit standards
- corporate governance
- strategic risk management
- value for money
- fraud risks and counter fraud arrangements
- reviewing the financial statements
- assurance arrangements.

For further details contact [chris.o'neill@cipfa.org](mailto:chris.o'neill@cipfa.org) or email [diana.melville@cipfa.org](mailto:diana.melville@cipfa.org) or visit the [CIPFA website](#) where we have a brochure to download outlining the support we have available for audit committees.



## The Audit Committee Guide to the Financial Statements Review

Approving the financial statements is an important part of the responsibilities of those charged with governance, whether that is the council, the board, the police and crime commissioner or chief constable.

The audit committee has a vital role in reviewing the statements and recommending their approval. In order to fulfil their governance responsibilities, audit committee members should be seeking answers to certain questions when reviewing their organisation's accounts and it is their accountant's job to answer them. Such questions might include the following:

- Has there been a robust approach to preparing the accounts that ensures the statements satisfy all statutory and best practice guidance and the [Code of Practice on Local Authority Accounting in the United Kingdom 2015/16](#) (the Code)? This Code applies to all local authorities and the police and fire sectors.
- Do you have assurance that information from financial systems can be relied upon to form the basis of the accounts?
- Have accounting policies or treatment changed during the period and why?

We will look at these in more detail below, but audit committee members need to ensure that they are satisfied with the assurance and explanations they receive in answer to their questions.

As well as compliance with accounting principles there are also certain qualitative characteristics that the accounts must have, such as understandability, relevance, reliability and comparability. You also need to be aware that statutory requirements take precedence over accounting standards, which can lead to some complicated and sometimes seemingly convoluted entries in the accounts. Audit committee members should always ask their finance teams or auditors to explain accountancy terms that are unfamiliar to them, for example, 'materiality' as the levels will be different in every organisation.

The accounts themselves should tell the organisation's financial story of the year, while the explanatory foreword should explain clearly how actual income and expenditure compares to the budgets agreed for the year, and provide explanations for any material differences. It is imperative though that you are happy the accounts tell your unique story, and not that of a neighbouring authority. They should be tailored to any local issues that have influenced the financial results, rather than slavishly follow a standard template. The financial statements themselves should explain clearly how they all fit together and demonstrate the links between the outturn position reported and the figures in the accounting statement.

So what are the main areas that the audit committee needs to consider?

### **Robust approach**

How can you be sure that a robust approach has been taken in preparing the accounts? It is worth considering if your accountancy team is properly resourced, qualified and undertakes the necessary continuing professional development (CPD) to be able to produce the accounts.

### **Reliance on systems**

The reports of your internal audit section and the annual governance statement should provide you with assurance that the systems used to produce the accounts are robust and that they can be relied upon. Have any concerns in this area been addressed?

## **Accounting policies**

With regard to accounting policies, you should consider the following questions:

- Are you aware of the main accounting policies on which the accounts are prepared?
- Have any accounting policies changed in the period, and do you understand why they have changed and what the impact has been on your financial statements?

It is good practice for the audit committee to consider and approve the accounting policies to be used in the forthcoming accounts prior to the year end, especially if subject to changes. There may also have been changes to regulations during the year which may impact on the accounts, again you need to ensure you are satisfied that these have been properly reflected and explained in the accounts.

## **Judgements and estimates**

Are you aware of where management have used their judgement or made significant estimates in the accounts? Again there are further questions to be asked, including:

- What assumptions are these judgements made on and are they robust?
- What is the impact if the estimate is wrong?

Areas covered by judgement and estimates can include accruals and provisions, property valuations, depreciation charges and the pension liability. You need to be assured that controls are in place to identify such areas, that variables and uncertainties impacting on the estimates have been considered, and whether reliance on an expert in forming the judgements and estimates has been used.

There may be issues which are unique to your particular organisation, such as a complicated lease agreement or implementing a new accounting standard, such as the revised group accounting standards for 2014/15, which may have particular accounting consequences for you. It is worth considering whether your accountants have sought the view of the authority's external auditors in the approach they have taken. Discussing such issues with auditors during the year, and bringing these matters to the audit committee's attention before the year-end, can help inform your governance considerations.

The annual report of your external auditors and their opinion on the accounts and value for money should hopefully give you assurance through an unqualified audit opinion (the only instance you want anything not to be qualified!), that professional high standards have been applied (in their opinion) in the production of the accounts, that few changes have had to be made to the accounts as a result of the audit process and that the authority has secured economy, efficiency and effectiveness in the use of its resources, including financial resilience.

If changes have been made to the accounts as a result of the audit process, then you need to establish why and that you are satisfied that the changes are necessary. The statement of responsibilities in the accounts should give you assurance from your responsible finance officer that the accounts have been prepared to give a true and fair view of the organisation's financial position and performance.

## **Accounting statements**

There are four core financial statements that share common elements so you need to be assured that the figures are consistent all the way through. Last year's closing balances should agree with this year's opening balances, and any differences due to restatement

of the prior year comparatives should be adequately explained in terms of the reason for restating and its impact on the accounts.

The movement in reserves statement (MiRS) shows the different reserves held by the authority, split between usable and unusable, and the movement on each of the reserves during the year. Consider the following:

- Are changes in the reserves consistent with your expectations based on performance reports to members?
- Are levels of usable reserves robust enough to deliver your future policies and provide resilience for expected future reductions in funding?

The consolidated income and expenditure statement (CIES) is the statement of financial performance for the year and should show whether income has exceeded expenditure for the year or vice versa. These figures are, however, prepared in accordance with accounting standards, which may be on a different basis from how they are reported for financial management purposes. A reconciliation between the two should be provided in the segmental reporting note to the accounts. It was indicated earlier that legislation overrides accounting standards. The adjusting of figures from the CIES accounting standard based figures to the legislative ones are made in the movement in reserves statement (MiRS) as 'adjustments between accounting basis and funding basis under regulations'. Again there should be a note to the accounts that explains what all these adjustments are.

The balance sheet is a snapshot of your financial position at 31 March and sets out:

- what the organisation owns and is owed (assets)
- what the organisation owes (liabilities)
- how all this is funded by the reserves which are shown in the MiRS.

The top half of the balance sheet shows whether assets exceed liabilities and this must equal the reserves in the bottom half of the balance sheet.

The final core statement is the cash flow statement, which shows the changes in cash and "cash equivalents" during the year as reflected on the balance sheet. The statement should reconcile the surplus/deficit on provision of services figure from the CIES to the change in cash balances, explaining the elements of the surplus/deficit that relate to non-cash items such as asset depreciation.

There could be other statements in the accounts depending on your organisation's responsibilities. All billing authorities should have a collection fund statement to explain the collection of council tax and business rates. Some authorities will have a Housing Revenue Account, essentially a CIES for the ring-fenced part of reserves relating to council dwellings and services to tenants, and pension fund administering authorities should include their pension fund accounts.

The organisation may also have to produce group accounts if it has material interests in other organisations. The group accounts incorporate all the core financial statements and accompanying notes for the combined group position, which may be shown combined with the organisation's own figures or as a separate section of the accounts. You need to be assured that a thorough assessment has been undertaken of all the organisation's interests, and that the correct judgement has been exercised in determining whether group accounts are required.

All of the financial statements require explanatory notes to show how the figures in the statements are constituted. There should be a note for every item judged material in

the accounts and the figures in the notes should tie back to the figures in the financial statements.

As the deadline for compiling the accounts is shortened over the next two years, everyone has a stake in ensuring the financial statements present clearly and succinctly the financial story of the organisation's year. CIPFA is reviewing the primary statements to encourage the readership of the accounts, and your colleagues in finance will welcome your support and indeed constructive challenge as a critical friend to achieve simplified and streamlined financial statements that engage the reader. Audit committee members will want to ensure the accounts are not cluttered by unnecessary information but equally that they draw out the important messages and explain the material items for the benefit of stakeholders.

Accounting practitioners constantly undertake CPD to be able to produce a set of accounts for your organisation, compliant with the Code and all statutory requirements. Audit committee members should feel in a position that they too can ask for training, to ensure sufficient challenge in the consideration and approval of the accounts. Hopefully this document goes some way towards that.

Caroline White

Finance Advisor

Finance Advisory Network

## Recent Developments You May Need to Know About

### **Forthcoming consultation**

CIPFA is reviewing the [Delivering Good Governance in Local Government: Framework](#) in conjunction with Solace. The framework was established in 2007 and underpins the annual governance statements that local authorities, police and fire authorities must publish each year. The framework applies across the UK.

CIPFA has established a working group that includes stakeholders such as the National Audit Office and the Local Government Association as well as practitioners from all sectors. A representative from the Department for Communities and Local Government (DCLG) attends as an observer. The group has met once and work is underway to draw up revised principles for the framework. It is planned that consultation on the principles will take place from the end of July until September. The consultation will be publicly available on the CIPFA [website](#). The updated framework should then be complete by the end of 2015.

Audit committees should look out for the consultation and consider the implications for their work plans for 2015/16. It is intended that the new framework will underpin annual governance statements for 2015/16.

### **Reports, recommendations and guidance**

#### **Code of Audit Practice**

The National Audit Office (NAO) has published the [Code of Audit Practice](#). The Code sets out what local auditors are required to do to fulfil their statutory responsibilities under the [Local Audit and Accountability Act 2014](#). The NAO has also published guidance and information for auditors. The aim of these is to support auditors in their work and facilitate consistency of approach between auditors of the same types of entity.

#### **Audit Quality Inspections Annual Report 2014/15**

The Financial Reporting Council (FRC) produces an [annual report](#) on its inspections of audit quality in the UK and individual reports on five of the largest firms. The FRC inspected 109 private sector audits and believes that overall the quality of auditing in the UK is improving. The report, however, does identify that there is room for further improvements in the quality of auditing. While the report does cover private sector audits, the quality report is of wider interest to public sector audit committees in identifying audit quality issues.

#### **Evaluating audit quality**

The FRC has also issued a practice aid to assist audit committees in evaluating audit quality in their assessment of the effectiveness of the external audit process. This also is aimed at private sector companies and audit committees, but there are some principles which are of interest to the public sector audit committee. For more information see the FRC [website](#). The UK Corporate Governance Code (for companies) requires the audit committee report to include an explanation as to how it has assessed the effectiveness of the external audit process.

## **Good practice in managing conflicts of interest**

The Northern Ireland Audit Office has published [Conflicts of Interest: A Good Practice Guide](#) for public sector bodies on how to identify and manage conflicts of interest. The guide seeks to provide clear and simple advice for staff drafting and implementing conflict of interest policies. It should also help board members and staff in key positions to recognise when they have a conflict of interest and how they should act when such a situation arises.

## **Accountability System Statement for Local Government and Fire and Rescue Authorities**

DCLG has [issued an Accounting Officer Accountability System Statement for Local Government and for Fire and Rescue Authorities](#). It is principally concerned with their financial management and democratic accountability and sets out the current funding systems, legislation and guidance which form the system at present. The document also describes the arrangements in place for fire and rescue authorities. The statement explains how the accounting officer for the department receives assurance.

## **The Financial Resilience of Councils in Wales**

The Wales Audit Office (WAO) reviewed the robustness of management and planning arrangements to support financial resilience at each council, focusing on how councils plan and then deliver their budget commitments. The main conclusion of the report is that councils in Wales are under significant financial stress and have been active in meeting the challenge. The WAO says that councils will need to improve strategic financial planning in order to effect transformation and protect their financial resilience. For more information see [The Financial Resilience of Councils in Wales report](#).

## **Financial sustainability of police**

The NAO has also published [Financial Sustainability of Police Forces in England and Wales](#), a report which concludes that police forces have successfully reduced costs since 2011, but do not have a clear understanding of the demands placed upon them or of the factors that affect their costs. In addition the Home Office needs to be better informed to discharge its responsibilities.

## **Data handling by police forces**

The Information Commissioner's Office (ICO) has published [Findings from ICO Audits and Follow up Reviews of Police Forces, a report](#) highlighting the effectiveness of personal data handling of police forces, based on 40 ICO audits and 30 follow-up audits. It is intended to help forces and others in the criminal justice sector see where they can make improvements in how they handle personal data.

## **An Introductory Guide to Local Government Finance (CIPFA, 2015)**

This introductory CIPFA guide is aimed at helping local councillors, those working with and for local councils, and anybody with an interest in the sector to understand the complexity of local government finance. The guide covers revenue and capital financing, accounting, governance and auditing as well as giving an overview of some of the key services provided by local councils.

For further details see the [CIPFA website](#).

### **Benchmarking analysis: Internal Audit in Local Government (CIPFA, 2015)**

The guide outlines trends in the provision of internal audit services, analyses the cost, scope and staffing of the internal audit function and explores the key challenges for auditors now and in the future. It allows organisations to understand not just how their internal audit functions are performing, but also how well they are doing in comparison with their peers.

For further details see the [CIPFA website](#).

### **Look out for**

The Better Governance Forum and CIPFA Counter Fraud Centre will shortly be publishing a new assessment tool to enable organisations to evaluate their performance against the [Code of Practice on Managing the Risk of Fraud and Corruption](#) (2014). This will be an invaluable tool to underpin disclosures in annual governance reports on the robustness of counter fraud arrangements and the resilience of the organisation to fraud.

The tool includes reporting facilities and will be free to subscribers of the Better Governance Forum or the CIPFA Counter Fraud Centre. An optional benchmarking service will also be provided to allow comparisons with similar organisations.

CIPFA encourages audit committees to have oversight of the counter fraud arrangements in their organisation, including the counter fraud strategy and their performance against the counter fraud code.

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# Audit Committee

6 July 2015

<b>Report title</b>	Payment Transparency	
<b>Cabinet member with lead responsibility</b>	Councillor Andrew Johnson Resources	
<b>Accountable director</b>	Mark Taylor, Finance	
<b>Originating service</b>	Audit	
<b>Accountable employee(s)</b>	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
<b>Report to be/has been considered by</b>	Not applicable	

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## Recommendations for noting:

The Committee is asked to note:

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

## **1.0 Purpose**

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

## **2.0 Background**

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

- Following the introduction of Agresso, the council now publishes its own spend data, instead of using a third party.
- The data is available on the council's internet site under Transparency and Accountability (payments to suppliers) and is updated monthly.
- In addition to the spend to date, the site also includes spend for the financial years from 2011 to 2014.
- Since last reported to the Audit Committee in March 2015, there have been no requests for information from the public (as an 'armchair auditor').

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

3.1 We will report back to the next Audit 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/18062015/M).

## **5.0 Legal implications**

5.1 There are no legal implications arising from the recommendation in this report (RB/23062015/D).

## **6.0 Equalities implications**

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

## **7.0 Environmental implications**

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

## **8.0 Human resources implications**

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

**9.0 Corporate landlord implications**

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

**10.0 Schedule of background papers - None**

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# Audit Committee

6 July 2015

<b>Report title</b>	P-Card Update	
<b>Cabinet member with lead responsibility</b>	Councillor Andrew Johnson Resources	
<b>Accountable director</b>	Mark Taylor, Finance	
<b>Originating service</b>	Procurement	
<b>Accountable employee(s)</b>	Andy Moran Tel Email	Head of Procurement 01902 554132 <a href="mailto:andy.moran@wolverhampton.gov.uk">andy.moran@wolverhampton.gov.uk</a>
<b>Report to be/has been considered by</b>		

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## Recommendation(s) for action or decision:

The Committee is recommended to:

1. Review the actions taken by the council regarding the use of P-Cards.

## 1.0 Purpose

- 1.1 That members of the Audit Committee review the changes made to the use of the council's P-Cards.

## 2.0 Background

- 2.1 A Procurement card or "P-Card" is a card that allows goods and services to be bought without using the requisition, purchase order and invoice process. The card works in the same way as a bank debit or credit card. The cards have a maximum individual purchase limit and a monthly limit. The cards can also be limited to the type of products that can be bought. A statement is sent to the council every month showing the purchases made. P-Cards are an efficient way of making low value purchases with no added fees or costs charged to the Council.

For one-off and low value purchases the P-Card is a better way of buying when compared to the time involved in setting-up a supplier, raising a requisition, issuing a purchase order and paying an invoice through the finance system. However, P-Cards should not be used where there is an existing corporate contract and cardholders and Budget Managers should check this before using the P-Card.

- 2.2 Each P-Card has a maximum individual purchase limit and a monthly limit. These limits have been set through liaison with the cardholder's relevant budget manager. If either of these limits are exceeded, the transaction will be declined. There are 34 groups for categorising types of purchases, known as Merchant Category Groups (MCG's). Each cardholder's specific category groups are set by the Hub based on the request from the budget manager. Changes to MCG's have to be approved by Procurement dept. If an attempt is made to use a category group that has not been authorised, the transaction will be declined.
- 2.3 At the last Audit Committee meeting in March, the committee received a briefing note on the use of P-Cards across the council, and requested a review of their use be undertaken, with a view to reducing both the number of cards in issue and the number and value of transactions they were being used for. Following such a review, and a change in the banking services provider, the summary below highlights the changes made across all P-Cards, and that an overall reduction has been achieved. Also 11% of the cards that were in issue, have been cancelled.

	Single transaction limit	Monthly transaction limit
Value prior to reductions	521,840	1,252,030
Value post reductions	372,790	810,730
<b>Reduction</b>	<b>149,050</b>	<b>441,300</b>
% Reduction	29%	35%
Cards in issue	327	
Cards Cancelled	35	
	<b>11%</b>	

### 3.0 Progress, options, discussion

3.1 The use of P-Cards will continue to be closely monitored by the Procurement team.

The below table highlights the number of P-Cards in use, usage and the top ten categories of P-Card spend from 1 April to 16 June 2015.

	Number of Cards	Total Spend £	Average Spend £	Number of Transactions
WCC (used this period)	172	182,495	124	1,473
Schools (used this period)	86	61,465	66	928
Closed	35	1,686	281	6
Unused	69	-	-	-
Total	362	245,646	102	2,407

Category	Amount £
Groceries (Social Care/Schools)	23,038
Court Fees	21,619
Rail Tickets (2nd Class)	20,506
Schools Books	12,897
Lodging – Hotels etc.	11,347
Stationery/Office Supplies	10,324
Government Services	9,803
Retail (LAC and Social Care)	7,537
Direct Marketing	6,863
Advertising Services	6,393

### 4.0 Financial implications

4.1 There are no financial implications arising from the recommendations in this report GE/18062015/M).

### 5.0 Legal implications

5.1 There are no legal implications arising from the recommendation in this report (RB/23062015/J).

### 6.0 Equalities implications

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

**7.0 Environmental implications**

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

**8.0 Human resources implications**

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

**9.0 Corporate landlord implications**

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

**10.0 Schedule of background papers**

None