CITY OF WOLVERHAMPTON COUNCIL

Audit and Risk Committee

14 March 2016

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

Venue Committee Room 3 - 3rd Floor - Civic Centre

Membership

Chair Cllr Craig Collingswood (Lab)
Vice-chair Cllr Christine Mills (Con)

Labour	Conservative	Independent Member
Cllr Harbans Bagri	Cllr Patricia Patten	Mr Mike Ager
Cllr Philip Bateman		Mr Terry Day
Cllr Keith Inston		
Cllr Jasbir Jaspal		
Cllr Stephen Simkins		

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
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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

MEETING BUSINESS ITEMS

Item No. *Title*

1 **Apologies for absence**

2 **Declaration of interests**

3 **Minutes of the previous meeting (14 December 2015)** (Pages 5 - 12)
[For approval]

4 **Matters arising**
[To consider any matters arising from the minutes]

DECISION ITEMS

5 **Audit and Risk Committee - Terms of Reference** (Pages 13 - 18)
[To review the Committee's terms of reference]

6 **External Audit Plan 2015/16** (Pages 19 - 40)
[To note the audit plan from the Council's external auditors]

7 **Communications with the Audit and Risk Committee** (Pages 41 - 62)
[To consider the communications from the Council's external auditors]

8 **External Audit Update** (Pages 63 - 82)
[To receive and note the update from the Council's external auditors]

9 **Strategic Risk Register and Assurance Map** (Pages 83 - 104)
[To note the latest summary of the Council's strategic risk register and the main sources of assurance available to show that the risks are being mitigated]

10 **Internal Audit Update - Quarter Three** (Pages 105 - 114)
[To note the contents of the latest internal audit update]

11 **Internal Audit Plan 2016/17** (Pages 115 - 142)
[To approve the risk based internal audit plan for 2016/17]

12 **Counter Fraud Update** (Pages 143 - 166)
[To note the contents of the latest Audit Service's counter fraud update]

13 **Payment Transparency** (Pages 167 - 170)
[To note the current position with regards to the publication of all the Council's expenditure]

14 **Related Party Declarations** (Pages 171 - 176)
[To provide a response to a previous external auditor's findings in relation to completeness of related party declarations and their recommendations]

15 **Review of Fraud Related Polices** (Pages 177 - 198)
[To review and approve updated Council fraud related policies and procedures]

16 **Audit and Risk Committee Members: - Knowledge and Skills Framework** (Pages 199 - 210)
[To complete and return the knowledge and skills framework exercise]

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

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

Part 2 - exempt items, closed to press and public

Item No.	*Title*	*Grounds for Exemption*
18	**Audit Investigations Update** (Pages 211 - 216) [To note the current position on audit investigations]	Information relating to any individual. Information which is likely to reveal the identity of an individual. Information relating to the financial or business affairs of any particular person (including the authority holding that information) Para (1, 2, 3)

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CITY OF WOLVERHAMPTON COUNCIL

Audit and Risk Committee

Minutes - 14 December 2015

Attendance

Members of the Audit and Risk Committee

Cllr Craig Collingswood (Chair)
Cllr Christine Mills (Vice-Chair)
Cllr Harbans Bagri
Cllr Philip Bateman
Cllr Jasbir Jaspal
Cllr Stephen Simkins
Mike Ager (Independent member)
Terry Day (Independent member)

Employees

Peter Farrow	Head of Audit
Dereck Francis	Democratic Support Officer
Narinder Phagura	Strategic Risk Manager
Mark Taylor	Director of Finance
Mark Wilkes	Client Lead Auditor

External Auditors

Richard Vialard	PricewaterhouseCoopers
Mark Stocks	Grant Thornton
David Roper	Grant Thornton

Part 1 – items open to the press and public

Item No. *Title*

1 **Apologies for absence**
Apologies for absence were submitted on behalf of Cllrs Keith Inston and Patricia Patten.

2 **Declaration of interests**
Mike Ager, Independent Member declared a personal interest in any items on the agenda relating to Coppice Community School, in so far as he is a Governor at the School.

Cllr Jasbir Jaspal declared a personal interest in any items on the agenda relating to the Pensions Committee, in so far as she is the Chair of the Committee.

Cllr Phil Bateman declared a personal interest in any items on the agenda relating to Ashmore Park Nursery or public transport.

3 **Minutes of the previous meeting (21 September 2015)**

Resolved:

That subject to the inclusion of 'Cllr Craig Collingswood (Chair)' in the list of members present, the minutes of the meeting held on 21 September 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 **Annual Audit letter**

Richard Vialard from the Council's external auditors PricewaterhouseCoopers' (PwC) presented their final annual audit which summarised the results of their 2014/15 audit of the Council's accounts. The provisional conclusions that PwC had reached and presented to the Committee on 21 September 2015 were unchanged. He briefly recapped on those areas. In concluding Richard Vialard thanked the Committee and Council's employees, particularly Mark Taylor, Director of Finance for the support they had afforded PwC during its time as the Council's external auditors.

Mike Ager, Independent Member commented that the Audit Letter highlighted the risks the Council faced in terms of its reserves and Medium Term Financial Strategy. He indicated that the Committee would continue to review these areas in the coming years.

Cllr Craig Collingswood (Chair) asked how the transition to the Council's new external auditors Grant Thornton was progressing. Mark Stocks from Grant Thornton advised that the hand over with PwC was progressing well and he explained the hand over process as agreed by the Audit Commission. He also thanked PwC for their assistance during that process.

Cllr Phil Bateman asked for an update on the Council's response to PwC's recommendation relating the 'Completeness of Related Party Declarations'. He and other members of the Committee expressed their disappointment that information requested and the questions raised at the last meeting had not been responded to. Peter Farrow, Head of Audit informed the Committee that the new Interim Democratic Services Manager would be producing a report on action taken/proposed in response to the external auditor's recommendation. The Chair also informed the Committee of action he had taken since the last meeting to ensure that a report was presented. He indicated that he was disappointed that the report was not yet available, however, he had been assured that it would be available for the next meeting. He undertook to write to the Director of Governance stressing the importance for the Committee to have, at the earliest opportunity, a report on the action he had/intended to take in response to PwC's recommendation on Completeness of Related Party Declarations'.

In response to a question from the Chair, the Director of Finance confirmed that the Council was fully on board with the Auditor's other recommendations and they were in progress of being implemented.

Resolved:

That the Annual Audit Letter from PwC be noted.

6 **Grant Thornton Audit Committee update**

The Committee welcomed Mark Stocks, Engagement Manager and David Roper, Assistant Manager from Grant Thornton, the Council's new external auditors. The Committee was informed that Nicola Coombe, Audit Manager from Grant Thornton would be the main manager on the audit of the Council's accounts.

Mark Stocks reported on: progress in delivering Grant Thornton's responsibilities as the Council's external auditors; a summary of emerging national issues and developments that may be relevant to the Committee; challenge questions in respect of emerging issues which might be of interest to the Committee; and useful material that could be found on their website.

Cllr Phil Bateman queried whether information from Grant Thornton's Business Location Index would cover just the city Council area or a wider area, for example in order to capture the benefits to the city of Jaguar Land Rover (JLR). Mark Stocks advised that it would be possible to produce two reports, one covering the city and the other including the JLR in South Staffs. In response to other comments on the Business Link Index he advised that a seminar could be arranged, that pulled together the type of information the Committee was requesting. The Chair commented that any information in a meaningful format would be helpful.

The Chair also asked whether the three challenge questions in Grant Thornton's presentation had been actioned. Mark Taylor, Director of Finance confirmed that a briefing note had been produced on the Chancellor's 'Devolution revolution' announcement and a report would be submitted to Full Council in January 2016; regarding the Government's New Homes announcement, the Council had put in a bid for the New Homes Fund which had been successful. A report would be submitted to the Cabinet (Resources) Panel in January 2016; the Council had also submitted a response to the Government's council tax collection consultation. In addition the Council had worked with a forum that had submitted a response on the Council's behalf. He indicated that he would engage with councillors on the consultation and responses and hold a seminar. The Director of Finance also responded to a question on business rates and grant funding to the Council.

At the end of the discussion the Chair thanked Grant Thornton for their report and started that he looked forward to working with them.

Resolved:

That the report from Grant Thornton be noted.

7 **Strategic risk register and strategic assurance map**

Narinder Phagura, Strategic Risk Manager, presented a report on the key risks the Council faced and how it could gain assurance that these risks are being mitigated.

Cllr Stephen Simkins asked how the role of the Combined Authority fitted into skills for work (risk 2) and the Council's aspirations in this area; and whether recommendations were made to the Scrutiny Board/Panels to undertake a more in-depth examination of how strategic risk areas are being mitigated. Together with other members of the Committee he also noted that a number of the strategic risk target dates were for 2017. They expressed a need for more detail on what was planned to address the risks during 2016 and queried whether anything could be

done to bring forward any of the 2017 target dates. The Strategic Risk Manager advised that some of the strategic risks were long term issues. They had not remained static over the last twelve months. Activity was taking place on them and they continued to be managed and monitored in accordance with risk management action plans in place for each risk. The work taking place and the report on the risks was to move them on over the next twelve months. The Strategic Risk Manager also reported that the strategic risk register was submitted to Scrutiny Board on a quarterly basis. The Board could therefore use the register to inform its work programme and that of its scrutiny panels.

The Chair welcomed the comments made and added that the Committee had done a lot of good work on risk management. He hoped that the way the information on risk was presented could be reviewed in light of the Committee's comments. He also informed the Committee of the plan to change the name of the Committee to Audit and Risk Committee to reflect the importance the Committee placed on the role of risk management in its work.

During the discussion on the strategic risk register, Mike Ager, Independent Member commented that the risk 'Looked After Children' should continue to be a high priority for the Council and the Committee.

Keren Jones, Service Director City Economy, was in attendance and presented an update on the progress being made to address strategic risk 2 'Skills for Work'.

In response to the Committee's questions, the Service Director City Economy reported that:

- In terms of the response from the city's schools to improving young peoples' soft skills so they are ready for work, the approach from the city Council's Director of Education was to identify and work with some pioneering schools in this area in order to demonstrate the benefits to schools and their pupils.
- In terms of mentoring, a lot of the city's businesses want to work with schools to deliver interactive and intensive mentoring programmes.
- Programmes exist to provide opportunities for older people considering a change in career path in later life. There are programmes for any person above 25 years of age.
- A lot of the findings and recommendations that the Skills and Employment Scrutiny Review wanted to happen are being delivered and the challenge is to co-ordinate and scale up the activity in order to realise greater benefits.
- There was a range of performance measures to determine the effectiveness of all the activity taking place on the skills for work agenda. The top level measure is the employment rate, which was measured annually. Other performance measures are be wages and qualifications
- Considerable progress is being made in attracting external funding to support the skills for work agenda. There was a good partnership and commitment to undertake this work.
- Involvement of secondary schools, including those out of the local authority's control, would be key in the partnership work on the interventions in the Commission's report. The Director of Education's approach was to initially focus on the schools that he could quickly take with him on the new relationship.

At the end of the discussion the Chair asked the Committee whether it wished to select one of the red risk areas for discussion at the next meeting. It was suggested that the Director of Education be invited to attend the next meeting to provide an update on the school improvement risks he leads and also update the Committee on the work that is taking place around skills in schools that contribute to the 'skills for work' strategic risk.

Resolved:

1. That the strategic risk register be noted.

2. That the reduction in the assessment of the following risks be noted:
   - Risk 1 - Looked after Children
   - Risk 11 - Care Act
   - Risk 12 - Better Care Fund
   - Risk 19 - Combined Authority

3. That the closure of risk 19–Combined Authority, from the strategic risk register be noted. Any residual risks would continue to be managed through the programme risk register.

4. That the closure of risk 11 - Care Act, subject to agreement by the Programme Board to close the programme and transfer any residual risks to the 'Transforming Adult Social Care' programme be noted.

5. That the identification of a new risk - risk 19a in relation to the proposed devolution deal be noted.

6. That the progress made by the Council in the management of its strategic risk as detailed in paragraph 3.1 of the report be noted.

7. That the main sources of assurance available to the Council against its strategic risks be noted.

8. That a report on risks managed by the Director of Education that touch upon education, training and skills be submitted to the next meeting.

8 **Internal Audit update - quarter two**

Peter Farrow, Head of Audit presented a report on progress made against the 2015/16 audit plan and on recent audit work that had been completed.

Cllr Stephen Simkins asked whether the lessons learned from the audit work on the Young People Supported Living (YMCA) Contract Arrangement had been incorporated into the Council's contract arrangements so as to ensure that the weaknesses identified from the audit review are not repeated. The Head of Audit undertook to clarify whether the Procurement Manager had been copied into the audit report on this item and if not to forward to him a copy.

The Chair asked about the audit work on the Agresso system. The Head of Audit reported that a draft report had been produced following a piece of work on the benefits realisation of the Agresso system. Feedback would be included in the quarter three internal audit update report to Committee in March 2016.

The Head of Audit also reported that, in addition to the previously reported name change of the Committee to Audit and Risk Committee, Insurance and Health and Safety now came within the Audit remit under the banner of 'Corporate Assurance'. Therefore in future he would be bringing a further report that would provide another level of assurance relating to insurance and health and safety.

Cllr Stephen Simkins welcomed the changes and suggested that the time might now be right for the Committee to review its terms of reference. The Head of Audit confirmed that the Committee would be reviewing its terms of reference at the next meeting in March 2016.

Resolved:

That the contents of the latest internal audit update as at 30 September 2015 (quarter two) be noted.

9 **CIPFA Audit Committee update - issue 18**

The Committee received, for information, the latest of regular briefings issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) for audit committee members in public sector bodies.

Peter Farrow, Head of Audit explained that CIPFA had asked local authorities not to publish their Audit Committee Updates on publicly available websites, as they should only be available to subscriber local authorities. The CIPFA update had therefore been circulated to members of the Committee direct.

Resolved:

That the contents of the latest CIPFA Audit Committee Update, Issue 18 – helping audit committees to be effective be received and noted.

10 **Payment transparency**

Peter Farrow, Head of Audit updated the Committee with the current position regarding the Council's publication of all its expenditure activity since the last meeting of the Committee. He informed the Committee that a technical glitch had temporarily prevented the publication of the information. Mark Wilkes, Client Lead Auditor advised the Committee that the problem had now been resolved.

Cllr Stephen Simkins expressed his concern that because some of the expenditure information was not redacted, it could be used by companies to gain an unfair advantage when bidding for contracts.

Resolved:

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

11 **Audit Services - counter fraud update at November 2015**

Mark Wilkes, Client Lead Auditor outlined the salient points of the latest update on current counter fraud activities undertaken by Audit Services.

In response to questions the Client Lead Auditor explained that, in relation to the National Fraud Initiative exercise during January 2015, the value for 'waiting list to housing tenants', related to a recognised figure of the cost attributed to housing a

family. He also reported that the fraud awareness seminars for Council employees had been well attended with good participation from attendees.

Resolved:
That the contents of the latest Internal Audit Counter Fraud Update be noted.

12 **Budget update and review**

Mark Taylor, Director of Finance presented the update report on the Council's finances that referenced reports approved by Cabinet and Cabinet (Resources) Panel on the Council's treasury management activity and monitoring; fees and charges review for 2016/17; the revenue budget 2015/16; and the draft budget for 2016/17.

The Committee noted that the Council's financial position would become clearer in the next few weeks once it received its Local Government Financial Settlement for 2016/17. The Committee also noted an update from the Director of Finance on the impact on the Council's finances arising from the Chancellor of the Exchequer's Autumn Statement. The full impact was not yet known as the detail on aspects of the Chancellor's announcement were still awaited.

Resolved:
That the arrangements for ensuring adequate identification and management of budget risks, and budget planning and forecasting for future years be noted.

13 **Annual Governance Statement - action plan update**

Peter Farrow, Head of Audit presented the report on progress made in addressing key improvement areas identified in the 2014/15 Annual Governance Statement action plan. A further update on progress made against the actions identified in the 2014/15 Annual Governance Statement would be reported to the Committee when it reviewed the draft Statement for 2015/16.

The Chair noted that some of the key performance areas had been included in the Governance Statements for a while. He asked whether any of them would be closed off. The Head of Audit reported that some would be closed off as soon as they could, while in addition, some would evolve and others, like 'savings target' would reappear year on year.

Referring to the key risk, Combined Authority (CA), Cllr Phil Bateman commented that the issue of how the establishment of the West Midlands CA would affect the finances of the Council would need to be closely monitored as well as the way the CA develops and operates in relation to the Council.

Mike Ager, Independent Member asked whether the systematic review of Governance arrangements with partner organisations would be completed by March 2016, as it might be of interest for the Committee to review the findings. Mark Taylor, Director of Finance reported that the review related to partnership organisations that had been running for many years. The Head of Audit undertook to speak to the Director of Governance to determine whether he could produce his own assurance map on this area.

Referring to the Corporate Peer Challenge and the finding from the peer review that 'partnership working in Wolverhampton is a real strength to be built on', Cllr Phil Bateman commented that it would be interesting to see how this would be tested by the Council's new external auditors, Grant Thornton. He suggested that a fresh look at the performance area take place to determine if it was as strong as the peer challenge concluded.

Resolved:

That the progress made in addressing the key improvements areas identified in the 2014/15 Annual Governance Statement action plan be noted.

14 **Audit Committee - results of the recent self-assessment of good practice and effectiveness exercise**

Peter Farrow, Head of Audit thanked members of the Committee for completing the self-assessment of good practice and effectiveness checklist. He fed back on some of the results from the exercise and explained how he proposed to take forward the feedback and responses received. He also informed the Committee that the second of a three stage review process of the performance and effectiveness of the Committee would be presented to the next meeting.

Resolved:

That the results of the recent self-assessment of good practice and effectiveness exercise and the plan to move on to the next stage of the process be noted.

15 **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 of business as it involves the likely disclosure of exempt information falling within the paragraph 3 of Schedule 12A of the Act

Part 2- exempt items, meeting closed to press and public

16 **Audit investigations update**

Mark Wilkes, Client Lead Auditor presented the update report on current audit investigations.

Cllr Stephen Simkins suggested that a note be circulated to all employees of the Council about the personal use of council computer equipment. He was advised that the matter would be covered in the Council's policy on personal use of council information technology equipment.

Resolved:

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

Agenda Item No: **5**

CITY OF WOLVERHAMPTON COUNCIL

Audit and Risk Committee

14 March 2016

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

Recommendation(s) for action or decision:

The Committee is recommended to undertake an annual review of:

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

1.0 Purpose

1.1 The terms of reference for the Audit Committee were last reviewed and approved by the Audit Committee in March 2015, in order to reflect CIPFA's new position statement: Audit Committees in Local Authorities. It is recognised bast practice that such terms of reference are reviewed annually to ensure they remain fir for purpose.

2.0 Background

2.1 Since they were last reviewed in March 2015, the following changes have been made.

- The name of the committee has been changed from Audit Committee to that of Audit and Risk Committee. This is to reflect the increased emphasis placed upon risk management across the Council. The name change was approved by Full Council in December 2015.
- Following the formation of the new Corporate Assurance team (Insurance and Health & Safety) a regular additional assurance report will be presented by the new team

3.0 Progress, options, discussion, etc.

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

4.0 Financial implications

4.1 There are no financial implications arising from the recommendations in this report. [MK/010316/Z]

5.0 Legal implications

5.1 There are no legal implications arising from the recommendations in this report. [TS/04032016/C]

6.0 Equalities implications

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

7.0 Environmental implications

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

8.0 Human resources implications

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

9.0 Corporate landlord implications

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

10.0 Schedule of background papers

10.1 None

CITY OF WOLVERHAMPTON COUNCIL

Audit and Risk Committee - Terms of Reference

Statement of purpose

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

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

Governance, risk and control

- To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
- To review the annual governance statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
- To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.
- To monitor the effective development and operation of risk management in the Council.
- To monitor progress in addressing risk-related issues reported to the committee.
- To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.
- To monitor the counter-fraud strategy, actions and resources.
- To receive additional assurance reports from the Corporate Assurance team (Insurance and Health & Safety)

Internal Audit

- To approve the internal audit charter.
- To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- To approve the risk based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- To approve significant interim changes to the risk-based internal audit plan and resource requirements.
- To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
    - Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work;
    - Regular reports on the results of the quality assurance and improvement programme;
    - Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the annual governance statement.
- To consider the head of internal audit's annual report:
    - The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the quality assurance and improvement programme that supports the statement - these will indicate the reliability of the conclusions of internal audit.
    - The opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control together with the summary of the work supporting the opinion - these will assist the committee in reviewing the annual governance statement.
- To consider summaries of specific internal audit reports as requested.
- To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- To contribute to the quality assurance and improvement programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.
- To consider a report on the effectiveness of internal audit to support the annual governance statement, where required to do so by the Accounts and Audit Regulations.
- To support the development of effective communication with the head of internal audit.

External Audit

- To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
- To consider specific reports as agreed with the external auditor.
- To comment on the scope and depth of external audit work and to ensure it gives value for money.

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

Financial reporting

- To receive detailed training in respect of the process associated with the preparation, sign off, audit and publication of the Council's annual statement of accounts.
- To monitor the on-going progress towards publication of the Council's annual statement of accounts, ensuring the statutory deadlines are achieved.
- To obtain explanations for all significant variances between planned and actual expenditure to the extent that it impacts on the annual statement of accounts.
- To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
- To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Accountability arrangements

- To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.
- To report to full Council on a regular basis on the committee's performance in relation to the terms of reference, and the effectiveness of the committee in meeting its purpose.

The Audit Plan for Wolverhampton City Council

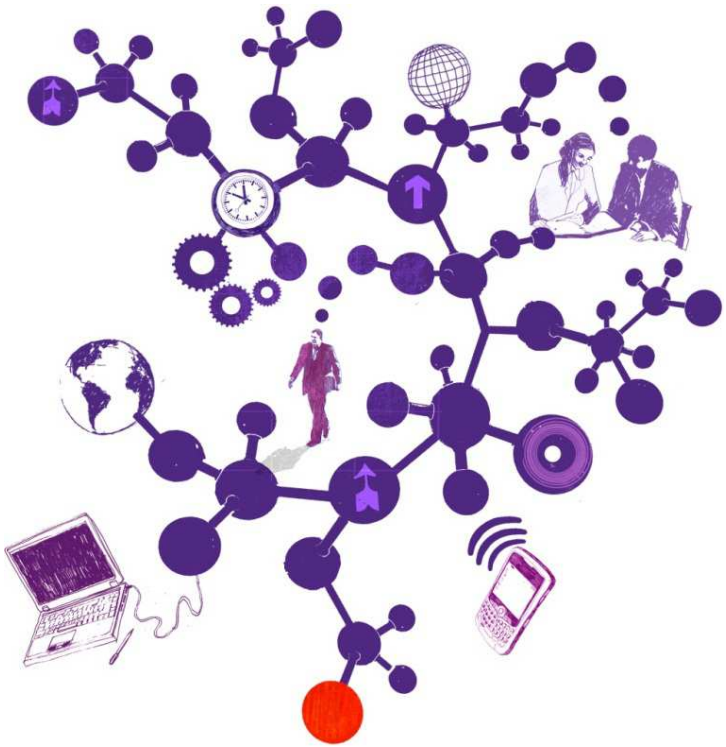
Year ending 31 March 2016

March 2016

Mark Stocks
Engagement lead
T 0121 232 5437
E Mark.C.Stocks@uk.gt.com

Nicola Coombe
Engagement Manager
T 0121 232 5206
E Nicola.Coombe@uk.gt.com

David Roper
Assistant Manager
T 07825 522950
E David.T.Roper@uk.gt.com



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

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

Grant Thornton UK LLP
Colmore Plaza
20 Colmore Circus
Birmingham
B4 6AT

www.grant-thornton.co.uk

March 2016

Dear Members of the Audit & Risk Committee

Audit Plan for Wolverhampton City Council for the year ending 31 March 2016

This Audit Plan sets out for the benefit of those charged with governance (in the case of Wolverhampton City Council, the Audit & Risk Committee), an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the Council and your environment. The contents of the Plan have been discussed with management.

We are required to perform our audit in line with the Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015.

Our responsibilities under the Code are to:

- give an opinion on the Council's financial statements
- satisfy ourselves the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Yours sincerely

Mark Stocks

Engagement Lead

Chartered Accountants
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Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.

Challenges/opportunities

1. Autumn Statement 2015 and financial health

- The Chancellor proposed that local government would have greater control over its finances, although this was accompanied by a 24% reduction in central government funding to local government over 5 years.
- Despite the increased ownership, the financial health of the sector is likely to become increasingly challenging.
- The Council is predicting that it will meet its budget target in 2015/16 and has set a balanced budget for 2016/17.
- The Medium Term Financial Plan to 2019/20 has identified that further savings of £54m are required over the period .
- The Council are developing an efficiency strategy in order to secure a four year settlement and utilise the capital receipt flexibility available

2. Devolution

- The Autumn Statement 2015 also included proposals to devolve further powers to localities.
- The Council has a key role in the West Midlands Combined Authority which will be formed on 1 June 2016. The newly formed authority will have an initial support structure of staff mainly relating to transport.

3. Housing

- The Autumn Statement also included a number of announcements intended to increase the availability and affordability of housing.
- The reduction in council housing rents, changes to right to buy and other factors resulted in a forecast short fall of £630m over the 30 year business plan.
- The HRA business plan has subsequently been remodelled and approved by members.
- In response to the changes and the local housing situation the Council is planning to set up a housing company.

4. Transformation

- The Council has a significant transformation agenda with the aim of creating a 'modern' Council.
- There are a number of key streams including digitisation to improve the customer experience, income generation and initiatives for the regeneration of the local area and to promote the City.
- The Better Care Fund and transfer of responsibility for public health to local government are intended to increase integration between health and social care with a combined fund of £66.9m forecast in 2015/16 .

5. Earlier closedown of accounts

- The Accounts and Audit Regulations 2015 require councils to bring forward the approval and audit of financial statements to 31 May and 31 July respectively by the 2017/18 financial year.

Our response

- We will consider the Council's plans for addressing its financial position as part of our work to reach our VFM conclusion.

- We will consider the progress of the combined authority as part of our work in reaching our VFM conclusion.
- We are able to provide support and challenge to your plans based on our knowledge of devolution elsewhere in the country.

- We will consider the Council's revised HRA business plan.
- We will review the Councils progress in setting up a housing company.

- We will review the Council's progress against its transformation and regeneration plans as part of our VFM conclusion .
- We will review the Council's treatment of entries relating to the Better Care Fund in its financial statements

- We will work with you to identify areas of your accounts production where you can learn from good practice in other authorities.
- We aim to complete all substantive work in our audit of your financial statements by 31 August 2016.

Developments and other requirements relevant to your audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice and associated guidance.

Developments and other requirements

1. Fair value accounting

- A new accounting standard on fair value (IFRS 13) has been adopted and applies for the first time in 2015/16.
- This will have a particular impact on the valuation of surplus assets within property, plant and equipment which are now required to be valued at fair value in line with IFRS 13 rather than the existing use value of the asset.
- Investment property assets are required to be carried at fair value as in previous years.
- There are a number of additional disclosure requirements of IFRS 13.

2. Corporate governance

- The Accounts and Audit Regulations 2015 require local authorities to produce a Narrative Statement, which reports on your financial performance and use of resources in the year, and replaces the explanatory foreword.
- You are required to produce an Annual Governance Statement (AGS) as part of your financial statements.

3. Highways Network Assets

- Although you are not required to include Highways Network Assets until 2016/17, this will be a significant change to your financial statements and you will need to carry out valuation work this year.

4. Joint arrangements

- Councils are involved in a number of pooled budgets and alternative delivery models which they need to account for in their financial statements.
- The Council has pooled budget arrangements with the local CCGs amounting to in excess of £66.9m

5. WGA

- The Council is required to submit a Whole of Government Accounts (WGA) pack on which we provide an audit opinion
- The Council completes grant claims and returns on which audit certification is required

Our response

- We will keep the Council informed of changes to the financial reporting requirements for 2015/16 through ongoing discussions and invitations to our technical update workshops.
- We will discuss this with you at an early stage, including reviewing the basis of valuation of your surplus assets and investment property assets to ensure they are valued on the correct basis.
- We will review your draft financial statements to ensure you have complied with the disclosure requirements of IFRS 13.

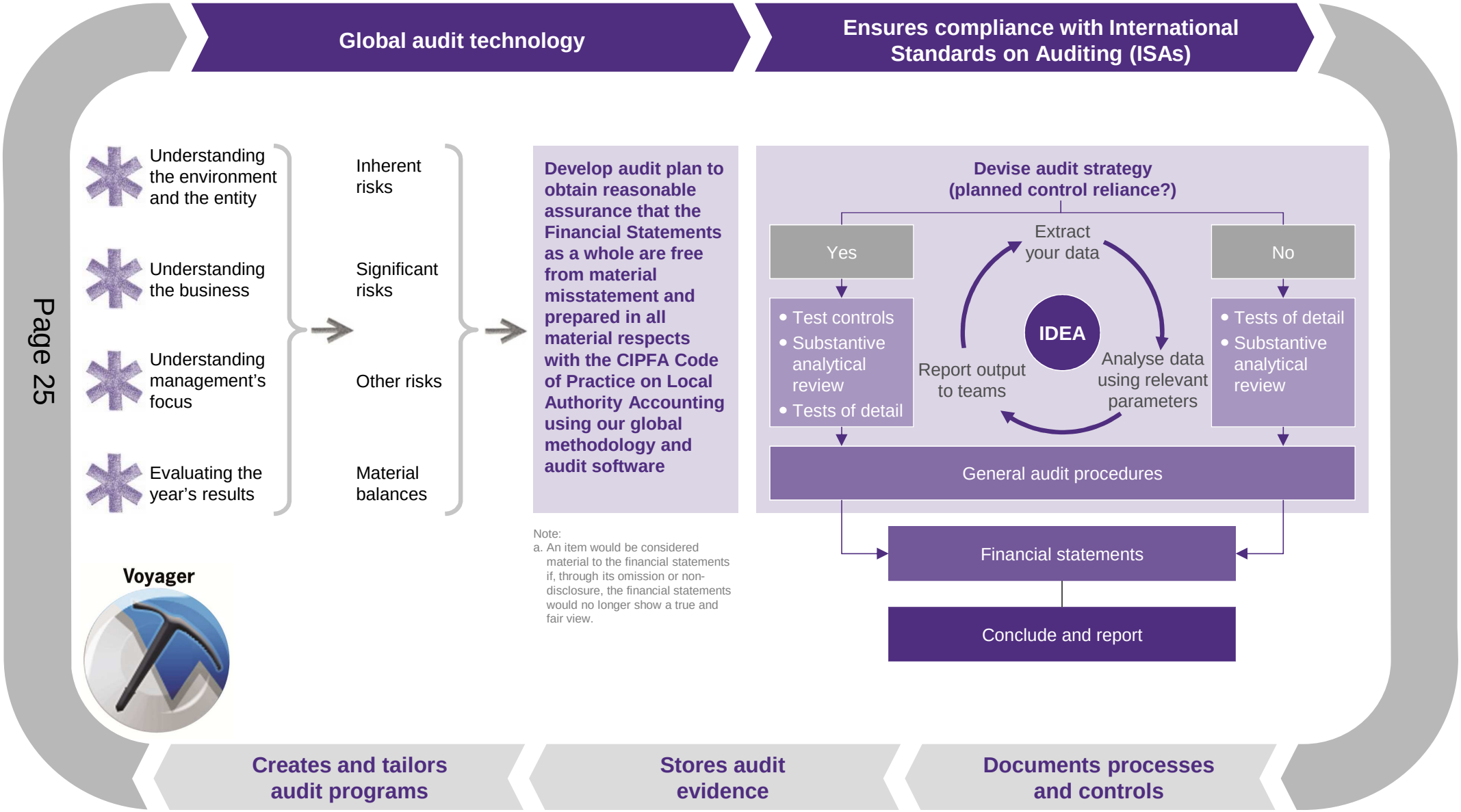
- We will review your Narrative Statement to ensure it reflects the requirements of the CIPFA Code of Practice when this is updated, and make recommendations for improvement.
- We will review your arrangements for producing the AGS and consider whether it is consistent with our knowledge of the Council and the requirements of CIPFA guidance.

- We will discuss your plans for valuation of these assets at an early stage to gain an understanding of your approach and suggest areas for improvement.

- We will review your proposals for accounting for these arrangements against the requirements of the CIPFA Code of Practice.

- We will carry out work on the WGA pack in accordance with requirements.
- We will certify the housing benefit subsidy claim in accordance with the requirements specified by Public Sector Audit Appointments Ltd.

Our audit approach



Note:
a. An item would be considered material to the financial statements if, through its omission or non-disclosure, the financial statements would no longer show a true and fair view.

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit.

The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As is usual in public sector entities, we have determined materiality for the statements as a whole as a proportion of the gross revenue expenditure of the Council. For purposes of planning the audit we have determined overall materiality to be £13,359k (being 1.75% of gross revenue expenditure). We will consider whether this level is appropriate during the course of the audit and will advise you if we revise this.

Under ISA 450, auditors also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £667k.

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'.

We have identified the following items where separate materiality levels are appropriate.

Balance/transaction/disclosure	Explanation	Materiality level
Cash and cash equivalents	Although the balance of cash and cash equivalents is immaterial, all transactions made by the Council affect the balance and it is therefore considered to be material by nature.	Any errors identified by testing in excess of our trivial level of £667k would be deemed to have implications on the users understanding of the financial statements.
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	Any errors identified by testing in excess of £10,000 would be deemed to have implications on the users understanding of the financial statements
Disclosure of auditors' remuneration in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	Any errors identified by testing would be deemed to have implications on the users understanding of the financial statements
Related party transactions	Related party transactions have to be disclosed if they are material to the Council or to the related party	Any errors identified by testing will be assessed individually, with due regard given to the nature of the error and its potential impact on users of the financial statements. We are unable to quantify a materiality level as the concept of related party transactions takes in to account what is material to both the Council and the related party.

Significant risks identified

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315). In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing - ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Wolverhampton City Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Wolverhampton City Council, mean that all forms of fraud are seen as unacceptable.
Management over-ride of controls	Under ISA 240 it is presumed that the risk of management over-ride of controls is present in all entities.	**Work planned:** • Discuss with management the rationale and evidence to support key accounting estimates and judgements. • Review of accounting estimates, judgments and decisions made by management • Testing of journal entries • Review of unusual significant transactions

Significant risks identified (continued)

Significant risk	Description	Substantive audit procedures
Valuation of property, plant and equipment	The Council revalues its assets on a rolling basis over a five year period. The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from current value. This represents a significant estimate by management in the financial statements.	**Work planned:** • Review of management's processes and assumptions for the calculation of the estimate. • Review of the competence, expertise and objectivity of any management experts used. • Review of the instructions issued to valuation experts and the scope of their work • Discussions with valuer about the basis on which the valuation is carried out and challenge of the key assumptions. • Review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding. • Testing of revaluations made during the year to ensure they are input correctly into the Council's asset register • Evaluation of the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.
Accounting for PFI schemes	The Council has three current PFI schemes which we will be auditing for the first time in 2015/16. A new PFI school will also become operational during 2015/16 and will be accounted for on balance sheet. PFI schemes represent a significant estimate by management in the financial statements.	**Work planned:** • We will gain an understanding of the PFI schemes including the contract and operators financial close model • We will test the inputs into the Councils accounting model to ensure they are consistent with the operators model, using the work of our specialist. • We will ensure that accounting entries in the financial statements are consistent with the accounting model.
Group accounts	The Council prepares consolidated accounts for Wolverhampton Homes. This will be the first year of our audit of the consolidated accounts. The Council is considering setting up companies in the energy and house building sectors which will need to be considered against the Group standards .	**Work planned:** • We will carry out sufficient work to assure ourselves over the material accuracy of Wolverhampton Homes financial statements as reflected in the group financial statements. • We will identify the controls put in place by management over the consolidation process. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of misstatement and ensure that all required disclosures are made. • We will review and test the consolidation working papers and agree to supporting evidence.

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Significant risks identified (continued)

Significant risk	Description	Substantive audit procedures
Valuation of pension fund net liability	The Council's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements.	**Work planned:** • We will identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. • We will review the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out. • We will undertake procedures to confirm the reasonableness of the actuarial assumptions made. • We will review the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.

Other risks identified

"The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures"(ISA (UK & Ireland) 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other risks	Description	Audit approach
Operating expenses	Creditors understated or not recorded in the correct period (Operating expenses understated)	**Work completed to date:** • Documented the processes and controls in place around accounting for operating expenses. Walkthrough tests to confirm the operation of the controls **Further work planned:** We will carry out testing including • the completeness of the subsidiary system interfaces and control account reconciliations • obtain an understanding of the accruals process and test accruals • cut off testing of purchase orders and goods received notes (both before and after year end). Testing will also cover a sample of operating expenses covering the period 1/4/15 to 31/3/16 to ensure they have been accurately accounted for and in the correct period.
Employee remuneration	Employee remuneration accruals understated (Remuneration expenses not correct)	**Work completed to date:** • Documented the processes and controls in place around accounting for operating expenses. Walkthrough tests to confirm the operation of the controls **Further work planned:** We will carry out testing including: • the completeness of the payroll reconciliation to ensure that information from the payroll system can be agreed to the ledger and financial statements • review of monthly trend analysis of total payroll • substantive testing of senior officer remuneration Testing will also cover a sample of employee remuneration payments covering the period 1/4/15 to 31/3/16 to ensure they have been accurately accounted for and in the correct period.

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Other risks identified continued

"The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures"(ISA (UK & Ireland) 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other risks	Description	Audit approach

Welfare expenditure	Welfare benefit expenditure improperly computed	**Work completed to date:**
		• Documented the processes and controls in place around accounting for operating expenses. Walkthrough tests to confirm the operation of the controls
		Further work planned:
		• Reconciliation of expenditure to welfare benefits system
		• Reconciliation of welfare benefit income to grant claim and cash received
		• Initial testing in accordance with the methodology required to certify the housing benefit subsidy claim including,
		  • housing benefit discovery testing
		  • housing benefit analytical review
		  • uprating model
		  • software tool

Other risks identified (continued)

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in the previous section but will include:

- Property Plant and Equipment
- Investment properties
- Heritage assets
- Investments (long term and short term)
- Cash and cash equivalents
- Borrowing and other liabilities (long term and short term)
- Provisions
- Usable and unusable reserves
- Movement in Reserves Statement and associated notes
- Statement of cash flows and associated notes
- Financing and investment income and expenditure
- Taxation and non-specific grants
- Schools balances and transactions
- Segmental reporting note
- Officers' remuneration note
- Leases note
- Related party transactions note
- Capital expenditure and capital financing note
- Financial instruments note
- Housing Revenue Account and associated notes
- Collection Fund and associated note

Other audit responsibilities

- We will undertake work to satisfy ourselves that disclosures made in the Annual Governance Statement are in line with CIPFA/SOLACE guidance and consistent with our knowledge of the Council.
- We will read the Narrative Statement and check that it is consistent with the statements on which we give an opinion and disclosures are in line with the requirements of the CIPFA Code of Practice.
- We will carry out work on consolidation schedules for the Whole of Government Accounts process in accordance with NAO instructions to auditors.
- We will give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts

Group audit scope and risk assessment

ISA 600 requires that as Group auditors we obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

The Council has completed an initial assessment against the requirements of IFRS 10 consolidated financial statements and IFRS 11 Joint arrangements and determined that Group Accounts will be prepared to incorporate the financial results of Wolverhampton Homes a wholly owned subsidiary companies. The Council has determined that other subsidiaries & associates (Yoo Recruitment Ltd, Wolverhampton Grand Theatre 1982) may be excluded from the group accounts on the basis that this does not have a material impact. The Councils has a formal Joint Venture with Staffordshire County Council for i54, however does not consider that this meets the Code definition for a Joint Venture and is therefore not accounted for in this way. The i54 Management Company is a Joint Venture but is excluded from the group accounts on the basis of materiality.

We will consider the Council's assessment of the group boundary and the adequacy of the determination of those entities that are to be included within Group Accounts in 2015/16. We will also review the approach to align the accounting policies, review the consolidation adjustments and assess whether the disclosures within the group financial statements are in accordance with the Code requirements. Our work will also consider the adequacy of the specific disclosures for interests that are not incorporated into the group accounts. The table below considers the 'components' identified by the Council to be consolidated into the group accounts.

Component	Significant?	Level of response required under ISA 600	Risks identified	Planned audit approach
Wolverhampton Homes	Yes	• Targeted	• Alignment of group accounting policies • Adequacy of disclosures within the group financial statements	• Early engagement with the Council's finance team • Review of outcome of audit under International Financial Reporting Standards to be performed by non-GT member firm Baker Tilly UK Audit on Wolverhampton Homes financial statements • Review of the Council's consolidation of the financial results of the subsidiary into the group accounts • Testing of current assets and revenues

Targeted – the group audit team identified one or more specific risks of material misstatement and has determined that audit procedures at the component level are needed to respond to the risk(s). The group audit team selects this approach whenever sufficient appropriate audit evidence for the audit of the group can be obtained by performing audit procedures that respond to the identified risk(s). Audit procedures being targeted by auditing either an account balance, class of transactions or disclosures.
Analytical – is applied to components that are not individually significant. The group audit team selects this approach when the component is not significant and the risks can be addressed sufficiently by applying analytical procedures at the group level.

Value for Money

Background

The Code requires us to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The NAO issued its guidance for auditors on value for money work in November 2015. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The NAO guidance identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

This is supported by three sub-criteria as set out below:

Sub-criteria	Detail
Informed decision making	• Acting in the public interest, through demonstrating and applying the principles and values of good governance • Understanding and using appropriate cost and performance information to support informed decision making and performance management • Reliable and timely financial reporting that supports the delivery of strategic priorities • Managing risks effectively and maintaining a sound system of internal control
Sustainable resource deployment	• Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions • Managing assets effectively to support the delivery of strategic priorities • Planning, organising and developing the workforce effectively to deliver strategic priorities.
Working with partners and other third parties	• Working with third parties effectively to deliver strategic priorities • Commissioning services effectively to support the delivery of strategic priorities • Procuring supplies and services effectively to support the delivery of strategic priorities.

Value for Money (continued)

Risk assessment

We shall carry out an initial risk assessment based on the NAO's guidance. In our initial risk assessment, we will consider :

- our cumulative knowledge of the Council, including work performed in previous years in respect of the VfM conclusion and the opinion on the financial statements.
- the findings of other inspectorates and review agencies, including the Care Quality Commission and Ofsted.
- any illustrative significant risks identified and communicated by the NAO in its supporting Information.
- any other evidence which we consider necessary to conclude on your arrangements.

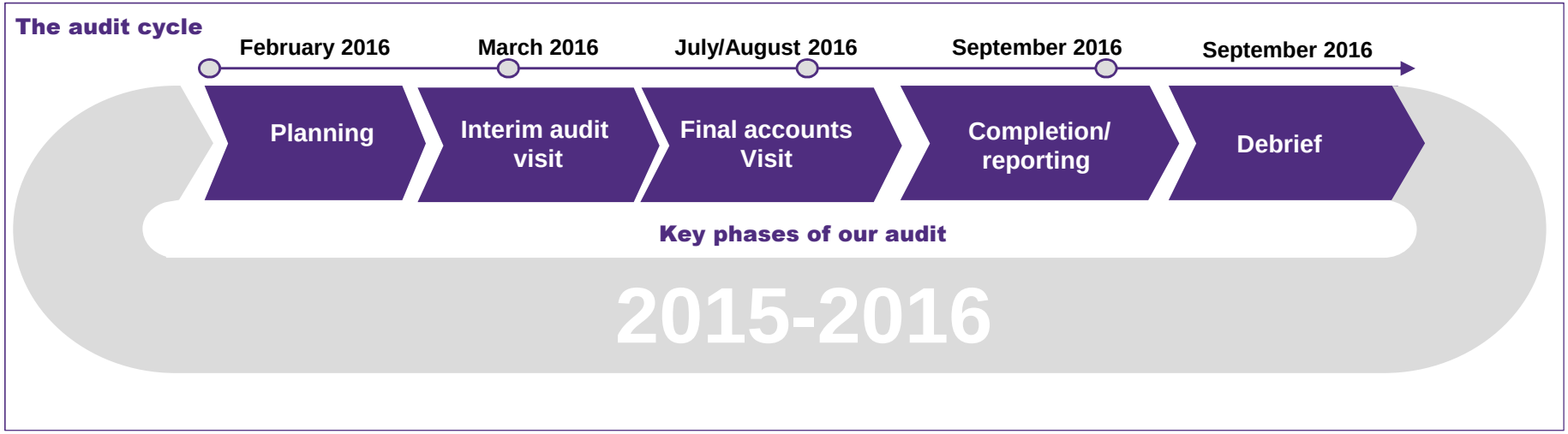
Following the completion of this risk assessment, we will issue a separate planning document setting out our planned work for 2015/16 to meet our duties in respect of the VfM conclusion. This will include any significant risks identified, along with details of the work we plan to carry out to address these risks.

Reporting

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report and in the Annual Audit Letter.

We will include our conclusion as part of our report on your financial statements which we will give by 30 September 2016.

Key dates



Date	Activity
February 2016	Planning
March 2016	Interim site visit
March 2016	Presentation of audit plan to Audit Committee
July-August 2016	Year end fieldwork and progression of housing benefit certification work
August 2016	Audit findings clearance meeting with Director of Finance
September 2016	Report audit findings to those charged with governance (Audit & Risk Committee)
September 2016	Sign financial statements opinion
September 2016	Submission of the consolidated schedules for Whole of Government Accounts
September/October 2016	Housing benefit certification work completed
November 2016	Annual Audit Letter

Fees and independence

Fees

	£
Council audit	189,428
Grant certification	19,128
Total audit fees (excluding VAT)	**208,556**

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list.
- The scope of the audit, and the Council and its activities, have not changed significantly.
- The Council will make available management and accounting staff to help us locate information and to provide explanations.
- The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

Grant certification

- Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited
- Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

Fees for other services

Service	Fees £
Audit related services:	Nil
Non-audit services	
• Cost Assurance (relating to 2015/16 audit year)	49,995
• Income generation (relating to 2016/17 audit year)	70,000

Fees for other services

Fees for other services reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings Report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

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Communication of audit matters with those charged with governance

International Standards on Auditing (UK & Ireland) (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings Report will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

The plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/)

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO and includes nationally prescribed and locally determined work (https://www.nao.org.uk/code-audit-practice/about-code/). Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓
Matters in relation to the Group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	✓	✓

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Communication with the Audit & Risk Committee Wolverhampton City Council

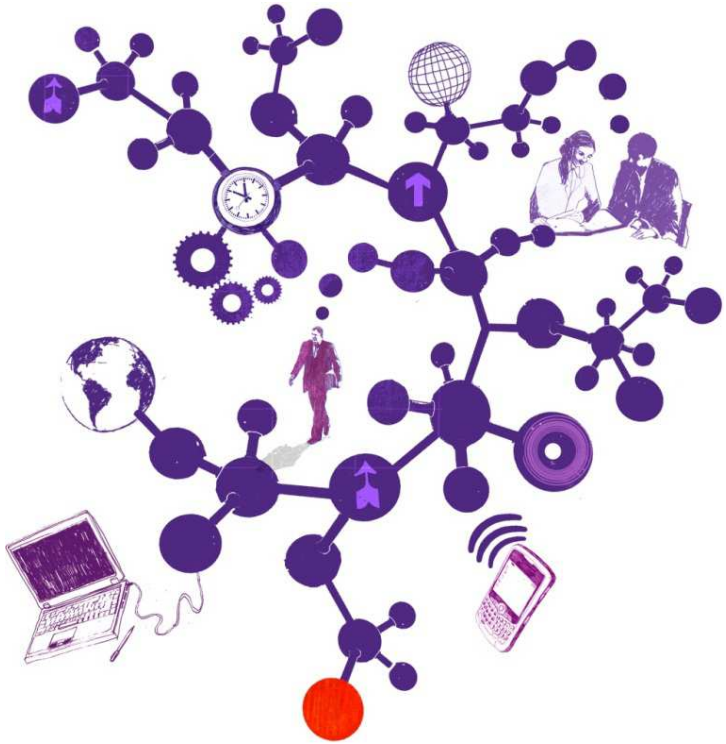
Year ended 31 March 2016

March 2016

Mark Stocks
Engagement Lead
T 0121 232 5437
E mark.c.stocks@uk.gt.com

Nicola Coombe
Audit Manager
T 0121 232 5206
E nicola.coombe@uk.gt.com

David Roper
Assistant Manager
T 07825 522950
E david.t.roper@uk.gt.com



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

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Purpose

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

Background

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

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

Communication

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

- Fraud
- Laws and Regulations
- Going Concern
- Related parties
- Accounting estimates

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

Fraud

Issue

Matters in relation to fraud

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

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

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls. As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

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

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

Fraud risk assessment

Question	Management response
Has the Council assessed the risk of material misstatement in the financial statements due to fraud?	The collective processes for closedown, budget monitoring and outturn take into consideration the risk of material misstatement due to error or fraud. Senior finance officers meet regularly to consider any issues arising from budget monitoring and the closedown process. Should any fraud be reported as part of this or any other process corrective action would be taken.
What processes does the Council have in place to identify and respond to risks of fraud?	The Council has the following policies and procedures to help raise the awareness of, and combat fraud: • Anti-Fraud and Corruption Policy and Procedure • Whistleblowing Policy and Procedure • Anti-Money Laundering Policy and Procedure • Raising Fraud Awareness Guide These documents are reviewed annually by the Audit and Risk Committee, and available on the internet. The internet page on fraud is currently under development to help strengthen the ease in which potential fraud can be reported on-line. The Council has a Client Lead Fraud Officer who sits within Audit Services, and is supported by a joint fraud arrangement with a neighbouring authority. A series of raising fraud awareness seminars and fraud surgeries have recently been run across the Council, and a fraud app is being developed following a successful bid for DCLG funds through Intec. A Counter Fraud Update report is presented to each meeting of the Audit and Risk Committee detailing how the Council is tackling issues around fraud. This includes a detailed Counter Fraud Plan charting out the actions to be taken going forward, and the Council's Fraud Risk Register. As part of the Annual Internal Audit Plan, Audit Services undertake annual reviews of many of the Council's key financial systems – consideration of fraud forms part of these. The Council also fully participates in the Cabinet Office's National Fraud Initiative, and other nation fraud benchmarking exercises, as appropriate.

Fraud risk assessment

Question	Management response
Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?	The Council takes into account the findings in publications such as “Protecting the Public Purse” which identifies fraud trends, and those areas more susceptible to fraud. From this Fraud Risk Register has been developed, which in turn, is used to inform and drive the Counter Fraud plan referred to above. The Council also works closely with Wolverhampton Homes in order to help tackle the risk of Housing Fraud.

Fraud risk assessment

Question	Management response
Are internal controls, including segregation of duties, in place and operating effectively? If not, where are the risk areas and what mitigating actions have been taken?	Audit Services have given an unqualified opinion on the adequacy and effectiveness of the Council's internal control system for a number of years. Individual internal audit reviews are undertaken in-year, and Audit Services report back, where appropriate, on individual areas where controls could be improved. Recommendations will then be made in order to improve any weaknesses found, and key recommendations are later followed up. Audit Services have also been heavily involved in helping to develop the control framework operating within the new Agresso system. They also report any key control weaknesses at each meeting of the Audit and Risk Committee.
Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?	None that we are aware of.
Are there any areas where there is a potential for misreporting override of controls or inappropriate influence over the financial reporting process?	None that we are aware of.

Fraud risk assessment

Question	Management response
How does the Audit & Risk Committee exercise oversight over management's processes for identifying and responding to risks of fraud? What arrangements are in place to report fraud issues and risks to the Audit & Risk Committee?	As above, the Audit and Risk Committee receive a Counter Fraud Update Report, and details of any recent investigations into suspected fraudulent activity at each committee meeting. The committee also reviews and approves all of the Council's Anti-Fraud Policies and Procedures on an annual basis.
How does the Council communicate and encourage ethical behaviour of its staff and contractors?	• Codes of Conduct • Induction training • Accountability arrangements signed by all senior officers • Contracts – standard exclusions • Adherence to procurement procedures • Aide memoires from Monitoring Officer around gifts & hospitality policy at key times of the year.
How do you encourage staff to report their concerns about fraud? Have any significant issues been reported?	As above, there are a number of fraud related policies and procedures that encourage this, and include full contact details – including a confidential hotline. A fraud reporting app is being developed and the Council's internet site allows on-line reporting.
Are you aware of any related party relationships or transactions that could give rise to risks of fraud?	None that we are aware of.
Are you aware of any instances of actual, suspected or alleged, fraud, either within the Council as a whole or within specific departments since 1 April 2015?	Yes, a report on these goes to each Audit and Risk Committee (copies of the reports can be made available upon request). However, there are none that would be viewed as material. A recent successful prosecution against a case of internal fraud was featured on the BBC's "Saints and Scroungers" television programme.

Laws and regulations

Issue
Matters in relation to laws and regulations ISA(UK&I)250 requires us to consider the impact of laws and regulations in an audit of the financial statements. Management, with the oversight of the Audit & Risk Committee, is responsible for ensuring that the Council's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements. As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit & Risk Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements. Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?	The Council has a number of processes in place to prevent and detect non-compliance with law and regulations. Legal briefing papers are circulated on new developments in law quarterly. Where officers have concerns or queries they are able to discuss these with Legal Services. In addition, a number of policies are in place to ensure compliance. These include the Money Laundering Policy and Whistleblowing policy.
How does management gain assurance that all relevant laws and regulations have been complied with?	A number of controls are in place. Management place reliance on the controls detailed above. In addition, there is an annual programme of work from Audit Services which in part covers legal matters. Directors also meet daily at 09.00 to discuss issues of topical concern including any legal matters. SEB also meets weekly for wider briefings across the business.
How is the Audit & Risk Committee provided with assurance that all relevant laws and regulations have been complied with?	The findings and recommendations from the work of Audit Services, with key issues being reported back to the Audit and Risk Committee. Also, each Director is required to sign an annual assurance statement, and this helps inform the Annual Governance Statement that is reported to the Audit and Risk Committee.
Have there been any instances of non-compliance or suspected non-compliance with law and regulation since 1 April 2015, or earlier with an on-going impact on the 2015/16 financial statements?	None known

Impact of laws and regulations

Question	Management response
What arrangements does the Council have in place to identify, evaluate and account for litigation or claims?	All litigation is commenced / defended / settled in consultation with the Monitoring Officer. All prospective prosecutions are evaluated against Nationally adopted criteria. An annual appraisal of contingent liabilities is prepared and reported by the Monitoring Officer in consultation with the Risk Manager.
Is there any actual or potential litigation or claims that would affect the financial statements?	None other than disclosed in the list of contingent liabilities within the Annual Statement of Accounts.
Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	None that we are aware of.

Going concern

Issue
Matters in relation to going concern ISA(UK&I)570 covers auditor responsibilities in the audit of financial statements relating to management's use of the going concern assumption in the financial statements. The going concern assumption is a fundamental principle in the preparation of financial statements. Under this assumption entities are viewed as continuing in business for the foreseeable future. Assets and liabilities are recorded on the basis that the entity will be able to realise its assets and discharge its liabilities in the normal course of business. The code of practice on local authority accounting requires an authority's financial statements to be prepared on a going concern basis. Although the Council is not subject to the same future trading uncertainties as private sector entities, consideration of the key features of the going concern provides an indication of the Council's financial resilience. As auditor, we are responsible for considering the appropriateness of use of the going concern assumption in preparing the financial statements and to consider whether there are material uncertainties about the Council's ability to continue as a going concern that need to be disclosed in the financial statements. We discuss the going concern assumption with management and review the Council's financial and operating performance. Going concern considerations have been set out below and management has provided its response.

Going concern considerations

Question	Management response
Does the Council have procedures in place to assess the Council's ability to continue as a going concern?	The MTFS in the main provides this assurance, insofar as it demonstrates that the Council is able to deliver services and statutory responsibilities within the projected available resources. Account is, however, also taken of the potential and contingent liabilities that are reported in the statement of accounts, in order to ensure that assets remain sufficient to meet liabilities.
Is management aware of the existence of other events or conditions that may cast doubt on the Council's ability to continue as a going concern?	None that we are aware of.
Are arrangements in place to report the going concern assessment to the Audit & Risk Committee?	Indirectly through the statement of accounts.
Are the financial assumptions (eg future levels of income and expenditure) consistent with the Council's Business Plan and the financial information provided to the Council throughout the year?	This may require some discussion to fully understand, it is however possible to confirm that the Council (generally) has a good track record of outturinng within budget each year.

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Going concern considerations

Question	Management response
Are the implications of statutory or policy changes appropriately reflected in the Business Plan, financial forecasts and report on going concern?	Yes, these are fully reflected in the MTFS as budget pressures.
Have there been any significant issues raised with the Audit & Risk Committee during the year which could cast doubts on the assumptions made? (Examples include adverse comments raised by internal and external audit regarding financial performance or significant weaknesses in systems of financial control).	None that we are aware of.
Does a review of available financial information identify any adverse financial indicators including negative cash flow? If so, what action is being taken to improve financial performance?	No adverse financial indicators are currently being reported.
Does the Council have sufficient staff in post, with the appropriate skills and experience, particularly at senior manager level, to ensure the delivery of the Council's objectives? If not, what action is being taken to obtain those skills?	Despite the significant challenges being faced by the Council we believe that this is currently the case. In addition resources and structures remain under constant review so in the event that any issues are identified these would be addressed quickly.

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Related parties

Issue
Matters in relation to related parties For local government bodies the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires compliance with IAS24: related party disclosures. The Code identifies the following as related parties: •Subsidiaries; •Associates; •Joint ventures •An entity that has an interest in the authority that gives it significant influence; •Key management personnel and close family members; and •Pension fund for the benefit of employees A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the Council's perspective but material from a related party viewpoint then the Council must disclose it. ISA (UK&I) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. I will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related parties assessment

Question	Management response
Who are the Council's related parties?	The Council has a number of related parties which are disclosed in the financial statements. The Council owns two other organisations YOO Recruit Ltd & Wolverhampton Homes Ltd. In addition members serve on the boards or governing bodies of various local organisations
What are the controls in place to identify, account for, and disclose, related party transactions and relationships?	A digitalised system for officers to disclose personal interests (of themselves, their spouses, partners & significant others) to the Monitoring Officer is being rolled out to replace paper disclosure.

Accounting estimates

Issue

Matters in relation to Accounting Estimates

Local authorities need to apply appropriate estimates in the preparation of their financial statements. ISA (UK&I) 540 sets out requirements for auditing accounting estimates. The objective is to gain evidence that the accounting estimates are reasonable and the related disclosures are adequate.

Under this standard we have to identify and assess the risks of material misstatement for accounting estimates by understanding how the Council identifies the transactions, events and conditions that may give rise to the need for an accounting estimate.

Accounting estimates are used when it is not possible to measure precisely a figure in the accounts. We need to be aware of all estimates that the Council is using as part of its accounts preparation; these are detailed in appendix 1 to this report.

The audit procedures we conduct on the accounting estimate will demonstrate that:

- the estimate is reasonable; and
- estimates have been calculated consistently with other accounting estimates within the financial statements.

Estimates considerations

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in-year?
Valuation of property plant and equipment	Dwellings- re-valued every 5 years on an existing use-social housing basis by the District Valuer. Other land and buildings including investment properties and surplus assets- valued as part of a 5 year rolling programme at fair value or depreciated replacement cost. For 2015-16 external valuers have been used whereas in prior years this was carried out using the Council's in-house valuers. Community assets, vehicles, plant and equipment, infrastructure and assets under construction-depreciated historical cost. Intangibles- at amortised cost	The asset revaluations are critically reviewed by the corporate finance team with any significant variances from previous valuations or our expectations queried and discussed with the valuers. In the period between valuations a review is carried out annually based on appropriate indices or changes in market conditions to establish whether there has been any material change in the asset values.	Yes – external valuer	Valuations are carried out in accordance with RICS guidance and the Code of Practice on Local Authority Accounting.	No

Estimates considerations

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in-year?
Depreciation of property plant and equipment	Based on the useful economic life of the asset.	Useful economic life is assessed when valuations are carried out. In addition a list of assets is sent to service managers annually to obtain an update on dilapidated or damaged assets.	Yes – external valuer	The valuer is appropriately professionally qualified.	No
Impairment of property plant and equipment	Impairments are determined as a result of the valuation process and as a result of information provided by members of Strategic Finance, Risk and Insurance and Corporate Landlord.	Critical review of asset valuations and review of market conditions.	Use of external valuer and internal RICS qualified staff.	Valuations are made in line with RICS guidance and the Code of Practice on Local Authority Accounting.	No
Provision for irrecoverable debts	Provision is based on the age of the debt and assessment of collectability.	Reasonableness check by finance staff based on past history and experience.	No	Collection rates, historically, been relatively constant and level of bad debt write-offs in prior years indicate that the provision is adequate.	No

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Appendix 1: Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in-year?
Provision for liabilities	Provisions are made where an event has taken place which gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits and a reliable estimate can be made.	Legal liabilities. Insurance. Non Domestic Rates. Equal Pay	No.	Charged in the year the Council becomes aware of the obligation.	No.
Accumulated absence account	Accrual is based on outstanding leave as at 31 March 2016 derived from payroll records.	Reasonableness check based on overall number of days outstanding and prior year comparison	No.	The accrual is based on actual leave records for individual employees.	No.
Liabilities under PFI schemes	The accounting entries are derived from the PFI accounting models which were prepared, based on the operators financial model, at the commencement of the various schemes.	Models are updated annually from information provided by finance and operational staff.	No	Assumption that there has been no significant change to the parameters in the model. If significant changes are identified the model will be amended to reflect the changes.	No

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Audit & Risk Committee Update

Wolverhampton City Council

Year ended 31 March 2016

March 2016

Mark Stocks
Engagement Lead
T 0121 232 5437
E Mark.C.Stocks@uk.gt.com

Nicola Coombe
Engagement Manager
T 0121 232 5206
E Nicola.Coombe@uk.gt.com

David Roper
Assistant Manager
T 07825 522950
E David.T.Roper@uk.gt.com

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

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Introduction

This paper provides the Audit & Risk Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you; and
- a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit & Risk Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector (http://www.grant-thornton.co.uk/en/Services/Public-Sector/). Here you can download copies of our publications including:

- Making devolution work: A practical guide for local leaders
- Spreading their wings: Building a successful local authority trading company
- Easing the burden, our report on the impact of welfare reform on local government and social housing organisations
- All aboard? our local government governance review 2015
- Knowing the ropes: Audit Committee effectiveness review
- Reforging local Government: financial health and governance review 2015

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

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Progress at March 2016

Work	Planned date	Complete	Comments
2015-16 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2015-16 financial statements.	March 2016	Yes	We continue to assess the risks facing your Council and meet with Senior Officers to ensure that these risks are fully understood and our audit work is appropriate. If there are any changes to our plan between our initial risk assessment and the delivery of your opinion we will discuss this with the Director of Finance before presenting to the Audit & Risk Committee.
Interim accounts audit Our interim fieldwork visit includes: • documenting our review of the Councils control environment • documenting our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion.	February-March 2016	In progress	We will: • discuss any technical issues early including asset valuations and disclosure, • undertake as much early testing as possible, • continue to meet with Senior officers to ensure our understanding of your business is up to date. We will continue to work closely with Internal Audit in relation to risk, work on the financial statements and fraud
2015-16 final accounts audit Including: • audit of the 2015-16 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion.	July- September 2016	Not started	We will undertake work on your draft financial statements to provide an opinion by the statutory deadline. We have discussed the changes in the national timetable in future years with your finance team and agreed that we will move towards delivering this work ahead of the national timetable.

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Progress at March 2016

Work	Planned date	Complete?	Comments
Value for Money (VfM) conclusion The scope of our work to inform the 2015/16 VfM conclusion has recently been subject to consultation from the National Audit Office. The audit guidance on the auditor's work on value for money arrangements was published on 9 November 2015. Auditors are required to reach their statutory conclusion on arrangements to secure VFM based on the following overall evaluation criterion: *In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.* To help auditors to consider this overall evaluation criterion, the following sub-criteria are intended to guide auditors in reaching their overall judgements: • Informed decision making • Sustainable resource deployment • Working with partners and other third parties. We will be required to report by exception if we conclude that we are not satisfied that the Council has in place proper arrangements to secure value for money in the use of its resources for the relevant period.	February- July 2016	In progress	The guidance and supporting information includes: • the legal and professional framework; • definitions of what constitute 'proper arrangements'; • guidance on the approach to be followed by auditors in relation to risk assessment, with auditors only required to carry out detailed work in areas where significant risks have been identified; • evaluation criteria to be applied; • reporting requirements; • CCG specific guidance. The guidance is available at https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/ Now that the finalised auditor guidance is available, we will carry out an initial risk assessment to determine our approach and report this in our Audit Plan. We have held initial meetings with key officers as part of this risk assessment. Our work will be reported in the Audit Findings Report presented to the September meeting of the Audit & Risk Committee.

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Progress to date (continued)

Work	Planned date	Complete ?	Comments
Grant work (PSAA regime) We plan to certify the following claim: • Housing Benefits Claim 2015/16 (BEN01)	June – November 2015	Not started	We will not prepare a Certification Plan on the basis that there is only one claim under the PSAA regime and the fee is communicated via the annual fee letter. Progress will be reported through this update report at each meeting and we will report our conclusions to you once completed.
Annual Audit Letter A summary of all work completed as part of the 2015/16 audit.	October 2016	Not started	We will summarise our findings from the 2015/16 audit and report to the Audit Committee & Risk Committee.
Engagement with the Council since the last Committee meeting	January- March 2016	In progress	• Updates with the Head of Internal Audit and Chief Accountant to ensure we are aware of progress on key issues. • Liaison meeting with the Chair of the Audit & Risk Committee and Internal Audit • Update meeting with the Director of Finance • Introductory meeting with the Managing Director and Strategic Directors. • On-site demonstration of the CFO insight tool to officers • Invite to GT half day seminar on accounting for pooled budgets – including the Better Care Fund. • Invite to GT Housing Benefits workshop

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Reforging local government: Summary findings of financial health checks and governance reviews

Grant Thornton market insight

The recent autumn statement represents the biggest change in local government finance in 35 years. The Chancellor announced that in 2019/20 councils will spend the same in cash terms as they do today and that "better financial management and further efficiency" will be required to achieve the projected 29% savings. Based on our latest review of financial resilience at English local authorities, this presents a serious challenge to many councils that have already become lean.
Our research suggests that:

- the majority of councils will continue to weather the financial storm, but to do so will now require difficult decisions to be made about services
- most councils project significant funding gaps over the next three to five years, but the lack of detailed plans to address these deficits in the medium-term represents a key risk
- Whitehall needs to go further and faster in allowing localities to drive growth and public service reform including proper fiscal devolution that supports businesses and communities
- local government needs a deeper understanding of their local partners to deliver the transformational changes that are needed and do more to break down silos
- elected members have an increasingly important role in ensuring good governance is not just about compliance with regulations, but also about effective management of change and risk
- councils need to improve the level of consultation with the public when prioritising services and make sure that their views help shape council development plans.

Our report is available at http://www.grantthornton.co.uk/en/insights/reforging-local-government/, or in hard copy from your Engagement Lead or Engagement Manager.

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CFO Insights– driving performance improvement

Grant Thornton and CIPFA Market insight

CFO insights is an online analysis tool that gives those aspiring to improve the financial position of their local authority instant access to insight on the financial performance, socio- economy context and service outcomes of every council in England, Scotland and Wales.

The tool provides a three-dimensional lens through which to understand council income and spend by category, the outcomes for that spend and the socio-economic context within which a council operates. This enables comparison against others, not only nationally, but in the context of their geographical and statistical neighbours. CFO Insights is an invaluable tool providing focused insight to develop, and the evidence to support, financial decisions.

We have provided a demonstration of this tool to officers on 25 January 2016.

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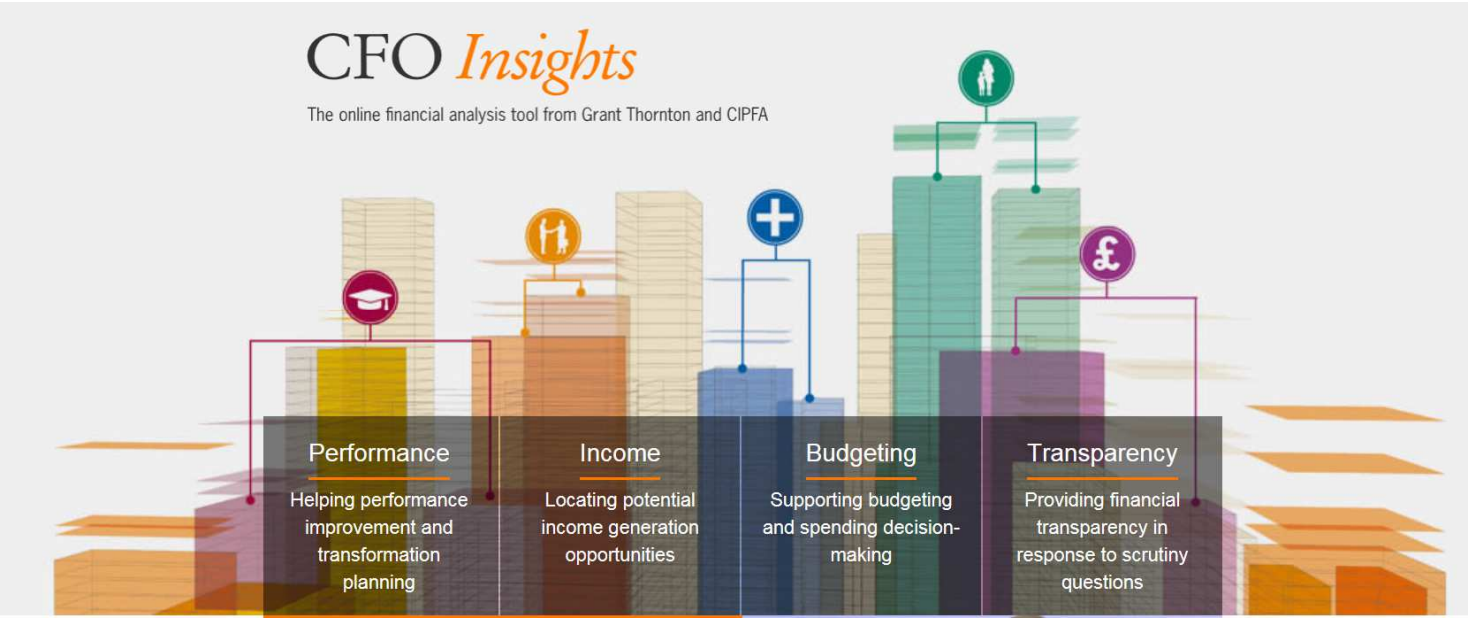

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CIPFA reports and publications

Local Government Issues

Audit Panels

In December 2015 the Chartered Institute of Public Finance and Accountancy (CIPFA) published its guidance on the establishment of auditor panels.

Under the Local Audit and Accountability Act 2014 'relevant authorities' are able to appoint their own local auditors via an auditor panel. The Secretary of State for Communities and Local Government has decided to implement a phased introduction of the new local audit framework, with all health bodies and smaller local government bodies moving to the new framework as planned on 1st April 2017 and larger local government bodies a year later, on 1st April 2018. In practice, this means that smaller local authorities must have appointed their local auditors by 31st December 2016 and larger principal authorities by 31st December 2017.

The guidance sets out the options available to local authorities in England for establishing an auditor panel; what form such a panel can take; the operation and functions of the panel; and the main task of the panel – that is, advising the authority in connection with the appointment of the local auditor

Better Care Fund

The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Healthcare Financial Management Association (HFMA) have issued a joint report examining the progress that has been made six months into the implementation of the government's £5.3bn Better Care Fund (BCF) arrangements. While the report points out that the fund has already begun to produce improved working relationships between NHS bodies and local public services, it highlights that more needs to be done to ensure the success of the BCF. The report is based on the results of a CIPFA and HFMA joint finance staff survey of NHS bodies and local authorities representing almost a third of BCF sites, and is available from the CIPFA website - http://www.cipfa.org/about-cipfa/press-office/latest-press-releases/better-care-fund-struggling-with-red-tape.

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Accounts - public rights of inspection and challenge

Local Government issues: National Audit Office

Council accounts: a guide to your rights

The NAO has published an updated version of Council accounts: a guide to your rights on its website. The guide has been updated to reflect the new requirements of the Local Audit and Accountability Act 2014, and applies to 2015-16 accounts. The document provides information on how people can ask questions and raise objections about the accounts of their local authority.

https://www.nao.org.uk/code-audit-practice/council-accounts-a-guide-to-your-rights/

Arrangements for the exercise of public rights:

The Accounts and Audit Regulations 2015 set out new arrangements for the exercise of public rights from 2015/16 onwards. A key implication of the Act is that the final approval of the statement of the accounts by an authority prior to publication cannot take place *until after the conclusion of the period for the exercise of public rights*. As the thirty working day period for the exercise of public rights must include the first ten working days of July, authorities will not be able to approve their audited accounts or publish before 15th July 2016.

Smaller authorities must also wait until the conclusion of the thirty working day period for the exercise of public rights before publishing their accounts and the auditor's report.

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The Care Act and New Burdens

Local Government Issues: Public Accounts Committee Report

Further to the NAO reports on *Care Act first-phase reforms* and *Local government new burdens* both published in June 2015, and the hearing of the Public Accounts Committee (PAC) in October 2015 on the combined topics, the PAC has now published its report on the matter. The PAC report considers the additional cost burdens on, and uncertainty for, local councils. It also considers the government's ability to identify and respond to councils that are struggling.

Its main findings are as follows:

- following the decision to delay the second phase of the Care Act, there are concerns that people will have to pay more for their care for longer before the cap on care costs is implemented. However, as the government have announced that they will not claw back the £146m of funding that it provided to councils in 2015/16 to prepare for the second phase, local authorities will not have the financial burden that was anticipated
- the DCLG have failed to adequately identify and assess new burdens on local authorities and consider their impact, creating significant uncertainty for local authorities Councils are faced with 'unfunded pressures' which are making it 'more difficult for them to meet their statutory duties and will increase pressure on council tax'
- The report calls for the Spending Review and annual finance settlements for local authorities to 'take full account of the many cost pressures local authorities face, whether or not they meet the government's definition of a new burden'. Funding must be monitored to ensure that vulnerable people do not lose out

The full report can be found at http://www.parliament.uk/business/committees/committees-a-z/commons-select/public-accounts-committee/publications/

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Results of auditors' work 2014/15

Public Sector Audit Appointments

Following the closure of the Audit Commission on 31st March 2015, Public Sector Audit Appointments (PSAA) became responsible for appointing auditors to local Government bodies and for overseeing the delivery of consistent, high-quality and effective external audit services. The Audit Commission previously published Auditing the Accounts reports for Local Government bodies covering the 2012/13 and 2013/14 financial years. The reports summarised the results of the work of auditors appointed by the Commission at local bodies. This is the first such report published by PSAA, and it summarises the results of auditors' work at 509 principle bodies and 9,755 small bodies. The report covers the timeliness and quality of financial reporting, auditors' local value for money work, and the extent to which auditors utilised their statutory reporting powers.

The timeliness and quality of financial reporting for 2014/15 remained broadly consistent with the previous year for both principal and small bodies, according to Public Sector Audit Appointments Limited's *Report on the results of auditors' work 2014/15: Local government bodies*.

- for principal bodies, auditors at 345 of 356 councils (97 per cent) were able to issue the opinion on the accounts by the statutory accounts publication date of 30th September 2015.
- 97 per cent of police bodies and fire and rescue authorities also received the audit opinion by 30th September 2015.
- for the second year in a row there have been no qualified opinions issued to date to principal bodies.
- the number of qualified conclusions on value for money arrangements has remained consistent with the previous year at 4 per cent (17 councils, one police body and one fire and rescue authority).

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IFRS 13 'Fair value measurement'

Accounting and audit issues

The 2015/16 Accounting Code applies IFRS 13 'Fair Value Measurement' for the first time. The standard sets out in a single framework for measuring fair value and defines fair value as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date.

There is no public sector adaptation to IFRS13 but the Treasury and therefore the Code has adapted IAS 16 Property, Plant and Equipment so that operational assets (providing service potential) are no longer held at fair value but current value. As such IFRS 13 does not apply to operational assets. This new definition of current value means that the measurement requirements for operational property, plant and equipment providing service potential have not changed from the prior year.

However, surplus assets will need to be measured under the new definition of fair value, reflecting the highest and best use from the market participant perspective.

Other areas affected by the new standard include investment property, available for sale financial assets and those items where fair values are disclosed - for example, long term loans and PFI liabilities. IFRS 13 also introduces extensive disclosure requirements.

Local authorities need to:

- identify/ review their classification of surplus assets and investment properties
- discuss IFRS 13 with their property valuers and treasury advisers to ensure that fair values provided are produced in line with the new standard
- update accounting policies and disclosures to reflect the new standard.

Challenge question

- Has your CFO reviewed the surplus assets and investment property categories to ensure what is included is correctly classified?
- Has your CFO ensured property valuers and treasury advisers are aware of the fair value definitions under IFRS 13?
- Have the accounting policies and disclosures in your accounts been updated to reflect the IFRS 13 requirements?

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Highways Network Assets

Accounting and audit issues

CIPFA announced at the recent Local Government Accounting Conferences some key messages with regards to changes in accounting for the Highways Network Asset form 2016/17. These included:

- Transport Infrastructure Assets will now be referred to as single asset, the Highways Network Asset (HNA)
- this will be measured at Depreciated Replacement Cost (DRC) using the Modern Equivalent Asset (MEA) basis of valuation from 1 April 2016 and will be applied prospectively rather than requiring a full retrospective restatement
- the new requirements only apply to authorities with assets meeting the definition of a single HNA asset

CIPFA's expects that the transport infrastructure assets held by district councils/ non-highways authorities will be scoped out of the new requirements as assets are unlikely to form a single interconnected network. However, district councils will need to consider the nature of their transport infrastructure assets to assure themselves and evidence that their transport infrastructure assets are not part of an interconnected network.

The 2016/17 Accounting Code which will include further details on these announcements is expected to be published in Spring 2016. Grant Thornton has produced a short briefing on these announcements which we have provided to you and we will provide further briefings as further details become available.

Challenge question

- Has the CFO considered whether your authority is within the scope of the 2016/17 accounting requirements for HNA?
- Where relevant, does your authority have an Implementation Plan to meet the revised timetable?
- Has the Audit Committee been briefed on progress against the plan?

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Better Care Fund

Accounting and audit issues

The Better Care Fund was launched on 1 April 2015 to '…drive closer integration and improve outcomes for patients and service users and carers'. The intention was to set up the fund as a pooled budget with NHS organisations and local authorities contributing into a single pot that is used to commission or deliver health and social care services.

In practice, different Better Care Fund agreements have different and sometimes complex arrangements. As a result determining the correct accounting can be difficult and there is no one size fits all approach. NHS and local government partners need to agree on accounting for such arrangements to ensure that not only are there no material errors in their own accounts but also that there are no material errors on consolidation into Whole of Government Accounts.

NHS and local government partners therefore need to consider the specific terms of their agreements and considering where the control and risks lie in line with the definition of control in IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements. Individual authorities also need to consider whether they are acting as a principal or an agent. Judgement may be required, and may therefore need to be disclosed as a critical judgement in the accounts.

Although the local government timetable is moving forward, the NHS timetable is still significantly earlier so local authorities will need to include dates in their closedown plan to give NHS colleagues the information they need to prepare their accounts in good time for these deadlines.

Challenge question

- Has your CFO considered and agreed with partners the accounting requirements for the Better Care Fund and has this treatment?

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Unlodged non-domestic rate appeals

Accounting and audit issues

Last year, there were primarily no provisions for unlodged non-domestic rates appeals as appeals received on or after 1 April 2015 were only backdated to 1 April 2015. The effect of last years announcement was supposed to put authorities in the position as if the revaluation had been done in 2015 as initially intended before the extension to 2017. This was only a one year reprieve and so any unlodged appeals at 31 March 2016 will only be backdated to 1 April 2015 and therefore may not be material.

However, this year, local authorities will need to estimate a provision for unlodged appeals but as above it may not be material.

Under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and the Code it is in only extremely rare cases that a reliable estimate cannot be made. Therefore, if your local authority does have such an instance, the rationale needs backing up: both in terms of disclosures (as a contingent liability) and in providing evidence to those charged with governance as to why a reliable estimate for the provision cannot be made.

Challenge question

- Has your CFO made plans to assess the need for an unlodged non-domestic rates appeal provision?

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Website re-launch

Grant Thornton

We have recently launched our new-look website. Our new homepage has been optimised for viewing across mobile devices, reflecting the increasing trend for how people choose to access information online. We wanted to make it easier to learn about us and the services we offer.

You can access the page using the link below - http://www.grantthornton.co.uk/en/insights/?tags=local-gov&q=sustainable+communities

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Agenda Item No: **9**

CITY OF WOLVERHAMPTON COUNCIL

Audit and Risk Committee

14 March 2016

Report title	Strategic Risk Register and Strategic Assurance Map	
Accountable director	Mark Taylor, Finance	
Originating service	Audit	
Accountable employee(s)	Narinder Phagura Tel Email	Strategic Risk Manager 01902 554580 narinder.phagura@wolverhampton.gov.uk
Report has been considered by	Strategic Executive Board	23 February 2016

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 risk:
   - Risk 3 - Information Governance

3. The changes to target dates for the reduction of the following risks:
   - Risk 8 – Business Continuity Management from June to December 2016 as a result of delays in the progress made with the development of the service resilience incident management system.
   - Risk 16- Equal Pay from March to September 2016 as a result of the revised timescales by when settlement for a significant number of first and second generation claims may be reached.
   - Risk 17- Employee Management (from March to July 2016) as a result of managers not recording appraisals on Agresso correctly and due to adjustments required to the data used to calculate the performance indicator, such as the removal of apprentices and employees who have been with the Council for less than six months.

4. The main sources of assurance available to the Council against its strategic risks.

1.0 Purpose

1.1 To keep members of the Audit and Risk 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 December 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 February 2016. 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 **independent** 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 also takes the opportunity to 'call in' individual risks for further review from time to time.

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. [MK/01032016/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.
[TS/04032016/J]

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

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Appendix A

Strategic Risk Register

@ February 2016

CITY OF WOLVERHAMPTON COUNCIL

Our mission:

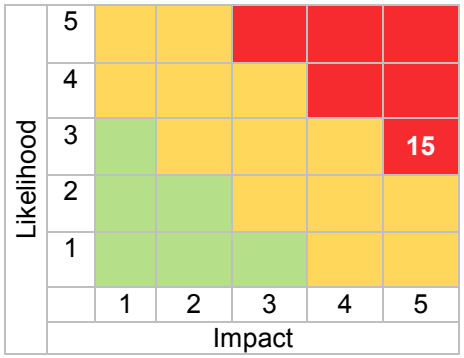
Working as one to serve our city

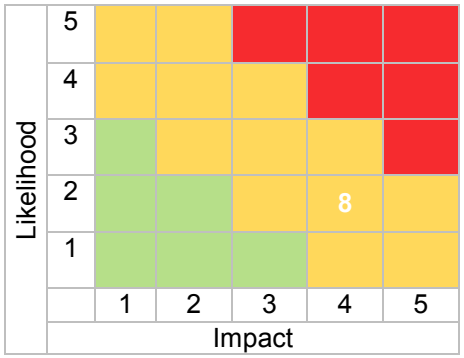
Profile of current strategic risks

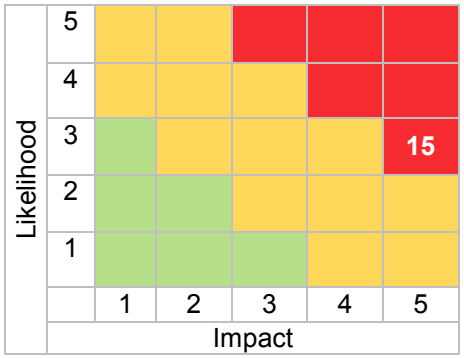
Red	1, 2, 4,
Amber	3, 7, 8, 9, 10, 12, 14, 15, 16, 17, 19a
Green	

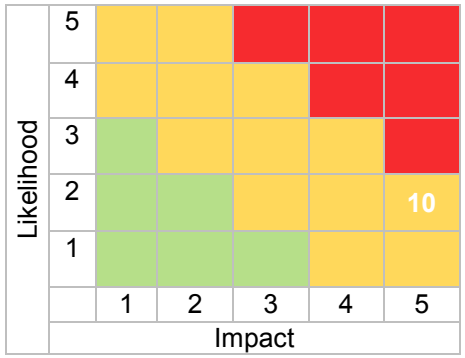
The following are / were the current/ previously reported strategic risks assessed as high/medium (10 +) that the Council faces in delivering its corporate priorities

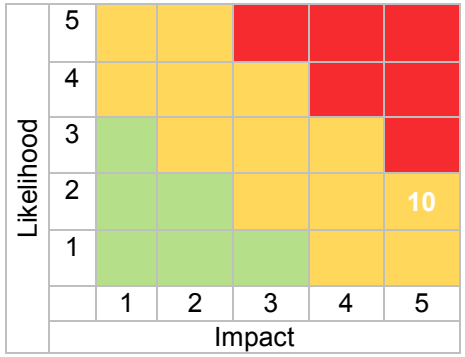
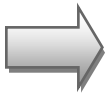
Risk ref	Risk title and description	Previous score (Nov 2015)	Direction of travel	Current score (Feb 2016)	Target score and date	Comment
1 01/14	**Looked After Children (LAC)** If the number of LAC is not reduced this may result in an increase in costs, budget overspends and an increased demand on children's services. Risk owner: Linda Sanders (Emma Bennett) Cabinet Member: Cllr Val Gibson Likelihood / Impact: 5 (Impact 1); 4 (Impact 1, 2); 3 (Impact 1, 2, 3, 4, 5 = 15); 2 (Impact 1, 2, 3); 1 (Impact 1, 2, 3)	15 Red		15 Red	10 Amber March 2017	LAC numbers and the associated costs continue to fall. At the end of January 2016 the number of LAC stood at 667. This compares to 703 in October and 775 in July 2015. The target for the end of March is 631, with at least 40 children expected to leave care during February and March. However the target is also dependent on the number of children coming into care. The reduction of LAC is now embedded in the wider children's transformation programme and proposals to re-design early intervention and prevention strategies have a key role in reducing demand on specialist social care services in the future. The Multi-Agency Safeguarding Hub (MASH) went live on the 5 January 2016. Whilst it is too early to identify any impact on LAC numbers, multi-agency information sharing and decision making ensures that child protection referrals are managed in the right place at the right time. A resources panel to consider the most expensive LAC placements has been introduced and has successfully reduced placement costs. On-going work with Legal Services has resulted in process efficiencies and improvements to the quality of pre-proceedings work, which has lead to improvements in timeliness of application processing and an increase in the number of actual adoption applications. LAC targets have been set for April 2016 to March 2017 which should deliver further reductions, with the Council aiming to achieve 580 LAC by March 2017.

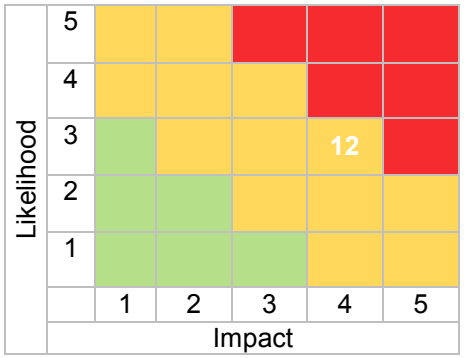
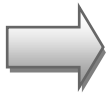
Risk ref	Risk title and description	Previous score (Nov 2015)	Direction of travel	Current score (Feb 2016)	Target score and date	Comment
2 01/14	**Skills for Work** If the city residents do not have the appropriate skills that employers require then they will be unable to access the jobs and opportunities available resulting in high rates of unemployment and increased demand on Council services. Risk owner: Tim Johnson (Keren Jones) Cabinet Member: Cllr John Reynolds  	15 Red		15 Red	10* Amber March 2017	The risk is currently managed through the City Board. A series of task and finish groups have been put in place to develop the City Skills and Employment Action Plan. The plan will be completed and published by April 2016 and consists of four work streams: • City Workplace: support to employers to obtain the skills and workforce they need to grow. • City Workbox: an on-line system providing information needs assessment, career choices and signposting local people to the right progression routes. • City Workshop: a central physical one stop shop. • Strategic Influencing of policy and the use of devolved resources through the West Midlands Combined Authority and Black Country LEP. Fast-track programmes for particular sectors have been co-ordinated by the Council for sectors such as construction and health and social care. The impact of these programmes is monitored by the Skills and Employment Performance Board which is chaired by the Service Director City Economy. Despite the above measures being in place, new challenges to reducing this risk include cuts to Further Education budgets affecting further education provision and the abolition of the National Growth Service, which includes the Manufacturing Advise Service and Growth Accelerator. These services provided valuable diagnostic and business support to key sectors of the Wolverhampton Economy. The Council plan to minimise the impact of these cuts by facilitating a partnership approach to skills and employment provision in order to reduce duplication and ensure remaining resources are used efficiently and effectively. This will also ensure the City is well placed to benefit when resources are devolved to the West Midlands Combined Authority, once approved.

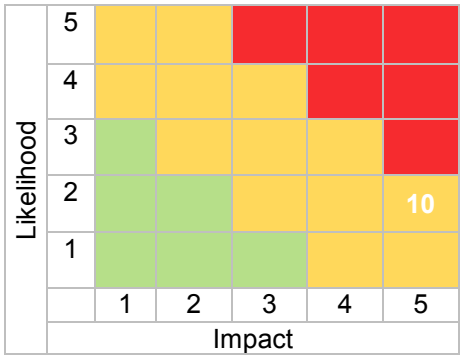
Risk ref	Risk title and description	Previous score (Nov 2015)	Direction of travel	Current score (Feb 2016)	Target score and date	Comment
3 01/14	**Information Governance (IG)** If the Council does not put in place appropriate policies, procedures and technologies to ensure: • that the handling and protection of its data is undertaken in a secure manner and consistent with the provision of the Data Protection Act 1998; • compliance with the Freedom of Information Act and Environmental Information Regulations then it may be subject to regulatory action, financial penalties, reputational damage and the loss of confidential information. Risk owner: Kevin O' Keefe Cabinet Member: Cllr Paul Sweet  	12 Amber		8 Amber	4 Amber March 2017	The risk continues to be monitored by the Information Governance Board (IGB). Since last reported, the following actions have been taken and resulted in a reduction in the risk assessment: • Key policies are procedures are being reviewed, with updated Data Protection and the Freedom of Information (FOI) policies being presented to IGB in March for approval. • A new corporate records management policy was approved by SEB in February. • Performance in responses to both FOI requests and Subject Access requests continues to be high. ICT are developing a database that will further enhance the workflow and processing of FOI requests. • Information incident reporting and investigations continue to be monitored by the IGB. A trend analysis of breaches is now included in the report to the Board to ensure mitigating actions are implemented. • The mandatory Protecting Information course and new starter training is monitored by IGB. Work is on-going with the Workforce Development Team to refresh the current e-learning modules to reflect best practise and any legislative changes. • The number of Privacy Impact Assessments (PIA) has increased. • Project teams are now being trained to undertake these assessments as part of the project management process. • Arrangements are being put in place to ensure compliance with new EU General Data Protection regulations; these include attendance at various training sessions which will inform the Information Governance (IG) work plan. There is a number of process changes identified that the Council will need to make, and the majority of these will be absorbed by the IG Team as part of their workplan. Further actions planned to reduce this risk include: • Completion and implementation of a Data Quality Strategy. • The introduction of IG surgeries in 2016/17 to deal with IG related issues and raise the profile of IG . • Plans for an Information Sharing audit across teams who share personal data / information with external partners and agencies. • Creation of a central repository and a register for information sharing agreements which will allow new and existing agreements to be reviewed and kept up to date.

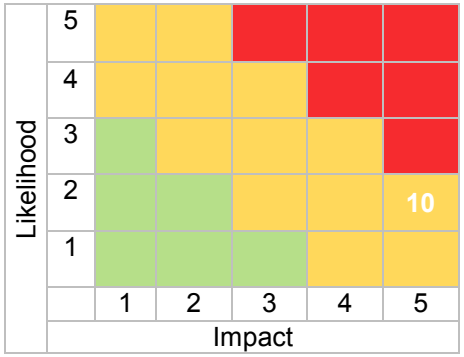
Risk ref	Risk title and description	Previous score (Nov 2015)	Direction of travel	Current score (Feb 2016)	Target score and date	Comment
4 01/14	**Medium Term Financial Strategy** If the Council is unable to agree and operate within its medium term financial strategy (MTFS) this may exhaust reserves, result in the potential loss of democratic control and the inability of the Council to deliver essential services and discharge its statutory duties. Risk owner: Keith Ireland Cabinet Member: Cllr Andrew Johnson 	15 Red		15 Red	15* Red	The MTFS 2016/17 to 2019/20 is being presented to Cabinet on 24 February 2016 and to full Council thereafter in March. The report to Cabinet details the following matters for approval/ noting: • A balanced budget for 2016/17 which does not necessitate the use of contingency reserves has been put forward for approval • The budget is based upon a 3.99% increase in council tax, which includes the 2% precept for adult social care announced by the Chancellor in the last comprehensive spending review. • The consultation and scrutiny processes previously reported to the Committee have now been completed and where appropriate, the results of these have been reflected in the budget. • At this stage, the Council is looking to accept in principle the government's offer of a four year settlement by October 2016 and will begin to prepare a financial plan and efficiency strategy for approval by Cabinet prior to accepting the offer. • Work will commence on developing budget reductions for 2017/18. • Savings of £54.6 million need to be identified for the three year period from 2017/18 to 2019/20 to address the projected budget deficit. • Budget assumptions over the MTFS continue to be subject to significant change and are adjusted based upon the most up to date information available. The risk assessment for the medium term remains red as there continues to be significant financial challenge, uncertainty and risk for the Council.

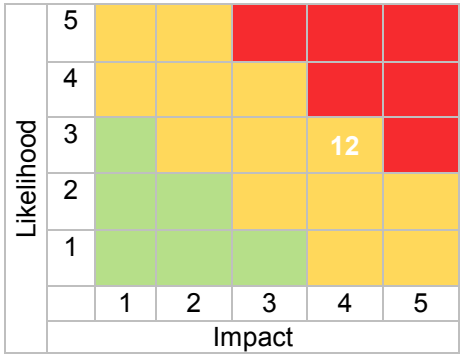
Risk ref	Risk title and description	Previous score (Nov 2015)	Direction of travel	Current score (Feb 2016)	Target score and date	Comment
7 01/14	**Safeguarding** If the Council's safeguarding procedures and quality assurance processes are not consistently and effectively implemented then it will fail to safeguard children and vulnerable adults and lead to reputational damage. Risk owner: Linda Sanders Cabinet Member: Cllr Val Gibson and Cllr Elias Mattu  	10 Amber		10 Amber	5 Amber Next Ofsted inspection	This risk continues to be overseen by the children's and adult's local safeguarding service. Since last reported, the following is noted: • The adult's safeguarding board (WASB) has started to embed a committee type structure which reflects the key business of the Board. The WSAB is supported by a strategic plan and improved governance arrangements. Work is underway to create a working protocol between the various partnership boards across the City and outline in which forums key safeguarding activity is overseen. • There has been significant work undertaken to address the significant increase in Deprivation of Liberty Safeguards (DoLS) referrals and resulting assessments. As a result, a temporary team of Best Interest Assessors was created in July 2015 and significant improvements have been made in clearing the backlog. Discussions are currently underway to determine the extension of this temporary team from April 2016 and the creation of a model which will ensure assessments are completed in a timely manner. • Alongside this, as a result of a recent High Court Judgement in late 2015, consideration is being given to the impact of DoLS on teenagers living away from home and guidance is being created to inform the Children's social care workforce. • January 2015 saw the launch of Wolverhampton's children Multi-Agency Safeguarding Hub (MASH) The impact has been positive with all partners being supportive of the process and the impact of effective information sharing. As of August 2016 those agencies providing support to adults will also be part of the MASH and work is currently underway to implement this. • Regular safeguarding briefings to the Leader, Lead Cabinet Member, the Managing Director and the Director for Children's and Adult Services are continuing to take place. As a result, not only is awareness heightened but additional activity is taking place regarding raising awareness of child sexual exploitation for councillors, ensuring safeguarding resources are more accessible across the Council and working with commissioning to ensure the profile of safeguarding within contracts. • On 3 March a joint Domestic Homicide Review, Serious Case Review and Safeguarding Adult Review event is taking place for frontline practitioners. This is supported by partnership boards and the Police and Crime Commissioner.

Risk ref	Risk title and description	Previous score (Nov 2015)	Direction of travel	Current score (Feb 2016)	Target score and date	Comment
8 01/14	**Business Continuity Management (BCM)** Failure to develop, exercise and review plans and capabilities that seek to maintain the continuity of critical functions in the event of an emergency that disrupts the delivery of Council services. Risk owner: Linda Sanders (Ros Jervis) Cabinet Member: Cllr Sandra Samuels  	10 Amber		10 Amber	8 Amber From June to December 2016	This risk continues to be managed and monitored by the Wolverhampton Resilience Board with regular updates being provided to SEB. Since last reported the following actions have taken place in the mitigation of the risk: • The incident management system (Wolf City Alert) is in place and 75 employees have been trained in its use. • Development of the Service Resilience system by ICT continues to be on-going. There has been some delay in the progress with this due to an unprecedented demand for ICT services and other higher priority work over recent months. As a result, priority 1 service plans are expected to be completed by December 2016. • The Chair of the Wolverhampton Resilience Board now also chair's the Wolverhampton's CONTEST Board, which comprises four strands in relation to the Prevent, Prepare, Protect and Pursue agendas, with the Prepare strand being relevant to the management of this risk and risk 15- emergency planning. • The Council continues to respond to emergencies and is currently supporting West Midlands Police with an on-going investigation into hoax bomb threats at schools within the region. • Assurances have been obtained in respect of the arrangements the Council has in place to mitigate against the risk of a cyber attack. This risk is considered to be low due to the controls in place which are also required to demonstrate compliance with access to the Public Sector Network, and include measures such as firewalls; anti virus and malware software; security patching and software updates; email filtering; restricted access privileges; back up processes; monitoring of network activity and regular security testing to test the defences in place.

Risk ref	Risk title and description	Previous score (Nov 2015)	Direction of travel	Current score (Feb 2016)	Target score and date	Comment
10 01/14	**Economic Inclusion** 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. Risk owner: Tim Johnson (Keren Jones) Cabinet Member: Cllr John Reynolds  	12 Amber		12 Amber	8* Amber September 2017	The measures to successfully manage this risk continue to be in place as noted previously and include: • The Inclusion Board which continues to manage the risks associated with unemployment, economic inactivity and the wider barriers for economic inclusion. This includes programmes to manage the risks associated with the roll out of Universal Credit, Financial and Digital exclusion. • The proposed skills and employment action plan (set out under risk 2 Skills for Work) that includes the City Workbox. This is being developed as an on-line system providing information, needs assessment, career choices and signposting local people to the right progression routes. The focus will be on supporting those furthest away from the labour market and employment. • European Union Strategic Investment Funds provide considerable resources for local partners and the Council to tackle youth unemployment. The Council is a partner in a major bid to attract Youth Employment funding, results on which are imminent.

Risk ref	Risk title and description	Previous score (Nov 2015)	Direction of travel	Current score (Feb 2016)	Target score and date	Comment
12 01/14	**Better Care Fund (BCF)** 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. Risk owner: Linda Sanders Cabinet Member: Cllr Elias Mattu  	10 Amber		10 Amber	5 Amber April 2017	Progress and performance against the 2015/16 Wolverhampton Better Care Plan as at November 2015 was reported to the Health and Well Being Board (HWBB) at its meeting in February. The pooled budget of £70.8 million pounds (of which £24.2 is from the Council and £46.6 from the Clinical Commissioning Group –CCG) showed a revenue cost pressure of £2.7 million of which £2 million is faced by the CCG and the balance with the Council, the majority of which has arisen through the demographic growth target. Both organisations have provided for the financial risks associated with the pooled budget. The Wolverhampton Plan is based upon the delivery of six outcomes which includes reducing delayed transfers of care (DTOC) and reducing avoidable emergency admissions. Achievement of DTOC targets continues to be an issue and as such PwC were appointed to work with local teams to identify the reasons and to implement new discharge pathways. This work is due for completion in March. In terms of reducing emergency admissions, these continue to increase above the target within the plan and as such means that the payment for performance will not be received- the risk of which is borne solely by the CCG. In the last Comprehensive Spending Review, government confirmed its intention of the BCF to be the key delivery vehicle for the integration of health and social care for the remaining term of the current parliament. In January the Department of Health and the DCLG released the policy framework for 2016/17 and the BCF programme team are developing the BCF Plan and s75 risk sharing agreement for 2016/17. The initial draft Plan has been submitted to the NHS England regional area team for consideration and feedback. This will provide one of three levels of assurance (approved/ approved with conditions/ not approved) on the Plan. A final plan will then be signed off by the Chair of the HWBB under the delegated authority which was received from the Board in February, and submitted to the NHS England regional team in early March 2016. The s75 agreement will be presented to Cabinet on 23 March for approval. The key outcomes for the 2016/17 plan will include reducing DTOC, emergency admissions and accident and emergency attendances, as well as improving independence and wellbeing and delivering personalised management plans for patients. Progress against these outcomes will be reported to the HWBB in 2016/17.

Risk ref	Risk title and description	Previous score (Nov 2015)	Direction of travel	Current score (Feb 2016)	Target score and date	Comment
14 01/14	**School Improvement** If the Council does not provide 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. Risk owner: Julien Kramer Cabinet Member: Cllr Claire Darke  	10 Amber		10 Amber	5 Amber July 2016	An update on this risk will be provided at the meeting.

Risk ref	Risk title and description	Previous score (Nov 2015)	Direction of travel	Current score (Feb 2016)	Target score and date	Comment
16 01/14	**Equal Pay** Significant equal pay liabilities have been dealt with over recent years. However, equal pay will remain a potentially significant risk until: • the second generation claims, from trade union members, have been dealt with. • six years after the implementation of single status, until that time "Abdullah" type claims can still be brought. Risk owner: Mark Taylor Cabinet Member: Cllr Paul Sweet  	12 Amber		12 Amber	8 Amber From March to September 2016	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. The risk has two strands and relates to: • Second generation claims which involve additional claims made 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. There is a risk in dealing with these claims that further claims from the 2007/08 group could be prompted. • 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. In terms of mitigation, the Council is in dialogue with Thompsons who are negotiating settlements on behalf of a significant number of first and second generation claimants. The timescales reflect the time by which an agreement may be reached. In terms of finances, the Council has set aside an equal pay reserve to deal with any such claims, which is audited independently annually by the Council's external auditors as part of the Statement of Accounts.

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

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 (Nov 2015)	Direction of travel	Current score Feb 2016)	Target score and date
9 01/14	**City Centre Regeneration** 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: • the attraction of private sector investment • the creation of space to accommodate new businesses and economic growth • the enhancement and creation of visitor attractions • the creation of well paid employment • retention of skilled workers • the creation of residential opportunities • a functioning city centre offer that serves the residents of the City • increased prosperity and • a reduced demand on Council services Risk owner: Tim Johnson Cabinet Member: Cllr John Reynolds	8 **Amber**	→	8 **Amber**	8* **Amber**
15 01/14	**Emergency Planning** 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. Risk owner: Linda Sanders (Ros Jervis) Cabinet Member: Cllr Roger Lawrence and Cllr Sandra Samuels	6 **Amber**	→	6 **Amber**	4 **Amber** June 2016
17 10/14	**Employee Management** If policies dealing with employee management and in particular appraisals are not effectively implemented and complied with then: • employees may not be fully aware of the Council's objectives and their contribution to the achievement of them, and • employees may not have the appropriate training and support to achieve high standards of performance • the Council may not have the required capability to deliver its objectives. Risk owner: Kevin O' Keefe Cabinet Member: Cllr Paul Sweet	8 **Amber**	→	8 **Amber**	4 **Amber** From March to July 2016

Risk ref	Risk title and description	Previous score (Nov 2015)	Direction of travel	Current score Feb 2016)	Target score and date
19a 11/15	**Devolution Deal** There is a risk that if issues arise or should the process leading up to formal consent of the devolution deal not include sufficient engagement with members and stakeholders then the Council may not be able to ratify the proposed deal and the Council's objectives in respect of growth in the regional economy, employment and skills, business investment and regeneration may not be fully realised. Risk owner: Keith Ireland Cabinet Member: Cllr Roger Lawrence	8 **Amber**		8 **Amber**	4 **Amber** April 2016

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CITY OF WOLVERHAMPTON COUNCIL

This report is PUBLIC [NOT PROTECTIVELY MARKED]

Appendix B

Strategic Risk Assurance Map – February 2016

Risk Ref	Risk Title and Description	Current Score	Types of Assurance: External/ Independent (Third Line of Defence)	Types of Assurance: Risk and Compliance (Second Line of Defence)	Types of Assurance: Operational and Management (First Line of Defence)	Comments / Gaps in Assurance/Risk Exposure
1	**Looked After Children (LAC)** If the number of LAC is not reduced this may result in an increase in costs, budget overspends and an increased demand on children's services.	15 Red	Performance indicator- number of LAC per 10,000 population Audit and Risk Committee review of risk – September 2015 Internal audit review 2015/16 - Placements and LAC	Scrutiny review of Corporate Parenting and Children in Care Council – September 2015 Resources panel reviews Update to Children's Trust Board- September 2014 Care pZanel reviews of placement costs Report to Cabinet (Performance Management Panel) September 2014 Scrutiny review of LAC February 2014	Children's Services self- assessment December 2015 Reports to LAC Budget Monitoring Group (every two months) Controls Assurance Statement	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.
2	**Skills for Work** 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.	15 Red	Audit and Risk Committee review of risk – September 2015 Wolverhampton Skills Commission Review – November 2014 to April 2015 Internal audit review – City of Wolverhampton College- Learners with learning difficulties post 16, December 2014 Internal audit review - Employment Opportunities 2013/14 (Satisfactory assurance) Black Country performance management framework	Scrutiny review of "Employability and Skills in Wolverhampton" report to Cabinet 11 March 2015 Report to SEB – November 2015 Scrutiny review of "Employability and Skills" September 2014 – January 2015 Performance indicator - % of residents with no qualification Performance indicator - number of work experience/ volunteering/ apprenticeships opportunities provided Monthly unemployment briefings	Reports to the Wolverhampton Skills and Employment Board Controls Assurance Statement	In addition to the performance indicators in place, the review undertaken by the Wolverhampton Skills Commission and the successful monitoring and delivery of the city skills and employment action plan will provide suitable assurances over the effectiveness of the various measures and initiatives in place to manage this long term risk.
3	**Information Governance** If the council does not put in place appropriate policies, procedures and technologies to ensure: • that the handling and protection of its data is undertaken in a secure manner and consistent with the provision of the Data Protection Act 1998; • compliance with the Freedom of Information Act and Environmental Information risk Act then it may be subject to regulatory action, financial penalties, reputational damage and the loss of confidential information.	8 Amber	Internal audit review 2014/15 – Information sharing agreements (Satisfactory assurance) Internal audit review– Protective marking compliance, September 2014 (Limited assurance) Internal audit review 2013/14 - Management of information sharing agreements (Satisfactory assurance) Information Commissioner audit (July 2012) Internal audit review 2015/16- Information Governance	Information risk register and reports to Information Governance Board Update reports to Cabinet, Scrutiny Board and SEB Performance indicators reported to Cabinet- Number of data breaches Performance indicator - % of Freedom of Information (FOI) requests met within timescales Performance indicator- % of Subject Access Requests (SAR) met within timescales	Senior Risk Information Officer Annual Report 2014/15 Controls Assurance Statements	The Council's ongoing dialogue with the Information Commissioners Office, regular audits, performance against FOI and SAR requests and information incidence logs will all continue to provide assurance over this risk.

4	**Medium Term Financial Strategy** 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.	15 Red	PwC report: Report to those charged with governance (ISA 260) September 2015 Independent review of process for MTFS and budget- E Sullivan, May 2014 Internal audit review Budgetary Control - 2014/15 (Satisfactory assurance) Internal audit review – 2014/15 Assumptions of the MTFS	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.
7	**Safeguarding** 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.	10 Amber	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 Peer review – Local safeguarding Children's board 2013 Ofsted inspection safeguarding services- June 2011 Internal audit review 2015/16 – Safeguarding in schools	Reports to safeguarding boards and annual reports 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 Self- audits confirmation by schools of s175 compliance	Children's Services self- assessment December 2015 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 by the Wolverhampton Safeguarding Children's Board in respect of the adequacy and effectiveness of the safeguarding arrangements in schools.
8	**Business Continuity Management** 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.	10 Amber	Internal audit review 2015/16 – Business continuity and resilience management (satisfactory assurance)	Reports from Wolverhampton Resilience Board to SEB	Incident management: St Alban's Church of England School February 2015 Incident management : e.g. industrial action July 2014 Reports to Wolverhampton Resilience Board Controls Assurance Statement	The exercise and testing programme once developed and implemented will provide further assurances on the management of this risk. 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.
9	**City Centre Regeneration** 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: • creation of well paid employment • retention of skilled workers • sector and economic growth • increased prosperity and • reduced demand on council services	8 Amber	Internal audit review 2015/16- City centre development (Satisfactory assurance)	Programme and project risk registers Project reports to Cabinet and Scrutiny Monthly reporting to the City Centre Regeneration Programme Board Monthly programme reports to Corporate Programme Office	Reports to Programme Board from project managers Controls Assurance Statement	Regular update reports to the Programme Board and Cabinet continue to provide assurance on the management of this risk.
10	**Economic Inclusion** 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.	12 Amber	Reports to the Black Country Local Enterprise Partnership and City Board National performance indicators e.g. % residents unemployed, child deprivation, skills profile, etc. Wolverhampton Skills Commission Review – November 2014 to April 2015	Report to SEB – City Board – Monthly unemployment briefings	Controls Assurance Statement	National indicators will demonstrate the effectiveness of the measures in place to manage this long term risk.

12	**Better Care Fund** 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.	10 Amber	Submission of 2016/17 Plan to NHS England local area team March 2016 and level of assurance given	Regular update reports to the Health and Well Being Board (HWBB) Programme risk register Better Care Plan performance indicators	Monthly project reports Controls Assurance Statement	Assurance on the adequacy of the 2016/17 Better Care Plan will be provided by the level of assurance given by the NHS England local area team. Assurance on the management of the programme is provided by the HWBB, and the measure of key outcome based performance indicators. Following discussions with the Strategic Director, internal audit resource will focus on this area in 2016/17.
14	**School Improvement** If the Council does not provide effective support, challenge and appropriate intervention to raise standards in schools, then the Council and these schools are at risk of underperforming, receiving inadequate Ofsted judgements and a potential loss of control and influence.	10 Amber	Ofsted annual report – Schools 2014/15, December 2015 Ofsted inspections 2015/16 School internal audit reviews 2013/14 and 2014/15 and 2015/16 Internal audit review 2015/16 – Governance Strategy Internal audit review 2016/17 – Vulnerable Pupils	Performance indicator – gaps in educational performance Performance indicator – end of key stage outcomes Report to Children and Young People and Families Scrutiny Panel- Primary School Organisation strategy July 2015 Report to Children and Young People and Families Scrutiny Panel- Primary School Organisation strategy July 2015 Role of the Local Authority in Raising School Standards of Attainment July 2015 Audits carried out by School Support Advisors and External Governance reviews	Reports to Cabinet Controls Assurance Statement	The Ofsted inspections continue to be the primary source of assurance for this risk. A review on the effectiveness of the School Improvement Strategy in 2016 will provide further assurance on the measures in place to manage this risk.
15	**Emergency Planning** 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.	6 Amber	Follow up of internal audit recommendations, January 2014 Internal audit review - Resilience management and Business continuity planning August 2013 (Limited assurance)	Reports to Wolverhampton Resilience Board (WRB) Regular reports from WRB to SEB and C3 Scrutiny Panel	Incident management, e.g. weather incidences 2014, Public disorders Summer 2012, Hickman Avenue fire September 2014 Test exercise "Exercise Chillout" August 2014 Debrief report to SEB on mosque incident – 24 July 2013 Winter debrief report to WRB – June 2014 Controls Assurance Statement	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.
16	**Equal Pay** If schools do not comply with the Collective agreement and agree local pay scales and conditions then there is a potential for significant equal pay claims to materialise.	12 Amber	Internal audit review - Equal Pay claims, September 2014 (Substantial assurance) Internal audit update report 2015/16 – Equal Pay External legal advice from Browne Jacobson on claims PwC report: Report to those charged with governance (ISA 260) September 2015	Reports to Equal Pay Project Board	Controls Assurance Statement	Ongoing review by management of the level of claims continues to provide assurance on this risk, over which the Council has little control.

17	**Employee Management** If policies dealing with employee management and in particular appraisals are not effectively implemented and complied with then: • employees may not be fully aware of the Council's objectives and their contribution to the achievement of them, and • employees may not have the appropriate training and support to achieve high standards of performance the Council may not have the required capability to deliver its objectives.	8 Amber	Internal audit review – Performance Appraisal Scheme, September 2014 (Limited assurance) Update report to Audit Sub Committee- February 2015 Internal audit review 2015/16 – Performance appraisals	Corporate performance indicator- re: appraisals completed	Controls Assurance Statement	Ongoing review of the corporate performance indicator by management continues to provide assurance over the management of this risk.
19a	**Devolution Deal** There is a risk that if issues arise or should the process leading up to formal consent of the devolution deal not include sufficient engagement with members and stakeholders then the Council may not be able to ratify the proposed deal and the Council's objectives in respect of growth in the regional economy, employment and skills, business investment and regeneration may not be fully realised.	8 Amber	Full Council ratification Advice from consultation specialist	Updates to joint Leaders' and joint Chief Executives' meetings Programme risk register Reports to programme office		Adequate assurance on the management of this risk will be evidenced through the ratifications of the proposed deal by the Councils of all seven constituent councils.

Agenda Item No: **10**

CITY OF WOLVERHAMPTON COUNCIL

Audit and Risk Committee

14 March 2016

Report title	Internal Audit Update – Quarter Three	
Accountable director	Mark Taylor, Finance	
Accountable employee(s)	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
Report to be/has been considered by	Not applicable	

Recommendations for noting:

The Committee is asked to note:

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

1.0 Purpose

1.1 The purpose of this report is to update the Committee on the progress made against the 2015/16 audit plan and to provide information on recent work that has been completed.

2.0 Background

2.1 The internal audit update report as at 31 December 2015 (quarter three) contains details of the matters arising from audit work undertaken so far this year. The information included in the report will feed into, and inform the overall opinion in our annual internal audit report issued at the year end. It also updates the Committee on various other activities associated with the internal audit service.

3.0 Progress, options, discussion, etc.

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

4.0 Financial implications

4.1 There are no financial implications arising from the recommendations in this report. [MK/01032016/T]

5.0 Legal implications

5.1 There are no legal implications arising from the recommendations in this report. [TS/04032016/K

6.0 Equalities implications

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

7.0 Environmental implications

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

8.0 Human resources implications

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

9.0 Corporate landlord implications

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

10.0 Schedule of background papers - None

Internal Audit Update

Quarter 3

wolverhampton.gov.uk

CITY OF WOLVERHAMPTON COUNCIL

1 Introduction

The purpose of this report is to bring the Audit and Risk Committee up to date with the progress made against the delivery of the 2015/16 internal audit plan.

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

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

Substantial	• a robust framework of controls which ensures that objectives are likely to be achieved and controls are applied continuously or with only minor lapses
Satisfactory	• a sufficient framework of key controls for objectives to be achieved but the control framework could be stronger or the application of controls could be more consistent
Limited	• a risk of objectives not being achieved due to the absence of key internal controls or a significant breakdown in the application of controls

2 Summary of audit reviews completed

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

Auditable area	AAN Rating	Recommendations					Level of assurance
		Red	Amber	Green	Total	Number accepted	
Previously reported:							
Hill Avenue Primary School	Medium	-	7	6	13	13	Limited
Low Hill Nursery School	Medium	-	-	5	5	5	Substantial
Whitgreave Junior School	Medium	-	-	-	0	0	Substantial
Long Knowle Primary School	Medium	1	12	5	18	18	Limited
Senior Officers Remuneration and Officers > £50K	N/A*	-	-	-	-	-	N/A*
Coppice Performing Arts School	N/A*	1	-	-	1	1	Limited
Use of P-cards: System controls	N/A*	-	4	2	6	5**	Limited
Grove Primary School	Medium	-	6	-	6	6	Satisfactory
Warstones Primary Schools	Medium	-	-	6	6	6	Satisfactory
Graiseley Primary School	Medium	-	-	4	4	4	Satisfactory
New Park Community Special School	Medium	-	2	2	4	4	Satisfactory
Rakegate Primary School	Medium	-	2	3	5	5	Satisfactory
Penn Hall Special School	Medium	-	-	-	-	-	Substantial
Migration of Services into the Customer Contact Centre	Medium	-	-	4	4	4	Substantial
Street Lighting – Capital Programme	Medium	-	3	-	3	3	Satisfactory
Fleet Management – Hire and Replacement of Vehicles	Medium	-	2	3	5	5	Satisfactory

Auditable area	AAN Rating	Recommendations					Level of assurance
		Red	Amber	Green	Total	Number accepted	
Budgetary Control Managed Audit	High	-	3	2	5	5	Satisfactory
General Ledger Managed Audit	High	-	2	4	6	6	Satisfactory
Housing Benefits Managed Audit	High	-	1	3	4	4	Satisfactory
Carbon Reduction Commitment Assurance Review / Data Verification	High	-	-	1	1	1	Substantial
Young Peoples Supported Living (YMCA) Contract Arrangements	High	1	3	-	4	4	Limited
Reported this quarter for the first time:							
Villiers Primary School	Medium	-	-	3	3	3	Substantial
Palmers Cross Primary School	Medium	1	7	1	8	8	Limited
Claregate Primary School	Medium	-	2	1	3	3	Satisfactory
Accounts Receivable Managed Audit	High	-	5	7	12	11**	Satisfactory
Business Continuity / Resilience Management	High	-	3	6	9	9	Satisfactory
Transport Related Grant Certification	Medium	-	-	-	-	-	Satisfactory
Decent Homes Backlog Grant Certification	N/A*	-	-	-	-	-	Satisfactory
Corporate Landlord Charging and Income Collection (Project Costing and Billing System)	Medium	-	3	-	3	3	Satisfactory
Administration of Section 106 monies	N/A*	-	-	-	3	3	Substantial
Accounts Payable Full Systems Audit	High	-	10	5	15	15	Limited
Stowlawn Primary School	Medium	-	1	5	6	6	Satisfactory
Independent Reviewing Officer Service	Medium	-	3	3	6	6	Satisfactory

Auditable area	AAN Rating	Recommendations					Level of assurance
		Red	Amber	Green	Total	Number accepted	
Pre-Paid Cards Implementation	High	-	2	-	2	2	Satisfactory
St Alban's CE Primary School	Medium	-	1	-	1	1	Substantial
Salary Sacrifice Schemes	Medium	-	5	1	6	6	Satisfactory
Agresso Implementation Update	N/A*	-	2	1	3	3	Satisfactory
Income Manager	Medium	1	3	2	6	6	Limited
Governance's P-Card Usage	Medium	-	3	-	3	3	Satisfactory
Mayoral Office	Medium	-	-	4	4	4	Substantial

Key:
AAN Assessment of assurance need.
* One-off piece of work undertaken by request or certification/non-risk based reviews etc. – therefore an audit opinion may not always be provided.
** Recommendations were superseded.

3 Audit reviews underway

There were a number of other reviews underway as at 31 December 2015, and these will be reported upon in later update reports.

Year on year comparison

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

Opinion	2015/16 (@ Q3)	2014/15	2013/14
Substantial	9	7	18
Satisfactory	22	29	51
Limited	8	12	9

4 Key issues arising from our work completed in Q3

Managed Audits

We have now met with Grant Thornton, our new external auditors a number of times, and will work with them in developing our approach to the audit of the Council's financial systems. This will be based on risk, and where possible mirror their requirements, enabling them to, where appropriate, use our reviews to help inform their own work.

Accounts Payable Full Systems Audit

Following the introduction of Agresso we are continuing to undertake full end to end reviews of all key the financial systems in addition to the general controls work we carry out annually.

Our full systems audit of the Accounts Payable process covered a period of time when the new Agresso processes were being introduced, and was a significant period of change across the Council in how the placing of requisitions, orders and the subsequent authorisation of payments were processed. At the time of our review, there were a number of control issues that were still being developed, and the general use of Agresso across the Council had yet to be fully embedded, hence why at that point in time we were only able to give a limited level of assurance. Some of the issues identified at the time included the control over duplicate payments, the raising of orders before requesting goods and services, general compliance with the contract procedure rules, clearing the invoice backlog and access controls.

All of the recommendations arising from our review (and accompanying supporting work) were agreed by Council management. Since that time, we have been working closely with the relevant service areas, and we are already aware that a number of issues raised in our report have been, or are being addressed. However, obviously there is also more to do.

An exhaustive Agresso Challenge is also underway and the results from this will help inform and drive the cross-Council effectiveness of the new processes.

We will continue to monitor the situation, and should any further key issues arise, we will report them back to the Audit and Risk Committee.

Palmers Cross Primary School

The school was placed into special measures at the start of the Autumn Term 2014 and has been supported by an Interim Executive Board (IEB) since November 2014. In addition, the school is receiving support from staff from Elston Hall Primary School. Some of the main issues identified during the course of our audit were as follows:

- A number of copies of the Governing Body and committee minutes for meetings held up to the formation of the IEB were not available for inspection at the school. Also the minutes of the subsequent IEB meetings could not always be located.
- In the majority of cases orders were being placed verbally with suppliers, rather than following the proper ordering processes (as orders were being raised after the receipt of invoices). This is a breach of the financial regulations.
- No requisitions/orders were raised to confirm the authorisation of purchase card transactions. Also, bank account statements were not evidenced as being checked and certified by the cardholder or the Acting Headteacher. We believe that this was down to non-compliance with procedures, rather than any fraudulent activity.
- The Executive/Acting Headteacher's delegated expenditure and virement limits had not been formally approved by the IEB.

All of our recommendations were agreed for implementation with immediate effect by the Executive Headteacher.

Income Manager

This was an additional review to the audit plan, as identified during the year. The purpose of the Income Manager system is to enable all income to be allocated to a customer account or service area promptly and accurately with a visible trail. The Income Manager system includes the receipt, allocation, reallocation, reporting and reversal (if required) of transactions received. It is acknowledged that the majority of financial transactions 96% are automatically posted and the Banking team manage the unallocated transactions.

At the time of our review (during the transition period between the changes in the Council's new systems) a number of transactions had been received but had yet to be posted to the respective supporting system. A significant number of these transactions related to local taxes (Council Tax and Non-Domestic Rates). Following the findings of our review an audit resource was provided to work with the Banking Services Team in order to significantly reduce the number of these unallocated transactions.

Follow up of previous recommendations

We continue to monitor the implementation of previous key recommendations, and any major issues of concern relating to their non-implementation, will be reported back to the Audit and Risk Committee.

One of our main follow up reviews in the last quarter was on the Schools' Disclosure and Barring Service, from our earlier report 'Personnel, Administration and Contracts Team (PACT) Disclosure and Barring Service (DBS) Checks', which was issued on 30 March 2015. It was our opinion at the time of the initial review that the controls within the system provided only limited assurance that risks material to the achievement of the objectives for the system were adequately managed and controlled. Our follow up found that members of PACT have now familiarised themselves with the operational procedures for undertaking DBS checks and all staff now follow these procedures. Further, PACT has cleared the backlog of outstanding checks previously identified. However, updated guidance had yet to be issued to schools as was previously recommended. Further, the recovery of the DBS costs recharged to schools for the current financial year had not been undertaken on a timely basis. Therefore, we will revisit and update the committee, on this area in 2016/17.

Counter Fraud Activities

We continue to investigate all allegations of suspected fraudulent activity, during the year. Details of these have will be presented to the Audit and Risk Committee in a separate report,

along with details of initiatives put in place in order to both raise awareness of, and tackle fraud across the Council.

Agenda Item No: **11**

CITY OF WOLVERHAMPTON COUNCIL

Audit and Risk Committee

14 March 2016

Report title	Internal Audit Plan - 2016/17	
Accountable director	Mark Taylor, Finance	
Originating service	Audit	
Accountable employee(s)	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
Report to be/has been considered by	Strategic Executive Board	23 February 2016

Recommendation(s) for action or decision:

The Committee is recommended to:

1. Review and approve the risk based internal audit plan for 2016/17.

1.0 Purpose

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

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

2.0 Background

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

3.0 Progress, options, discussion, etc.

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

4.0 Financial implications

4.1 There are no financial implications arising from the recommendations in this report. The audit plan detailed will be implemented using current budgeted internal audit resources. [MK/01032016/D]

5.0 Legal implications

5.1 There are no legal implications arising from the recommendations in this report. [TS/04032016/B]

6.0 Equalities implications

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

7.0 Environmental implications

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

8.0 Human resources implications

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

9.0 Corporate landlord implications

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

10.0 Schedule of background papers

None

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Internal Audit Plan 2016/17

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A quick guide to the audit and assurance planning process

Step 1- Audit universe/auditable areas

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

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

▼

Step 2 – Ranking

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

▼

Step 3 – Three year cycle

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

▼

Step 4 - Next Years Plan

List the themes and where appropriate the types of work that will be undertaken in 2015/16 in the internal audit plan.

A glossary of terms

Definition of internal auditing

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

Source: Public Sector Internal Audit Standards

Governance

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

Control environment

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

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

System of internal control

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

Risk Management

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

Risk based audit and assurance reviews

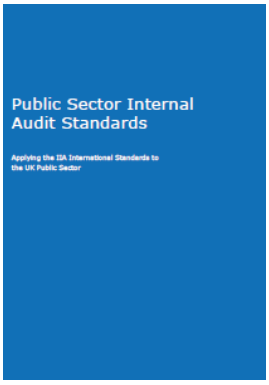
A review that:

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

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

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

Internal Audit standards



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

1 Introduction

1.1 The purpose of internal audit is to provide the Managing Director, Section 151 Officer and Audit and Risk Committee with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving the Council's agreed objectives. In order to provide this opinion, we are required to review annually the risk management and governance processes within the Council. We also need to review on a cyclical basis, the operation of the internal control systems. It should be pointed out that internal audit is not a substitute for effective internal control. The true role of internal audit is to contribute to internal control by examining, evaluating and reporting to management on its adequacy and effectiveness.

1.2 There is a statutory requirement for internal audit to work in accordance with the 'proper audit practices'. These 'proper audit practices' are in effect the 'Public Sector Internal Audit Standards'. The Council has an Internal Audit Charter which was approved by the Audit Committee in September 2013 and defines the activity, purpose, authority and responsibility of internal audit, and establishes its position within the Council. This document sits alongside the charter, and helps determine how the internal audit service will be developed.

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

2 Assessing the effectiveness of risk management and governance

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

3 Assessing the effectiveness of the system of control

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

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

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

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

The framework of assurance

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

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

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

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

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

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

4 Assessment of assurance needs methodology

4.1 Internal audit should encompass the whole internal control system and not be limited only to financial control systems. The scope of internal audit work should reflect the core objectives of the Council and the key risks that it faces. As such, each audit cycle starts with a comprehensive analysis of the whole system of internal control that ensures the achievements of the Council's objectives.

4.2 Activities that contribute significantly to the Council's internal control system, and also to the risks it faces, may not have an intrinsic financial value necessarily. Therefore, our approach seeks to assign a relative assurance need value. The purpose of this approach

is to enable the delivery of assurance to the Council over the reliability of its system of control in an effective and efficient manner.

4.3 We have undertaken our assessment using the following process:

- We identified the core objectives of the Council and, where available, the specific key risks associated with the achievement of those objectives.
- We then identified auditable themes and areas that impact significantly on the achievement of the control objectives.
- We assigned assurance need values to the auditable themes and areas, based on the evidence we obtained.

4.4 The audit plan is drawn out of the assessment of assurance need. The proposed plan covers the 2015/16 financial year and is detailed at the end of this document.

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

5.1 The following are the Council's key priorities:

- Stronger Organisation
- Stronger Communities
- Stronger Economy

Supported by:

- A Confident, Capable Council

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

- Looked After Children
- Skills for Work
- Information Governance
- Medium Term Financial Strategy
- Safeguarding
- Business Continuity Management
- Economic Inclusion
- Better Care Fund
- School Improvement
- Equal Pay

Identifying the "audit universe"

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

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

Assessing the risk of auditable areas within the assurance framework

5.3 Risk is defined as "The threat that an event or action will adversely affect an organisation's ability to achieve its business objectives and execute its strategies."
Source: Economist Intelligence Unit - Executive Briefing.

5.4 There are a number of key factors for assessing the degree of assurance need within the auditable area. These have been used in our calculation for each auditable area and are based on the following factors:

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

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

6 Developing an internal audit plan

6.1 The internal audit plan is based, wherever possible, on management's risk priorities, as set out in the Council's own risk analysis/assessment. The plan has been designed so as to, wherever possible, cover the key risks identified by such risk analysis.

6.2 In establishing the plan, the relationship between risk and frequency of audit remains absolute. The level of risk will always determine the frequency by which auditable themes and areas will be subject to audit. This ensures that key risk themes and areas are looked at on a frequent basis. The aim of this approach is to ensure the maximum level of assurance can be provided with the minimum level of audit coverage.

It is recognised that a good internal audit plan should achieve a balance between setting out the planned audit work and retaining flexibility to respond to changing risks and priorities during the year. Traditionally Audit Services produced quite detailed internal audit annual plans identifying all the individual audits planned for the year, and this approach does have the advantage of providing a clear route map to the end of year opinion. However, as the year progresses it is likely that the risks and organisational priorities will change, resulting in changes to the plan. This is a particular issue within the local authority environment at this moment in time, due to the pace of change and high level of uncertainty affecting the risk environment. Therefore, for this year we are again keeping the audit plan more open than previously, and, where appropriate, the new plan reflects themes and types of work rather than individual audits. More detailed working plans will be maintained operationally within Audit Services. This approach should hopefully result in a more realistic and flexible plan.

Auditor's judgement will be applied in assessing the number of days required for each audit identified in the plan.

6.3 The assessment of assurance need's purpose is to:

- determine priorities and establish the most cost-effective means of achieving audit objectives;
- assist in the direction and control of all audit work

This exercise builds on and supersedes previous internal audit plans.

6.4 Included within the plan, in addition to audit days for field assignments are:

- a contingency allocation, which will be utilised when the need arises, for example, special projects, investigations, advice and assistance, unplanned and ad-hoc work as and when requested.
- a follow-up allocation, which will be utilised to assess the degree of implementation achieved in relation to key recommendations agreed by management during the prior year.
- an audit management allocation, which is used for management, quality control, client and external audit liaison and for preparation for, and attendance at various member meetings and Audit Committee etc.

7 Considerations required of the Audit and Risk Committee and senior Council management

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

8 How the internal audit service will be delivered

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

Resources required
It is estimated that approximately 1,600 internal audit days (including fraud, assurance and contingency work) will be required to deliver the audit plan.

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

Combined assurance
We work in conjunction with the Council's External Auditors (Grant Thorton) in order to ensure that the assurance both internal and external audit can provide, is focussed in the most efficient manner and that any duplication is eliminated.

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

9 The internal audit plan 2016/17

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

Auditable Area	Purpose
Assurance mapping	An ongoing mapping exercise between the controls identified as mitigating risk from the strategic risk register, to the sources of assurance that these controls are operating. This will play a key part in informing the Annual Governance Statement.
National fraud initiative	In accordance with Cabinet Office requirements we will lead on the Council's NFI data matching exercise.
Fraud investigations	The carrying out of investigations into areas of suspected or reported fraudulent activity across the Council.
Counter fraud activities	A series of Council wide pro-active fraud activities, including the targeted testing of areas open to the potential of fraudulent activity including maintenance of the Council's fraud risk register, hosting raising fraud awareness seminars and running fraud surgeries.
Value for money reviews	During the year discussions will be held with senior management regarding the identification of potential value for money areas, where Audit Services could be of assistance in performing value for money advice and or/reviews.
Payment transparency	An ongoing review of compliance with the government's data transparency publishing requirements.
Recommendation follow up	The follow up of key internal audit recommendations made across the Council in 2015/16
Development and advice	Reviewing system developments on key controls and providing advice relating to systems which are not necessarily covered by audits originally scheduled for 2016/17.
Contingency	Special projects, advice and assistance, unplanned and ad-hoc work as and when requested.
Management	Day to day management of the internal audit service, quality control, client and external audit liaison and preparation for, and attendance at various meetings.
Audit and Risk Committee	Preparation and presentation of papers for the Audit and Risk Committee, and providing advice and training to committee members as and when required.

The Council's Audit Services are also available, or already have arrangements in place, to support the following:

WEST MIDLANDS COMBINED AUTHORITY	During the year we are able to provide on-going support, assurance and consultancy to the developing West Midlands Combined Authority – as and when required.
West Midlands Pension Fund Wolverhampton Homes centro transforming public transport YOO Wolverhampton's Recruitment Agency	The City of Wolverhampton Council's Audit Services also provides the internal audit service to a number of other associated public sector based organisations in the West Midlands. Separate internal audit plans are produced for each of these, and Audit Services reports back to each of their respective Audit Committees or equivalent: • West Midlands Pension Fund • Wolverhampton Homes • Centro • Yoo • A number of the City's Academies

People Stronger Communities

People risks:	Looked after Children	Safeguarding	Business Continuity Management	Better Care Fund	Emergency Planning

Auditable area	Purpose	Rating
Children and Young People		
Multi Agency Safeguarding Hub (MASH)	A review of the arrangements within the Multi Agency Safeguarding Hub (MASH) to safeguard vulnerable children, young people and adults with care and support needs.	High
Section 17 Payments	A review of the arrangements to provide financial assistance to safeguard or promote a child's welfare within their family.	Medium
Volunteer Drivers	A review of the arrangements for the administration and control of volunteer drivers.	Medium
Troubled Families Programme	Assurance review and certification of grants in respect of the Troubled Families Programme	Medium
Older People		
Social Workers - Financial and Performance Controls	An assessment of the processes in place to monitor expenditure and the performance of social workers, and the associated impact / benefits.	Medium
Pre-Paid Cards	A review of the arrangements for the administration and control of pre-paid cards.	Medium
Disability and Mental Health		
High Needs Funding Claims	An assurance review and certification of grants in respect of the High Needs Funding Claims for 2015/16, along with the arrangement with Wolverhampton City College. Independent specialists will be used for this review.	Medium

Education risks:	School Improvement

Auditable area	Purpose	Rating
Standards and Vulnerable Pupils		
Vulnerable Pupils	A review of the arrangements in operation to employ best practice and utilise available funding to improve educational standards and narrow the attainment gap between the most vulnerable and disadvantaged pupils and their peers.	High
School Audits	A review of the governance and financial procedures in place at a sample of nursery, primary, secondary, special schools, and pupil referral units to ensure coverage of all local authority maintained schools over a predetermined cycle.	Medium
School Planning and Resources		
connectED	A review of connectED's management and financial arrangements where the Council acts as the company's supervising authority.	Medium
Home to School Transport	A review of the arrangements to assess and mitigate the risks of pupils using home to school transport.	Medium
Off Site Visits	A review of the arrangements in a sample of schools to ensure compliance with the Council's Off Site Visits policy.	Medium

Place Stronger Economy

Place risks:	Skills for Work	City Centre Regeneration	Economic Inclusion

Auditable area	Purpose	Rating
City Economy		
Black Country Growth Hub	A review of the proposed governance, partner and project management arrangements in respect of the Growth Hub and associated funding regimes where the Council is acting as the Accountable Body (e.g. Black Country Local Growth Fund and ERDF monies).	High
Northern Corridor Growth Programme	A review of the governance, project and contract management arrangements in respect of Northern Corridor Growth Programme.	High
Accountable Body Role	A review of the fund management arrangements in operation within the Place Directorate to support the effective fulfilment of its accountable body role for external funding, demonstrate compliance and safeguard the Council against risk of claw back.	High
WV Creative and Visitor Economy	A review of the business planning and monitoring arrangements (phase 1), and the financial control and monitoring arrangements (phase 2) in operation, to provide assurance on the delivery of outcomes and maximisation of income generation.	Medium
European Regional Development Fund / European Social Fund Funded Projects	On-going support and advice through working in liaison with the Service Development Team.	Medium

City Assets

FutureSpace	An initial review of the governance and project management arrangements in respect of the FutureSpace Programme, followed by staged reviews during the lifecycle of the programme.	High
Carbon Reduction Credits Scheme	An annual assurance review and certification in accordance with the CRC Scheme requirements.	Medium
Grant Certifications	An assurance review and certification of grants, including transport scheme related grants.	Medium
Jacobs Strategic Partnership	A review of the performance monitoring and contract management arrangements in operation for the strategic partnership.	Medium
Corporate Landlord	More detailed scoping of audit coverage will be identified during the year, as part of the implementation of the proposed service delivery model.	Medium

City Environment

Contract Management Arrangements	A high level review of the contract management arrangements within City Environment.	High
Fleet Management Accounts Payable Processes	A health check review of the Accounts Payable procedures in operation within the Fleet Management System (including the interface with Agresso).	Medium
Highways Asset Management	A review of the asset management and maintenance arrangements in operation for Highways.	Medium
Management of Highways Utility Works	A review of the arrangements in place for the management of highways utility works, including procedures for the collection of charges/fines.	Medium

Housing

Auditable area	Purpose	Rating
Tenant Management Organisations	A healthcheck of the lettings processes in place within Tenant Management Organisations in order to ensure compliance with the Council's Allocation Policy.	High
Private Sector Housing	A review of the charging and recovery procedures in relation to Private Sector Housing Landlord enforcement.	Medium
Homelessness	A review of the management and operational arrangements in place for the temporary accommodation service, including recharging procedures and integration with other Council service areas.	Medium

Confident, Capable Council Stronger Organisation

Corporate risks:	Information Governance	Medium Term Financial Strategy	Equal Pay	Employee Management	Devolution Deal

Auditable area	Purpose	Rating
Finance		
Key Financial Systems	A review of the high-level financial system controls and other key processes as agreed with the Council's External Auditors, these include: Accounts Payable, Accounts Receivable, Payroll, Budgetary Control, General Ledger, Capital Expenditure, Fixed Assets, Treasury Management, Local Taxes, Housing Rents, and Housing Benefits.	High
Certifications	Assurance review of grants and other certifications including both the Teachers and Pension Fund pension returns.	High
Medium Term Financial Strategy (MTFS)	A review of the current strategy along with the associated assumptions and accounting records to monitor the Council's budget.	High
Equal Pay	On-going advice and consultancy with regards to the Council's equal pay liabilities, particularly around current and new claims.	Medium
Combined Authority/Devolution Deal	A review of the governance and administrative arrangements for the Council's participation in the combined authority and the associated devolution deal. Where appropriate, assurance will also be placed on the outcome of the PWC review.	Medium
Health and Safety	A review of the systems and processes in place to ensure the Council is meeting its key regulatory requirements.	Medium
Procurement – Compliance Review	A compliance review against the new changes to the Council's Contract Procedure Rules.	Medium

Review of Strategic Finance processes	A review of financial processes operated within Strategic Finance and the Hub to ensure that there is no duplication.	Medium
Integration of Wolverhampton Homes Support Services	A review of the arrangements for the integration of support services from Wolverhampton Homes into the Council.	Medium
Transformation		
C3 Benefits Realisation	A review to ensure effective monitoring and measurement of benefits to be realised from the C3 Programme.	Medium
Corporate Projects/Programmes	To provide advice and consultancy around the centralisation of project management functions and approaches applied across the Council.	Medium
ICT		
Digital Transformation Programme	To provide on-going control and governance assurance over the lifecycle of the programme, including representation on the programme board.	Medium
IT Projects and future developments	Assurance over the governance of the ICT function, including the management of ICT risks and key operational controls.	Medium
Customer Services		
Migration of Services to the Customer Contact Centre	To review the systems and processes in place for migrating customer focussed functions into the Contact Centre.	Medium

Governance

Employee Management (Performance Appraisal Scheme)	A review to ensure that service areas are undertaking regular performance appraisal reviews in accordance with Council policy.	Medium
Information Governance	A review of the Council's Information Governance procedures to ensure it is meeting regulatory requirements around data, including representation on the IG board.	Medium
Payment Arrangements for Court Costs	A review to ensure that the new payment arrangements agreed with the courts are working effectively.	Medium
Employee Benefits Scheme	A review of the Council's employee benefits schemes to ensure they are still delivering the actual benefits identified at the initial outset of the scheme.	Medium
Schools compliance with the Collective Agreement	A review of school payroll requests to ensure they are operating in accordance with the Council's Collective Agreement.	Medium
Freedom of Information (FOI) Requests	A review of the systems in place for the timely processing of Freedom of Information requests.	Medium
Mayoral Hospitality	A review of hospitality for Mayoral events.	Medium

Horizon scanning for future year audit plans (2017/18 onwards)

As part of the planning process for this plan, Audit Services have identified a wider Audit Universe and have risk scored this universe accordingly The high assurance need, and a number of medium need assurance areas form the basis of this plan. The medium need areas not included in this plan, along with other emerging issues, will be incorporated into future audit plans.

A number of issues likely to require an audit presence in future years include:

- Those areas currently identified as high need, and likely to remain as so
- The Council's involvement in the on-going development of the West Midlands Combined Authority
- The continued development of Agresso
- Income optimisation
- Future budget savings (incorporating the Medium Term Financial Strategy)
- Corporate Landlord arrangements
- The new Local Housing Company being established for the delivery of new build properties
- Regeneration programmes and future external funding arrangements
- Any new governance arrangements for Tenancy Management Organisations
- The Better Care Fund
- Emergency planning
- The developing C3 transformation programme
- The possible partnership to supply gas and electricity
- The offering of support services through YOO recruit and other associated bodies

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Agenda Item No: **12**

CITY OF WOLVERHAMPTON COUNCIL

Audit and Risk Committee

14 March 2016

Report Title	Audit Services – Counter Fraud Update at February 2016	
Accountable Director	Mark Taylor, Finance	
Accountable employee(s)	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
Report to be/has been considered by	Not applicable	

Recommendations for noting:

The Committee is asked to note:

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

1.0 Purpose

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

2.0 Background

2.1 The cost of fraud to local government is estimated at £2.1 billion a year. This is money that could be used for local services.

2.2 The Counter Fraud Unit was set up within Audit Services, in response to the increased emphasis being placed upon both fraud prevention and detection by the Department for Communities and Local Government.

3.0 Progress, options, discussion, etc.

3.1 At the last meeting of the Audit Committee in December 2015, it was agreed that regular updates on the progress the Council was making in tackling fraud would continue to be brought before the Committee.

4.0 Financial implications

4.1 There are no financial implications arising from the recommendation in this report. [MK/010316/S]

5.0 Legal implications

5.1 Investigations by the Counter Fraud Unit may have legal implications depending upon what action is taken or decided against in respect of those investigations. [TS/04032016/D]

6.0 Equalities implications

6.1 There are no equalities implications arising from this report.

7.0 Environmental implications

7.1 There are no environmental implications arising from this report.

8.0 Human resources implications

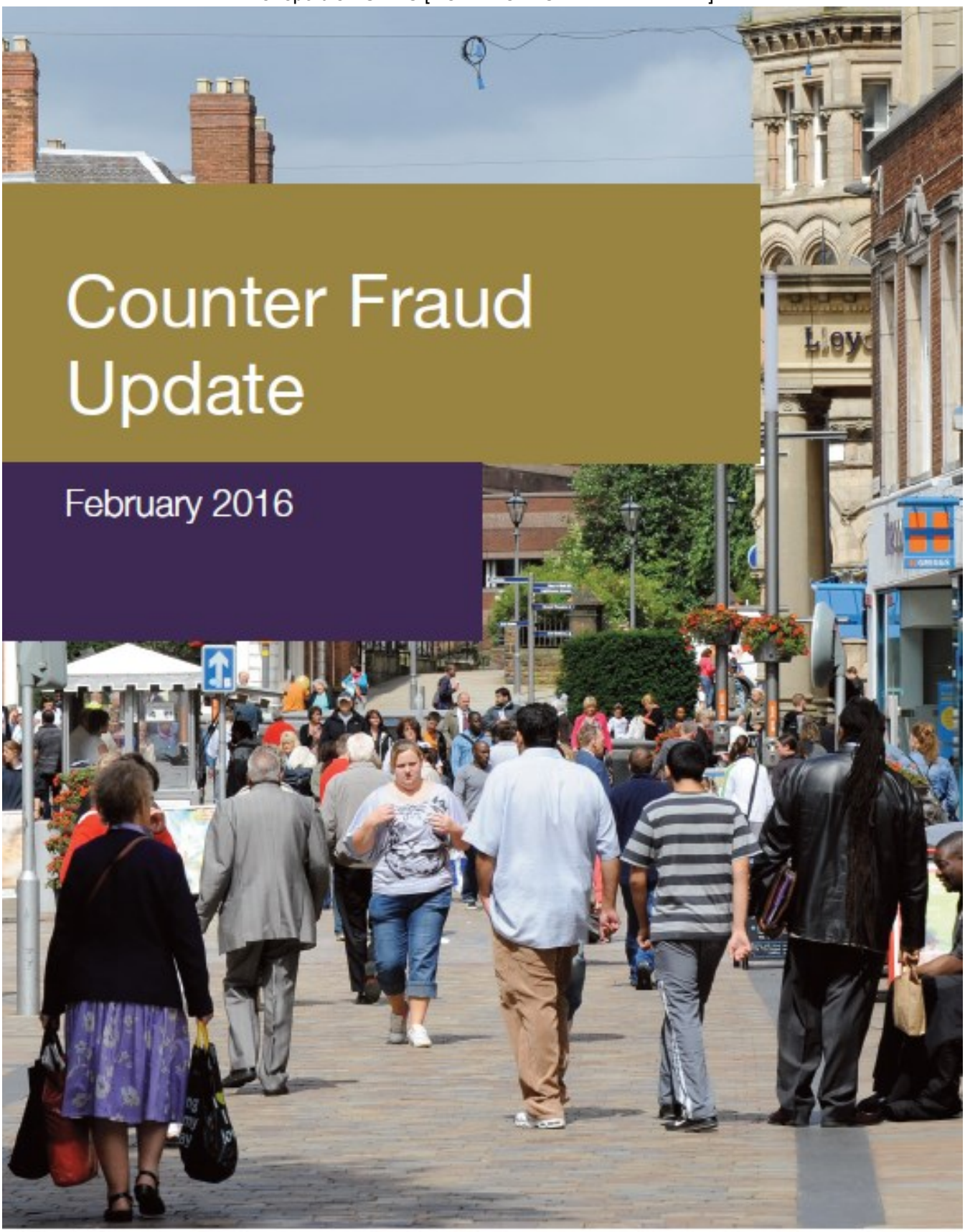
8.1 There are no human resources implications arising from this report.

9.0 Corporate landlord implications

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

10.0 Schedule of background papers

10.1 None.



Counter Fraud Update

February 2016

wolverhampton.gov.uk

CITY OF WOLVERHAMPTON COUNCIL

1 Introduction

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

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

2 The Counter Fraud Unit

The Counter Fraud Unit, which sits within Audit Services, is continuing to develop and lead in raising fraud awareness across the Council and in promoting an anti-fraud culture. The team carries out investigations into areas of suspected or reported fraudulent activity and organises a series of Council wide pro-active fraud activities, including the targeted testing of areas open to the potential of fraudulent activity. The team maintains the Council's fraud risk register, conducts raising fraud awareness seminars and holds fraud surgeries. In addition, they lead on the Cabinet Office's National Fraud Initiative (NFI) exercise. During December and January a series of fraud awareness seminars were held. The outcome from these was positive and the feedback results are summarised at Appendix 3

3 Counter Fraud Update

Counter Fraud Plan

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

Fraud App

The Department for Communities and Local Government (DCLG) has awarded funding to Intec, an application developer, to produce a Counter Fraud App for use by the public. The Council having supported the application for funding has the opportunity to use the App. The draft App has been produced and following review is being further tailored and branded to the Council's requirements. The App will be used to communicate the fraud awareness message to the public, including details of key fraud threats and success stories. The public will also be able to use the App to report potential frauds. While there have been some delays in the development of the App, it should soon be available to download through (amongst others) the Apple app store.

National Fraud Initiative

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

The latest NFI exercise commenced during January 2015 and the current outcomes are shown below.

Description	Previous value (£)	Current value (£)
Housing benefit claimants to student loans	24,246	24,246
Housing benefits claimants to in country immigration	42,224	42,224
Housing benefits claims to internal housing benefits claims	7,038	7,038
Housing benefits claims to external housing benefits claims	21,272	21,272
Waiting list to housing tenants	18,000	18,000
Housing benefit claimants to Council Tax Reduction Scheme	208	208
Council Tax to Electoral Register	0	579
Total	**112,988**	**113,567**

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

During December 2015 the Council received, from Cabinet Office, the results of the Council Tax data match to the new Electoral Register. There were 2,554 matches plus a further 182 Council Tax rising 18 data matches. Northgate is currently conducting a separate data matching exercise to identify people who are not eligible for a Council Tax discount. The NFI exercise will commence when the Northgate exercise has been completed. This will reduce any duplication of effort.

Fraud Data Warehouse

As reported previously, Birmingham City Council has been operating a data warehouse for a number of years.

data warehouse: storing data sets from across organisations and used for data matching purposes in order to identify potential fraud.

For the last five years their data warehouse has been used to hold tenancy data provided by 15 organisations including some Midland councils and housing associations. Wolverhampton Homes is already one of the participating organisations. Birmingham is now exploring opportunities to expand the scope of the warehouse to include data which can be used to detect other types of fraud, starting with Council Tax fraud. Wolverhampton has been invited to participate in the initiative. Work has commenced to put legal processes in place, to enable the data to be shared. The draft data sharing agreement is being reviewed by the council's Legal Team. Once the data sharing agreement is in place access to the data warehouse will be established using a web based application. The extraction and transfer of Council Tax data will then take place on a regular basis. A progress meeting was recently hosted by Birmingham City Council, and further details of the progress made will be brought before the Committee as it becomes known.

Partnership Working

As part of the partnership arrangements with Sandwell Metropolitan Borough Council the Fraud Team at Sandwell continues to assist in the implementation of the Wolverhampton Counter Fraud Plan. This work began in September 2015 and has involved carrying out investigations, addressing National Fraud Initiative matches and hosting fraud awareness seminars and surgeries. This joint approach will see an increase in shared information, working practices and the introduction of new counter fraud initiatives.

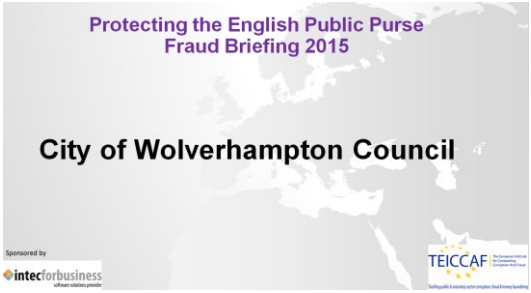
Fraud Risk Register

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

Midland Fraud Group

The Midlands Fraud Group held a meeting in January 2016. The group consists of fraud officers from across the Midland's local authorities. The purpose of the group is to identify and discuss the outcome of initiatives being used to tackle fraud. At the January meeting topics discussed included the future for corporate fraud investigation, partnership working, data warehouses, data matching, risk registers and current trends and cases of interest.

Annual Fraud Survey



Much of the information used by the Audit Commission in their Protecting the Public Purse exercises and report was gathered from an annual survey of local authorities. Following the abolition of the Audit Commission, their former Counter Fraud Team (now known as The European Institute for Combatting Corruption and Fraud - TEICCAF) has now completed their first exercise, and their localised report for the Council is included at Appendix 4.

The results of the TEICCAF fraud survey identified 268 detected cases with a total value of £1,067,168 (this excluded tenancy fraud); this is above the average for the comparator council's. In the briefing, which covers the period 2014/15, it shows that no council tax fraud was identified. However, this was due to the timing of the National fraud Initiative and Northgate Single Person Discount data matching exercises. The results from the last exercises conducted had been realised and reported in the 2013/14 fraud survey. This had resulted in 1,507 cases with a value of £459,000 being identified. The exercises are being repeated at the moment, the results will be included the next TEICCAF Fraud Survey but early indications are that just under 1,000 discounts have been removed with a total value of around £275,000.

Appendix 1

Counter Fraud Plan Update

Issue	Action	Timescale
Raising counter fraud awareness across the Council	Develop and deliver Fraud Awareness seminars	Seminars completed December 2015 and January 2016
	Develop on line fraud training for staff.	To be refreshed Spring 2016
	Work with Workforce Development to develop and promote fraud training.	Fraud seminars and surgeries promoted through City People On-going use of online training package
	Establish measures for assessing the level of employee fraud awareness.	Spring 2016
	Hold fraud surgeries to enable staff to report areas of suspected fraud.	Fraud surgeries commenced December 2015
	Use various forms of media to promote fraud awareness across the council including City People, the intranet and the internet.	Fraud seminars and surgeries promoted through City People
	In conjunction with the external provider Intec develop a fraud information and reporting App for use by the public.	Under development
	Work closely with Wolverhampton Homes and seek opportunities to promote joint fraud awareness.	On-going
Work with national, regional and local networks to identify current fraud risks and initiatives.	Maintain membership of the National Anti-Fraud Network (NAFN).	On-going
	Participate in the Cabinet Office's National Fraud Initiative (NFI) data matching exercises. Acting as key contact for the council, the West Midlands Pension Scheme and Wolverhampton Homes.	On-going
	Complete the annual TEICCAFI and CIPFA fraud surveys.	Last completed May 2015 next survey expected May 2016
	Investigate opportunities to develop the use of NFI real time and near real time data matching.	Used for Housing Waiting Lists – Summer 2015
	Participate in CIPFA's technical information service.	On-going
	Maintain membership of the Midlands Fraud Group.	On-going – last meeting January 2016
	Attend external fraud seminars and courses.	On-going

Issue	Action	Timescale
Assess the counter fraud strategy against best practice	Complete national fraud self-assessments, for example:	
	• New CIPFA Code of Practice	June 2015
	• The European Institute for Combatting Corruption And Fraud TEICCAF's- Protecting the Public Purse	Annually
	• Department for Communities and Local Government – ten actions to tackle fraud against the council.	On-going
	• Consideration of fraud resilience toolkit	On-going
Identify and rank the fraud risks facing the council	Manage the council's fraud risk register to ensure key risks are identified and prioritised.	On-going
	Develop measures of potential fraud risk to help justify investment in counter fraud initiatives.	On-going
	Seek opportunities to integrate the fraud risk register with other corporate risk registers and also the Audit Services Audit Plan	On-going
Work with other fraud investigation teams at the council	Develop good communication links between the Counter Fraud Unit, Wolverhampton Homes, and Audit Services.	Corporate Fraud Group established
	Maintain an overview of the progress made with the tenancy data sharing agreement between Wolverhampton Homes and Birmingham City Council.	On-going
	Develop a fraud data sharing agreement between Wolverhampton Council and Birmingham City Council.	Summer 2016
Work with external organisations to share knowledge about frauds?	Establish formal joint working relationships with external bodies, for example Police, Health Service and Immigration Enforcement.	A number of joint investigations have been completed with the Police during 2015/16.
Participate in external initiatives and address requests for information	Implement industry best practice as identified in reports produced by external bodies, for example; The TEICCAFI Annual Protecting the Public Purse report and the National Fraud Initiative report.	Annual/on-going
	Encourage Service Areas to participate in initiatives to identify cases of fraud.	Corporate Fraud Group established
	Look for opportunities to use analytical techniques such as data matching to identify frauds perpetrated across bodies, for example other councils.	On-going

Issue	Action	Timescale
	Undertake a programme of proactive target testing.	On-going
	Respond to external requests for information or requests to take part in national initiatives.	On-going
All cases of reported fraud are identified, recorded and investigated in accordance with best practice and professional standards.	Work with Service Areas to develop methods of recognising, measuring and recording all forms of fraud.	Corporate Fraud Group established
	Manage and co-ordinate fraud investigations across the council.	On-going
	Implement and update the council's portfolio of fraud related policies in response to changes in legislation.	Latest version going to Audit and Risk Committee – March 2016
	Where appropriate take sanctions against the perpetrators of fraud either internally in conjunction with Human Resources and Legal Services or externally by the Police.	On-going
Ensure responsibility for counter fraud activities is included in Partnership agreements with external bodies.	Embed responsibility for counter fraud activities in partnership agreements with the council's strategic partners.	On-going
	Partnership agreements to include the council's rights of access to conduct fraud investigations.	On-going
Provide the opportunity for employees and members of the public to report suspected fraud.	Manage and promote the Whistleblowing Hotline and record all reported allegations of fraud.	On-going
	Promote and hold fraud surgeries that provide the opportunity for staff to discuss any potential fraudulent activity at the council.	Fraud surgeries commenced December 2015
	Seek other methods of engaging with employees and the public to report fraud.	On-going – for example through the new fraud app
	Where appropriate ensure allegations are investigated and appropriate action taken.	On-going
	Work with and develop procedures for carrying out investigations with other service areas for example Human Resources, Legal Services and Wolverhampton Homes.	Corporate Fraud Group established
Inform members and senior officers of counter fraud activities.	Report quarterly to the Audit Committee on the implementation of Counter Fraud initiatives and the progress and outcome of fraud investigations.	On-going

Appendix 2

Fraud Risk Register @ February 2016

Themes	Potential fraud type	Risk rating
Housing Tenancy	Subletting for profit, providing false information to gain a tenancy, wrongful tenancy assignment and succession, failing to use the property as the principle home, right to buy. This risk is managed by Wolverhampton Homes.	Red
Council Tax	Fraudulently claiming for discounts and exemptions such as the single persons discount and Local Council Tax Support Schemes.	Red
Personal Budgets	Falsely claiming that care is needed, carers using direct payments for personal gain, carers continuing to receive direct payments after a person dies, duplicate applications submitted to multiple councils.	Red
Welfare Assistance	Fraudulent claims.	Amber
Procurement	Collusion (employees and bidders), false invoices, overcharging, inferior goods and services, duplicate invoices.	Amber
Business Rates	Evading payment, falsely claiming mandatory and discretionary rate relief, empty property exemption, charity status.	Amber
Payroll	'ghost' employees, expenses, claims, recruitment.	Amber
Blue Badge	Fraudulent applications, use and continuing to receive after a person dies.	Amber
Electoral	Postal voting, canvassing.	Amber
Schools	School accounts, expenses, procurement, finance leases.	Amber
Theft	Theft of council assets including cash.	Green
Insurance	Fraudulent and exaggerated claims.	Green
Manipulation of data	Amending financial records and performance information.	Green
Bank Mandate Fraud	Fraudulent request for change of bank details.	Green
Grants	False grant applications, failure to use for its intended purpose.	Green
Bribery	Awarding of contracts, decision making.	Green

Money Laundering	Accepting payments from the proceeds of crime.	Green

Appendix 3

Raising fraud awareness seminars feedback

Over 100 employees attended the raising fraud awareness seminars we ran in December 2015 and January 2016.

Positive feedback, from a score of 4, was received as follows:

Presentation	3.5
Handouts/Interactivity	3.2
Content	3.5

99% of attendees who fed back felt that their objectives for taking part were met.

A sample of positive comments received were:

- *"Useful, nice informal atmosphere."*
- *"Thank you – very interesting discussion."*
- *"Made me aware of how easy fraud can occur. Very useful."*
- *"Very informative, relaxed atmosphere. Useful to discuss cyber crime relevant to me not just work."*
- *"Very concise on the subject matter. Very thorough."*
- *"Excellent coverage of different types of fraud."*
- *"Very informative. Will apply what I have learnt into everyday life. Be more vigilent."*
- *"Case studies very useful."*
- *"I found this training very interesting and useful."*
- *"Interesting content. Eye opening."*
- *"Interesting, gained knowledge of fraud that I wasn't aware of."*
- *"Lively and useful seminar."*
- *"Will be very useful as a reference in both personal and work life – certainly raised awareness."*

Other feedback that we received, that we will use to inform future sessions, included:

- *"Wi-fi hotspots could have been mentioned, how to stay safe – awareness of data security and where to find?"*
- *"More in depth detail would be useful on how to reduce fraud risk within work/service."*
- *"Could have been more about what to do and how to report, discreetly etc."*
- *"Education on prospective fraud and what to look out for to prevent this or raise awareness."*
- *"Some details of keeping your details safe online."*
- *"More than 1.5 hours needed."*

Protecting the English Public Purse
Fraud Briefing 2015

City of Wolverhampton Council

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Purpose of Fraud Briefing

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

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

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

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

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About TEICCAF

The European Institute for Combatting Corruption And Fraud

Not for profit charity seeking to provide counter fraud and corruption strategic vision and thought leadership for public sector and charity organisations

Staffed by the former Audit Commission Counter Fraud Team

Continuation of expertise on the fraud risks facing councils

Continuation of the award winning '*Protecting the Public Purse*' reports

Working collaboratively with public sector bodies, charities and private companies across the UK, Europe and around the World

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Understanding the bar charts

All data are drawn from council submissions for the TEICCAF annual fraud and corruption survey for 2014/15

Your council is compared with the other metropolitan district councils and unitary authorities from East of England, East Midlands and West Midlands taking part in the voluntary survey

The survey submission rate for all council types in England was: 59.5%

Your council for detected cases is shown in Yellow
Your council for detected value is shown in Red

All averages are 'mean' averages

In some cases, councils 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

NB it is always best practice to ensure counter fraud activity is accurately and comprehensively recorded, particularly for assessing fraud risk

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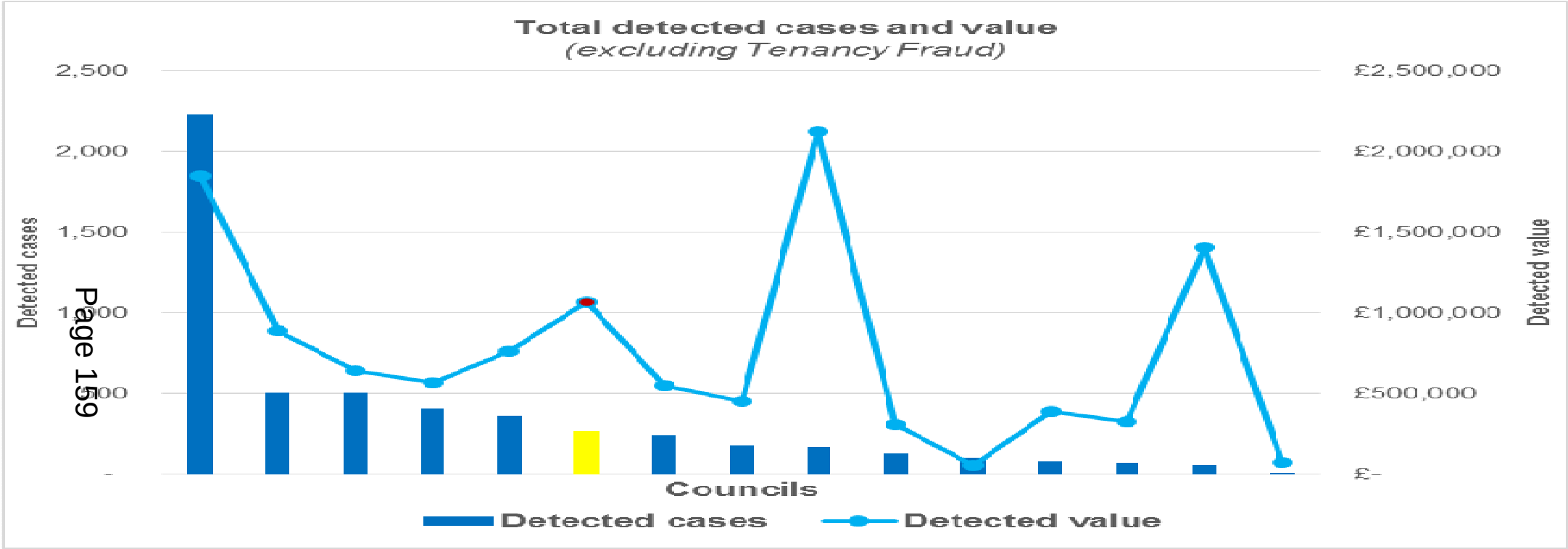
Total detected cases and value

(excluding Tenancy fraud)



Your council - Total number of detected cases: 268. Total detected value: £1,067,168.

Comparator council average – Detected cases: 355. Detected value: £764,835.

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Housing benefit (HB) and council tax benefit (CTB)

The investigation of benefit fraud is transferring from councils to the Department for Work and Pensions Single Fraud Investigation Service (SFIS)

Some councils have already transferred their benefit fraud investigators to SFIS, the remaining councils should have done so by March 2016

This makes the comparison of HB/CTB of little value, as some council did not investigate HB/CTB in 2014/15, or others only a part of the year

However, you may wish to ask:

•Does my council have enough counter fraud resource to tackle non-benefit fraud post SFIS?

•Does my council's counter fraud resource have the skill sets to tackle the wide and varied range of non-benefit frauds?

•Is there a partnership working arrangement available that helps provide a counter fraud resource and value for money?

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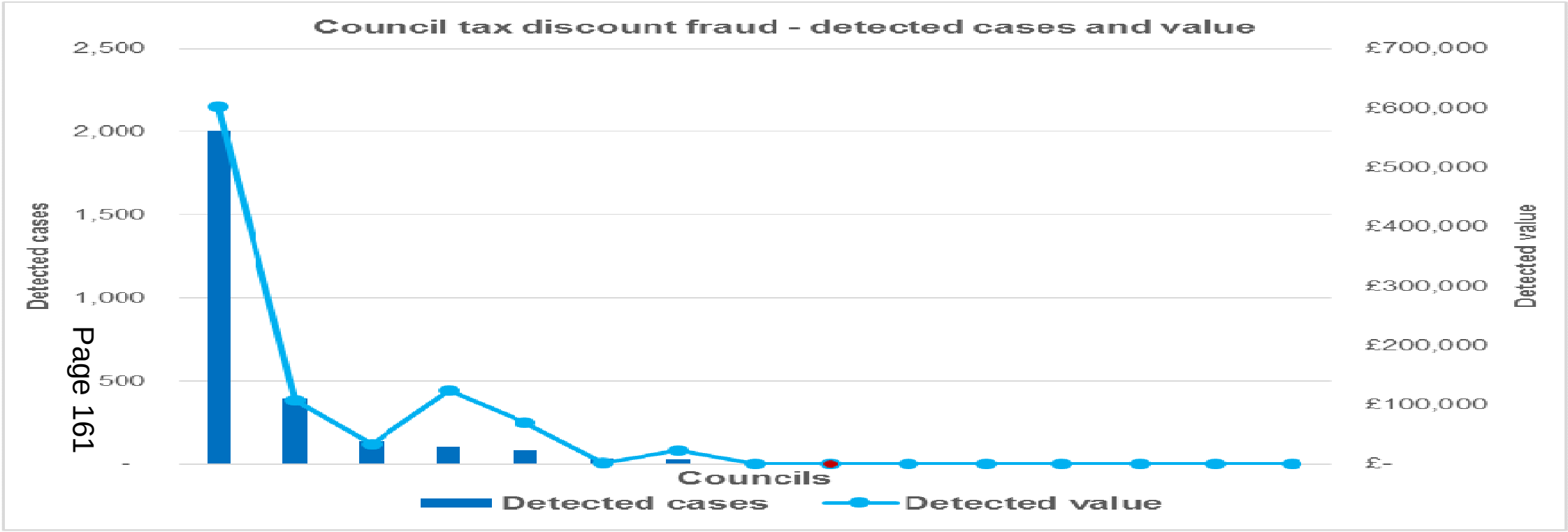
Council tax discount fraud



Your council - Total number of detected cases: nil. Total detected value: nil.

Comparator council average – Detected cases: 185. Detected value: £64,163.

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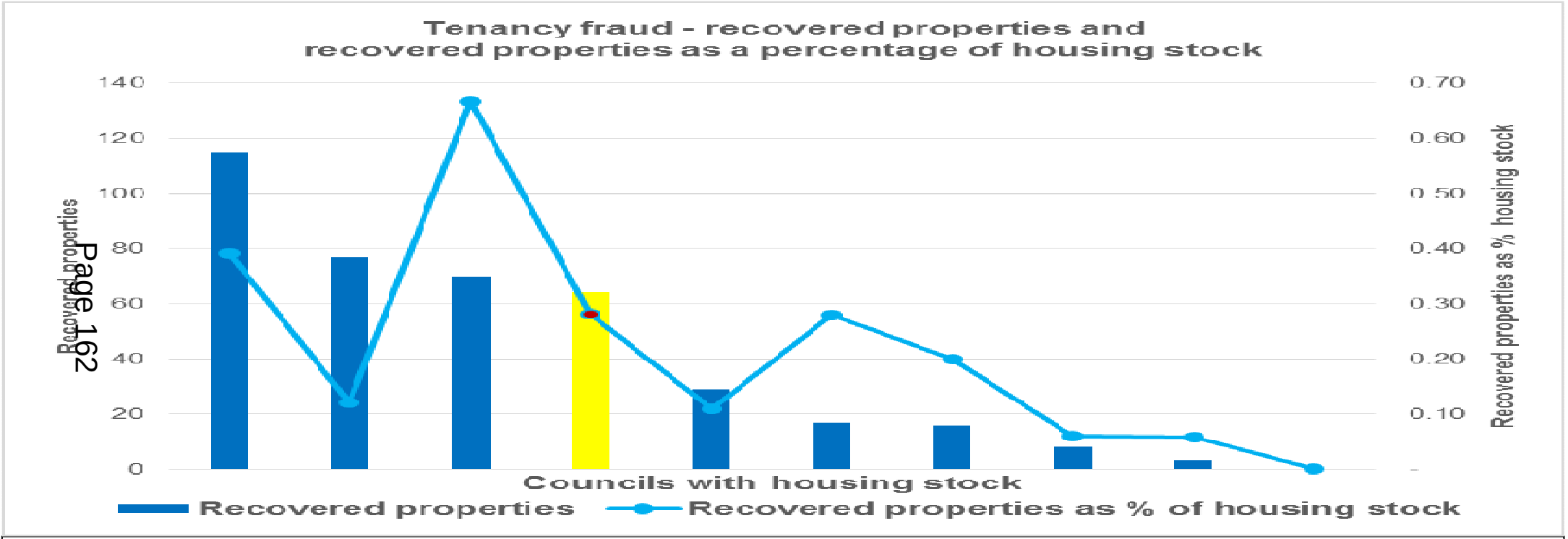
Tenancy fraud

(*only councils with housing stock*)



Your council - Total number of recovered properties: 64

Comparator council average – Recovered properties: 40

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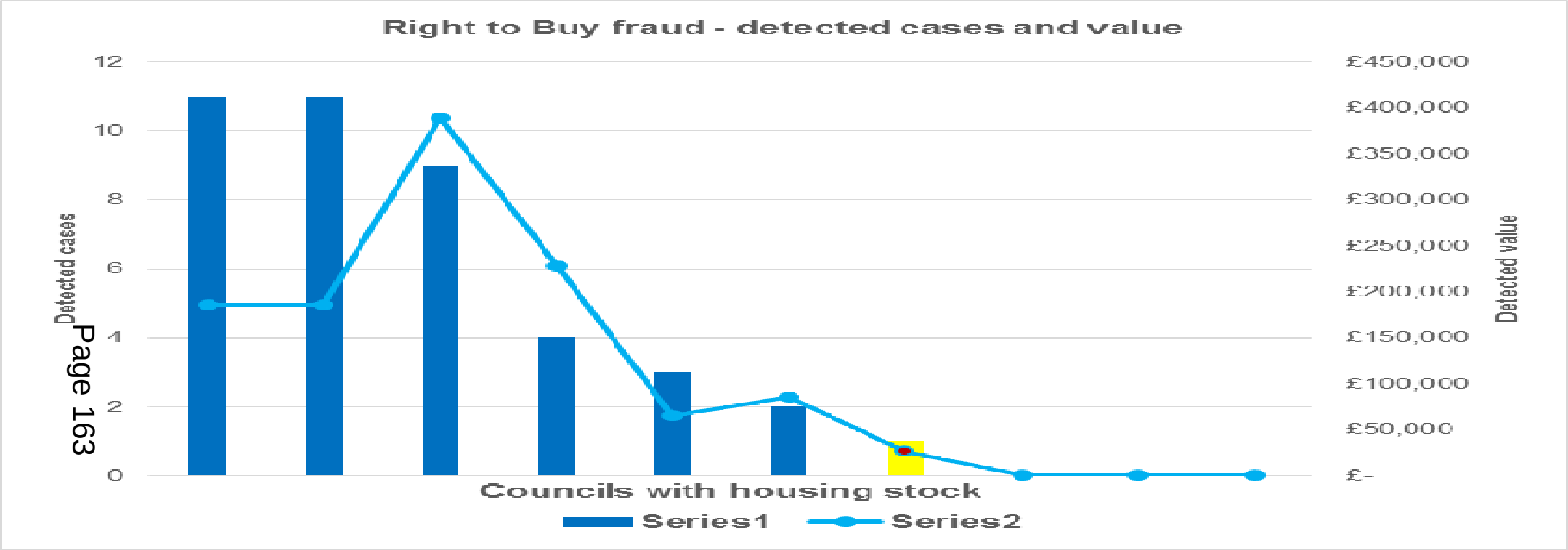
Right to Buy fraud



Your council - Total number of detected cases: 1. Total detected value: £26,000.

Comparator council average – Detected cases: 4. Detected value: £116,539.

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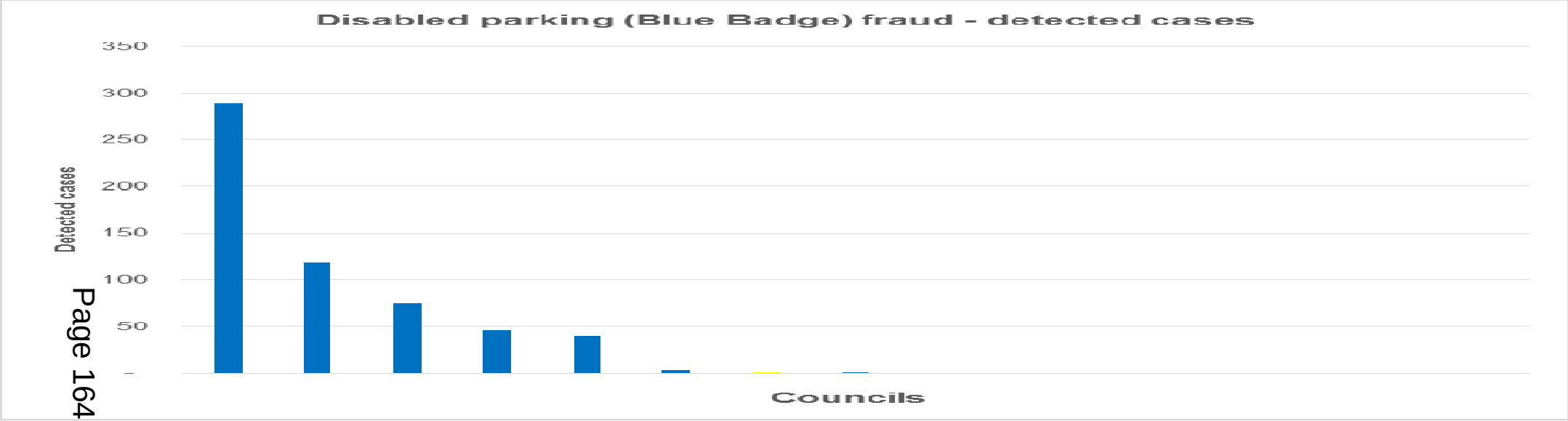
Disabled parking (Blue Badge) fraud



Your council - Total number of detected cases: 1.

Comparator council average – Detected cases: 38.

NB It is difficult to calculate the value of Blue Badge fraud. However, fraud causes social, as well as financial, harm – particularly the undermining of public confidence in public services

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Other frauds

Procurement fraud
Your council - Total number of detected cases: nil.
Comparator council average– Detected cases: 1. Detected value: £2,354.

No recourse to public funds fraud
Your council - Total number of detected cases: nil.
Comparator council average– Detected cases: 1. Detected value: £731.

Social care fraud
Your council - Total number of detected cases: nil.
Comparator council average– Detected cases: 1. Detected value: £23,908

Insurance fraud
Your council - Total number of detected cases: 2. Detected value: £328,000
Comparator council average– Detected cases: 1. Detected value: £22,661.

Economic and third sector fraud
Your council - Total number of detected cases: nil.
Comparator council average– Detected cases: 1. Detected value: £29,567.

Internal fraud
Your council - Total number of detected cases: 10. Total detected value: £36,500.
Comparator council average– Detected cases: 4. Detected value: £72,203.

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Further information and support

The '*Protecting the English Public Purse 2015*' (PEPP) report and the '*Protecting the London Public Purse 2015*' (PLPP) report are available at **www.teiccaf.com**

These reports also contain a counter fraud checklist for councils to use – questions you may wish to ask:

•Are local priorities reflected in our approach to countering fraud?
•Have we considered counter-fraud partnership working?
•Are we satisfied that we will have access to comparative information and data to inform our counter-fraud decision making in the future?

If you have any questions concerning:

•this fraud briefing;
•TEICCAF; or
•how TEICCAF can support you in counter fraud, counter corruption and anti-money laundering?

Please contact Duncan Warmington, Secretary to the Board at **duncanw@teiccaf.com**

TEICCAF, and our sponsor, 'INTEC for business', hope you found this fraud briefing useful and encourage your council to participate in the 2015/16 TEICCAF annual fraud and corruption survey

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Agenda Item No: **13**

CITY OF WOLVERHAMPTON COUNCIL

Audit and Risk Committee

14 March 2016

Report title	Payment Transparency	
Accountable director	Mark Taylor, Finance	
Originating service	Audit	
Accountable employee(s)	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
Report to be/has been considered by	Not applicable	

Recommendations for noting:

The Committee is asked to note:

1. The Council's 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.
- Since last reported to the Audit Committee in December 2015, there have been no requests for information from the public (as an 'armchair auditor').

3.0 Progress, options, discussion

3.1 We will continue to report back to the Audit 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. [MK/01032016/H]

5.0 Legal implications

5.1 There are no legal implications arising from the recommendation in this report. [TS/04032016/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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Agenda Item No: **14**

CITY OF WOLVERHAMPTON COUNCIL

Audit and Risk Committee
14 March 2016

Report title	Related Parties Declarations	
Accountable director	Kevin O'Keefe, Governance	
Originating service	Governance	
Accountable employee(s)	Tracey Christie Tel Email	Head of Legal Services 01902 554925 Tracey.christie@wolverhampton.gov.uk
Report to be/has been considered by	Audit Committee	6 July 2015 21 September 2015 14 March

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Recommendation(s) for action or decision:

The Committee is recommended to:

1. To note the action taken.

1.0 Purpose

1.1 The purpose of the paper is to provide a response to the Audit and Risk Committee in relation to the Council's previous external auditors' findings in relation to completeness of related party declarations and their recommendations.

2.0 Background

2.1 The draft statement of accounts by PricewaterhouseCoopers was previously presented to the Audit and Risk Committee followed by their annual letter, which highlighted failures by 14 members to disclose third party interests and a failure to disclose close dependents. The external auditors made recommendations to address this. In response the Council advised that they would review the declaration to ensure compliance with the accounting standards and provide refresher training for members. The Audit and Risk Committee required confirmation that the recommendations have been carried outTherefore the Chair of the Audit Committee has requested this report be brought to theAudit and Risk Committee on 14 March 2016.

3.0 Progress, options, discussion, etc.

3.1 The draft statement of accounts for the year ended 31 March 2015 was presented to the Audit and Risk Committee on 30 June 2015 and published on 30 September 2015.
In their Annual Audit Letter, the Council's external auditors PWC reported under a section on Completeness of Related Party declarations that:-

- "Fourteen related parties were not declared by Members.
- One was over the Council's accounts disclosure threshold of £100k. This related to Heath Town Senior Citizens Welfare Project (£103,362 - over £100k and disclosed in final accounts) , which was not disclosed in the draft accounts but was added to the final set of accounts. (Further information is to be provided which will be brought to the Audit and Risk Committee on 14 March 2016).
-

No close dependents were disclosed which is a requirement of the a-

- acounting standard".

They went on to recommend that the Council "provides a re-fresher briefing to Member's on the requirements for related party declarations". The Council's response was "The declaration will be reviewed to ensure that it is compliant with the accounting standard and a refresher briefing will be provided for members - responsibility: Director of Governance". This matter has now been raised and discussed at the Audit and Risk Committee at their last two meetings, and the Chair of the Audit and Risk Committee, requested confirmation of the following:-

1. That the individual Members who had not declared their related party transactions, have been made aware of this, and have now done so;

2. The outcome of the review of the declaration to ensure it was compliant with the accounting standard; (Kevin are you able to advise what the outcome was?)

3. What action has been taken to ensure that any close dependents have been disclosed; and

4. When the re-fresher briefing to Member's on the requirements for related party declarations was held, or is to be undertaken.

In response to the questions above the above the Director of Governance has confirmed the following:-

Question 1

- That all Councillors noted as failing to register interests have readily accepted their error (which invariably was in respect of Council appointed roles) and were very quick to regularise the position – all within a few days of being contacted.

Question 2

- The outcome of the review of the declaration is that it is fully compliant with the accounting standard.

Question 3

- Similarly, elected members whose partners / spouses / significant others had business relationships with the Authority and who were identified to the Director of Governance have equally complied with his request to update their details. All were apologetic and the Director of Governance is confident that in each case it was no more than innocent oversight. Following a discussion with these individuals they are now fully aware of their responsibilities in this regard.

- The Director of Governance has had a new on-line version of the Register of Interests form launched a week or so ago and all Councillors were contacted to advise that Member Support Officers would offer training to those interested in using that facility going forward.

- The forms have also been adjusted to prompt members to think about disclosure of appointments as Directors / Trustees etc. of outside bodies, which should eradicate the issue for the future.

Question 4

- Additional invitations will be sent to all Councillors to join the New Member Induction briefings taking place in May – covering a range of issues including Code of Conduct and Standards matter. The Director of Governance is arranging a refresh of the content of the training offer prior to delivery of the seminars.

  City of Wolverhampton Council as are all Local Authorities and public bodies is responsible for the conduct of public business and for spending public money and are therefore accountable for ensuring that public business is conducted in accordance with the law and applicable public practices. In discharging this accountability Wolverhampton Council is required to make proper arrangements for

the governance of their affairs and the stewardship of the resources in their care. They are required to report these arrangements in their Annual Governance statement.

The public accountability framework encourages openness and transparency from local councils by requiring that the annual return and external audit reports are made public.

In relation to related party relationships and transactions these are required to be disclosed in accordance with requirements of 3.9 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.
Pursuant to the Localism Act 2011, all Councillors have to sign a declaration to abide by and uphold the City Council's Code of Conduct for Members. A copy of which can be found in the Constitution under Volume B (B7).
The City Council's Monitoring Officer maintains a Statutory Register of Members Interests that has been brought to his attention. Councillors are obliged, by law, to keep their Statutory Register up-to-date and to inform the Monitoring Officer of any changes within 28 days of the relevant event. A Councilor's failure to keep the Statutory Register up-to-date can be the subject of a complaint to the Monitoring Officer and/or Standards Committee. It is also a criminal offence for failing to register relevant interests Section 34 of the LA 2011 creates a criminal offence where a member fails, without reasonable excuse to comply with the requirements to declare discloseable pecuniary interests or takes part in council business at meetings.

4.0 **Financial implications**

4.1 The statement and audit of those statements by the external auditors are an important element of the accountability and transparency of the Council's finances

5.0 **Legal implications**

5.1 The Accounts and Audit (England) Regulations 2011 require the 2015/2016 Statement of Accounts to be produced in accordance with proper practice. This is exemplified by the Code of Practice on Local Authority Accounting which is published by CIPFA. These regulations also require that the accounts are approved by 30 June 2015 and published by 30 September 2015
[TS/04032016/F]

6.0 **Equalities implications**

6.1 There are no direct implications arising from this report

7.0 **Environmental implications**

7.1 There are no implications arising from the report

8.0 **Human resources implications**

8.1 There are no implications arising from the report

9.0 Corporate landlord implications

9.1 There are no implications arising from the report

10.0 Schedule of background papers

10.1 N/A

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Agenda Item No: **15**

CITY OF WOLVERHAMPTON COUNCIL

Audit and Risk Committee

14 March 2016

Report title	Review of Fraud Related Policies and Procedures	
Accountable director	Mark Taylor, Finance	
Originating service	Audit	
Accountable employee(s)	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
Report to be/has been considered by	Not applicable	

Recommendation(s) for action or decision:

The Committee is recommended to:

1. Review and approve the following updated Council fraud related policies and procedures:

    - Anti-fraud and corruption policy and procedure
    - Whistleblowing policy and procedure
    - Anti-money laundering policy and procedure
    - Raising fraud awareness guide

1.0 Purpose

1.1 This report updates the Committee on the recent review of the Council's fraud related policies and procedures.

2.0 Background

2.1 The fraud related policies and procedures were last updated, reviewed and approved by the Audit Committee in December 2014. The Anti-money laundering policy and procedure has now been updated in order to reflect the latest guidance provided by CIPFA (The Chartered Institute of Public Finance and Accountancy) in their "Combatting Financial Crime – Further Guidance on Anti-money Laundering for Public Service Organisations". Otherwise, there have been no significant changes since they were last reviewed.

The documents are as follows:

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

3.0 Progress, options, discussion, etc.

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

4.0 Financial implications

4.1 There are no financial implications arising from the recommendations in this report. [MK/01032016/L]

5.0 Legal implications

5.1 There are no legal implications arising from the recommendations in this report. [TS/04032016/F]

6.0 Equalities implications

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

7.0 Environmental implications

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

8.0 Human resources implications

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

9.0 Corporate landlord implications

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

10.0 Schedule of background papers

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

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CITY OF WOLVERHAMPTON COUNCIL

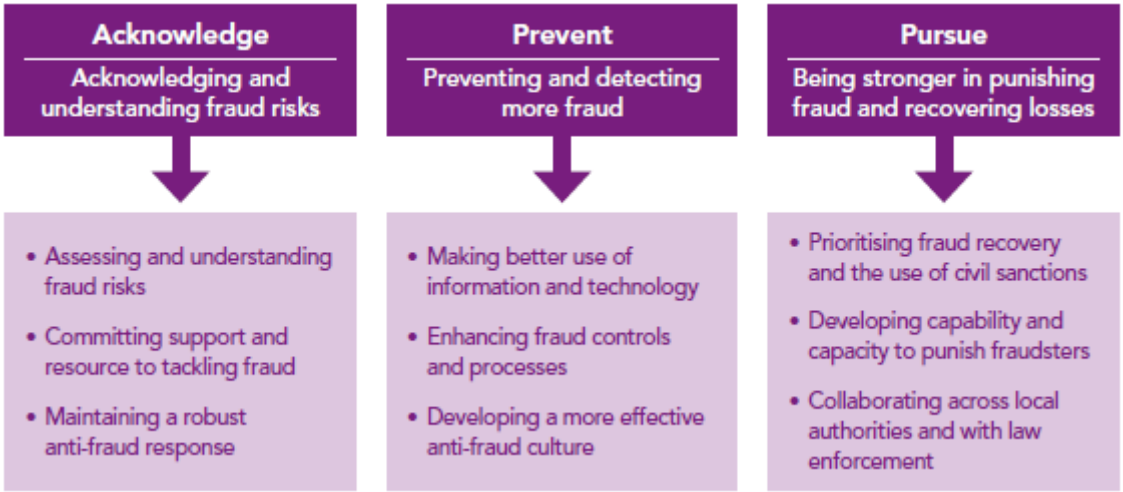
Anti-Fraud and Corruption
Policy and Procedure

Policy Statement

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

Links to the Council's corporate plan themes and aims

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



Introduction

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

What is Fraud?

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

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

Consequences of Fraud

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

Culture

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

Responsibility

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

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

Employees

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

Senior officers

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

Director of Finance (Section 151 Officer)

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

Head of Audit

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

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

Councillors

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

External audit

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

Suppliers, contractors and external organisations

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

Other related documents

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

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

The Bribery Act 2010

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

- the giving or offering of a bribe
- the request for, or acceptance of a bribe
- bribing a foreign public official
- a corporate offence of failing to prevent bribery.

The act supports the council's principle of free and fair competition in contracting and procurement. Anyone who, in the course of Council business, becomes aware that a bribe has been requested, offered, given or accepted should report their suspicions promptly, in accordance with the processes set out in this document. Facilitation payments are considered bribes (payments to induce officials to perform routine functions they are otherwise obligated to perform). Genuine hospitality or similar business expenditure that is reasonable and proportionate is allowable by the act and the codes of conduct for councillors and employees, details what is acceptable.

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

Training

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

Investigations

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

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

Referrals to the Police

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

Conclusions

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

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

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

Useful contact details

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

Fraud Hotline: (01902) 550550

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

Peter Farrow - Head of Audit Services
Tel: (01902) 554460
e-mail: peter.farrow@wolverhampton.gov.uk

Mark Taylor – Director of Finance (S151 Officer)
Tel: (01902) 556609
e-mail: mark.taylor@wolverhampton.gov.uk

Kevin O'Keefe – Director of Governance/Monitoring Officer
Tel: (01902) 554910
e-mail: kevin.o'keefe@wolverhampton.gov.uk

The Council's external auditors:
Grant Thornton UK LLP
Colmore Plaza
20 Colmore Circus
Birmingham
B4 6AT
(Tel: 0121 212 4000)

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

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CITY OF WOLVERHAMPTON COUNCIL

Whistleblowing
Policy and Procedure

Policy statement

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

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

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

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

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

Whistleblowing concerns as distinct from grievances

Whistleblowing is where an employee has a concern about danger or illegality that has a public interest aspect to it. A grievance or private complaint is, by contrast, a dispute about the employee’s own employment position and has no additional public interest dimension. Therefore, any issues surrounding an employees’ own contracts of employment, bullying or harassment, should be raised under the existing Council policies for these issues (copies of which can be obtained on the Council’s intranet site). Where issues involve potential cases of fraud, bribery or corruption, employees should also refer to the Council’s anti-fraud and corruption policy and procedure.

Aims of this policy and procedure

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

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

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

Who is covered by the policy and procedure?

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

Raising a concern

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

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

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

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

Whistleblowing hotline: (01902) 550550

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

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

Peter Farrow - Head of Audit Services
Tel: (01902) 554460
e-mail: peter.farrow@wolverhampton.gov.uk

Kevin O'Keefe – Director of Governance/Monitoring Officer
Tel: (01902) 554910
e-mail: kevin.o'keefe@wolverhampton.gov.uk

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

Public Concern at Work (contact details above)

The Council's external auditors:
Grant Thornton UK LLP
Colmore Plaza
20 Colmore Circus
Birmingham
B4 6AT
(Tel: 0121 212 4000)

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

How will the Council respond?

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

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

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

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

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

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

Reporting

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

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

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

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

Review of the whistleblowing policy and procedure

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

CITY OF WOLVERHAMPTON COUNCIL

Anti-Money Laundering Policy and Procedure

Introduction

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

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

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

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

Legal requirements

The Money Laundering Regulations 2007

These regulations set out detailed requirements for organisations to establish procedures to prevent its services being utilised for the purposes of money laundering.

While public authorities are not legally obliged to apply the provisions of the regulations as they do not fall under the term ‘regulated activity’. Certain public authorities must, if they know or suspect or have reasonable grounds for knowing or suspecting, that a person is or has engaged in money laundering or terrorist financing, as soon as reasonably practical inform the National Crime Agency. The council is not one of the certain public authorities, but it will nonetheless inform the National Crime Agency in the same way.

Therefore, as a responsible public body the Council is employing policies and procedures which embrace the UK’s anti-terrorist financing, and anti-money laundering requirements, with a particular focus on CIPFA’s “Combatting Financial Crime – Further Guidance on Anti-money Laundering for Public Service Organisations”.

The Terrorism Act 2000

This applies to all individuals and businesses in the UK and therefore all employees and councillors within the Council have an obligation to report knowledge, reasonable grounds for belief or suspicion about the proceeds from, or finance likely to be used for terrorism or its laundering where it relates to information that comes to them in the course of their business or employment. The primary offence states a person commits an offence if he enters into or becomes concerned in an arrangement which facilitates the retention or control by or on behalf of another person of terrorist property by concealment, by removal from the jurisdiction, by transfer to nominees, or in any other way.

The Proceeds of Crime Act (POCA) 2002

This Act applies to all individuals and organisations and further defines the offences of money laundering and creates mechanisms for investigating and recovering the proceeds of crime as well as placing an obligation on the Council, employees and councillors to report suspected money laundering activities. The primary offences are:

- Section 327 - concealing, disguising, converting, transferring or removing criminal property from the UK;
- Section 328 - entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person;
- Section 329 - acquiring, using or possessing criminal property.

Which service areas may be affected by money laundering?

Examples of how the council may be exposed to money laundering include accepting large cash amounts, the involvement of third parties, the request of a large refund and property investment or purchases.

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

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

Establishing the identity of a new business relationship

As a responsible Council, we should be aware of any suspicions arising out of funds received from a source from which we are unfamiliar. If the Council forms a new business relationship (including a significant one-off transaction) care should be taken to ensure that the client is identifiable by making basic checks on their credentials, along with confirmation of where funds are coming from. This should not be an onerous task, but, we should ensure that we are clear about whom we are conducting business with. This will be especially important if the parties concerned are not physically present for identification purposes and to situations where someone may be acting for absent third parties. This is known as due diligence and must be carried out before any such business is entered into with the customer. If there is uncertainty whether such due diligence is required then advice must be obtained from the Money Laundering Reporting Officer.

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

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

In certain circumstances enhanced customer due diligence may need to be carried out, for example, where:

- the customer has not been physically present for identification
- the customer is a politically exposed person

- there is a beneficial owner who is not the customer – a beneficial owner is any individual who holds more than 25% of the shares, voting rights or interest in a company, partnership or trust.

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

Reporting suspected cases of Money Laundering

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

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

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

Peter Farrow - Head of Audit Services
Tel: (01902) 554460
e-mail: peter.farrow@wolverhampton.gov.uk

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

Mark Wilkes – Client Lead Auditor
Tel: (01902) 554462
e-mail: mark.wilkes@wolverhampton.gov.uk

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

Mark Taylor – Director, Finance (S151 Officer)
Tel: (01902) 556609
e-mail: mark.taylor@wolverhampton.gov.uk

Kevin O'Keefe – Director of Governance/Monitoring Officer
Tel: (01902) 554910
e-mail: kevin.o'keefe@wolverhampton.gov.uk

Investigating and Reporting Money Laundering

How will the Money Laundering Reporting Officer investigate a disclosure?

The Money Laundering Reporting Officer will:

- acknowledge receipt of the disclosure report;
- assess the information provided to make a judgment as to whether there are reasonable grounds for knowledge or suspicion of money laundering activities and;
- prepare a Suspicious Activity Report (SAR) to the National Crime Agency (NCA), where appropriate;

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

Record Keeping

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

Review of the Money Laundering Policy

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

CITY OF WOLVERHAMPTON COUNCIL

Raising Fraud Awareness

a guide for employees and managers

Anti-Fraud and Corruption Policy Statement

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

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

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

What is fraud?

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

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

How fraud occurs

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

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

Managers have a responsibility to ensure that the opportunities for fraud are minimised. While some people would never contemplate fraud, others may if they thought they could get away with it. A high chance of being caught will deter them. Opportunities to commit fraud will be

reduced by ensuring that a sound system of internal control has been established and that it is functioning as intended.

Example indicators of potential fraud in systems

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

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

Some do’s and dont’s for managers who suspect fraud

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

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

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

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

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

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

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

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

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

do pass on any reasonable suspicion to someone in authority.

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

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

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

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

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

Investigating suspected fraud

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

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

Useful contact details

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

Fraud Hotline: (01902) 550550

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

Peter Farrow - Head of Audit Services
Tel: (01902) 554460
e-mail: peter.farrow@wolverhampton.gov.uk

Mark Taylor – Director of Finance (S151 Officer)
Tel: (01902) 556609
e-mail: mark.taylor@wolverhampton.gov.uk

Kevin O'Keefe – Director of Governance/Monitoring Officer
Tel: (01902) 554910
e-mail: kevin.o'keefe@wolverhampton.gov.uk

The Council's external auditors:
Grant Thornton UK LLP
Colmore Plaza
20 Colmore Circus
Birmingham
B4 6AT
Tel: 0121 212 4000

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

Agenda Item No: **16**

CITY OF WOLVERHAMPTON COUNCIL

Audit and Risk Committee

14 March 2016

Report title	Audit and Risk Committee Members: Knowledge and Skills Framework	
Accountable director	Mark Taylor, Finance	
Originating service	Audit	
Accountable employee(s)	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
Report to be/has been considered by	Not applicable	

Recommendation(s) for action or decision:

The Committee is asked to:

1. Complete the Members knowledge and skills framework exercise and return it before the next Audit and Risk Committee.

1.0 Purpose

1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) in their Audit Committees – Practical Guidance for Local Authorities, recommend that an Audit Committee should carry out a regular review of its performance and effectiveness, alongside a number of other self-assessment activities. The first stage of this exercise has already been completed by the committee, and members are now asked to move on to stage 2 – the completion of a Members knowledge and skills framework checklist.

2.0 Background

2.1 This self-assessment exercise forms part of a three stage review, which in line with CIPFA's Audit Committees – Practical Guidance for Local Authorities, includes the following activities:

Self-assessment exercise - Completed
Members of the committee were asked to complete the self-assessment exercise at the Audit Committee meeting in September 2015. The results were then summarised and reported back at the December 2015 meeting.

Members knowledge and skills framework
The knowledge and skills framework checklist can be found at Appendix A. As part of the second stage of the process, members of the committee are asked to please complete this checklist and return it by the end of April 2016. The results will then be collated and reported back to the next meeting.

Evaluating the effectiveness
Once the above framework exercise has been completed, a more detailed "evaluating the effectiveness of the committee" exercise will be undertaken at a later meeting.

3.0 Progress, options, discussion, etc.

3.1 This exercise is taking place in three stages. Following each stage, the results will continue to be summarised and presented at the next meeting. The results will also help drive a more structured future training programme and action plan for the committee.

4.0 Financial implications

4.1 There are no financial implications arising from the recommendations in this report. [MK/01032016/Z]

5.0 Legal implications

5.1 There are no legal implications arising from the recommendations in this report. [TS/O4032016/H]

6.0 Equalities implications

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

7.0 Environmental implications

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

8.0 Human resources implications

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

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9.0 Corporate landlord implications

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

10.0 Schedule of background papers – None

CITY OF WOLVERHAMPTON COUNCIL

Audit and Risk Committee Members: Knowledge and Skills Framework

Appendix A

Member …… Date ……

Core areas of knowledge

Knowledge Area	Details of core knowledge required	How the Audit and Risk Committee member is able to apply the knowledge	Audit and Risk Committee Member comments
Organisational knowledge	An overview of the governance structures of the authority and decision-making processes. Knowledge of the organisational objectives and major functions of the authority	This knowledge will be core to most activities of the Audit and Risk Committee including review of the Annual Governance Statement, internal and external Audit reports and risk registers	
Audit and Risk Committee role and functions	An understanding of the Audit and Risk Committee's role and place within the governance structures. Familiarity with the committee's terms of reference and accountability arrangements. Knowledge of the purpose and role of the Audit and Risk Committee	This knowledge will enable the Audit and Risk Committee to prioritise its work in order to ensure it discharges its responsibilities under its terms of reference and to avoid overlapping the work of others.	

Governance	Knowledge of the six principles of the CIPFA/SOLACE Good Governance Framework and the requirements of the Annual Governance Statement (AGS). Knowledge of the local code of governance.	The committee will plan the assurances it is to receive in order to adequately support the AGS. The committee will review the AGS and consider how the authority is meeting the principles of good governance.	
Internal audit	An awareness of the key principles of the *Public Sector Internal Audit Standards* and the *local Government Application Note.* Knowledge of the arrangements for delivery of the internal audit service in the authority and how the role of the head of internal Audit and is fulfilled.	The Audit and Risk Committee has oversight of the internal Audit and Risk function and will monitor its adherence to professional internal Audit and Risk standards. The Audit and Risk Committee will review the assurances from internal audit work and will review the risk-based audit plan. The committee will also receive the annual report, including an opinion and information on conformance with professional standards. In relying on the work of internal audit and, the committee will need to be confident that professional standards are being followed.	
Financial management and accounting	Awareness of the financial statement that a local authority must produce and the principles it must follow to produce them. Understanding of good financial management principles. Knowledge of how the organisation meets the	Reviewing the financial statements prior to publication asking questions. Receiving the external audit report and opinion on the financial audit Reviewing both external and internal Audit recommendations relating to financial management and controls. The Audit and Risk Committee should	

	requirements of the role of the chief financial officer, as required by the *CIPFA Statement on the Role of the Chief Financial officer in Local Government.*	consider the role of the CFO and how this is met when reviewing the AGS.	
External audit	Knowledge of the role and functions of the external auditor and who currently undertake this role. Knowledge of the key reports and assurances that external audit will provide. Knowledge about arrangements for the appointment of the external auditors and quality monitoring undertaken.	The Audit and Risk Committee should meet with the external auditor or regularly and receive their reports and opinions. Monitoring external audit recommendations and maximising benefit from the audit process. The Audit and Risk Committee should monitor the relationship between the external auditor and the authority and support the delivery of an effective service.	
Risk management	Understanding of the principles of risk management, including linkage to good governance and decision making. Knowledge of the risk management policy and strategy of the organisation. Understanding of risk governance arrangements, including the role of members and of the Audit and Risk Committee.	In reviewing the AGS, the committee will consider the robustness of the authority's risk management arrangements and should also have awareness of the major risks the authority faces. Keeping up to date with the risk profile is necessary to support the review of a number of Audit and Risk Committee agenda items, including the risk-based internal audit plan, external audit plans and the explanatory foreword of the accounts. Typically, risk registers will be used to inform the committee.	

		The committee should also review reports and action plans to develop the application of risk management practice.	
Counter- fraud	An understanding of the main areas of fraud risk the organisation is exposed to. Knowledge of the principles of good fraud risk management practice. Knowledge of the organisation's arrangements for tackling fraud.	Knowledge of fraud risks and good fraud risk management practice will be helpful when the committee reviews the organisation's fraud strategy and receives reports on the effectiveness of that strategy. An assessment of arrangement should support the AGS and knowledge of good fraud risk management practice will support the Audit and Risk Committee member in reviewing that assessment.	
Values of good governance	Knowledge of the Seven Principles of Public Life. Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff. Knowledge of the whistleblowing arrangements in the authority.	The Audit and Risk Committee member will draw on this knowledge when reviewing governance issues and the AGS. Oversight of the effectiveness of whistleblowing will be considered as part of the AGS. The Audit and Risk Committee member should know to whom concerns should be reported.	

Treasury management (only if it is within the terms of reference of the committee to provide scrutiny)	Effective Scrutiny of Treasury management is an assessment tool for reviewing the arrangements for undertaking scrutiny of treasury management. The key knowledge areas identified are: • Regulatory requirements • Treasury risks • The organisation's treasury management strategy	Core knowledge on treasury management is essential for the committee undertaking the role of scrutiny.	

Specialist Knowledge that adds value to the Audit and Risk Committee

Knowledge area	Details of supplementary knowledge	How the Audit and Risk Committee member is able to add value to the committee	Audit and Risk Committee Member comments
Accountancy	Professional qualification in accountancy	More able to engage with the review of the accounts and financial management issues coming before the committee. Having an understanding of the professional requirements and standards that the finance function must meet will provide helpful context for discussions of risks and resource issues. More able to engage with the external auditors and understand the results of audit work.	
Internal audit	Professional qualification in internal audit.	This would offer in-depth knowledge of professional standards of internal audit and good practice in internal audit. The committee would be more able to provide oversight of internal audit and review the output of audit reports.	
Risk management	Risk management qualification. Practical experience of applying risk management. Knowledge or risks and opportunities associated with major areas of activity.	Enhanced knowledge of risk management will inform the committee's oversight of the development of risk management practice. Enhanced knowledge of risks and opportunities will be helpful when reviewing risk registers.	

Governance and legal	Legal qualification and knowledge of specific areas of interest to the committee, for example constitutional arrangements, data protection or contract law.	Legal knowledge may add value when the committee considers areas of legal, risk or governance issues.	
Service knowledge relevant to the functions of the organisation	Direct experience of managing or working in a service area similar to that operated by the authority. Previous Scrutiny Committee experience.	Knowledge of relevant legislation, risks and challenges associated with major service areas will help the Audit and Risk Committee to understand the operational context.	
Programme and project management	Project management qualifications or practical knowledge of project management principles.	Expert knowledge in this area will be helpful when considering project risk management or internal audit reviews.	
IT systems and IT governance	Knowledge gained form management or development work in IT	Knowledge in this area will be helpful when considering IT governance arrangements or audit reviews of risks and controls.	

Core Skills

Skills	Key elements	How the Audit and Risk Committee member is able to apply the skill	Audit and Risk Committee Member comments
Strategic thinking and understanding of materiality	Able to focus on material issues and overall position, rather than being side-tracked by detail	When reviewing audit reports, findings will include areas of higher risk, or materiality to the organisation, but may also contain more minor errors or control failures. The Audit and Risk Committee will need to pitch its review at an appropriate level to avoid spending too much time on detail.	
Questioning and constructive challenge	Able to frame questions that draw out relevant facts and explanations. Challenging performance and seeking explanation while avoiding hostility or grandstanding.	The Audit and Risk Committee will review reports and recommendations to address weaknesses in internal control. The Audit and Risk Committee member will seek to understand the reasons for weaknesses and ensure a solution is found.	
Focus on improvement	Ensuring there is a clear plan of action and allocation of responsibility	The outcome of the Audit and Risk Committee will be to secure improvements to the governance, risk management or control of the organisation, including clearly defined actions and responsibilities. Where errors or control failures have occurred, then the Audit and Risk Committee should seek assurances that appropriate action has been taken.	

Able to balance practicality against theory	Able to understand the practical implications of recommendations to understand how they might work in practice.	The Audit and Risk Committee should seek assurances that planned actions are practical and realistic.	
Clear communication skills and focus on the needs of users	Support the use of plain English in communications, avoiding jargon, acronyms, etc	The Audit and Risk Committee will seek to ensure that external documents such as the Annual Governance Statement and the explanatory foreword to the accounts are well written for a non-expert audience.	
Objectivity	Evaluate information on the basis of evidence presented and avoiding bias or subjectivity.	The Audit and Risk Committee will receive assurance reports and review risk registers. There may be differences of opinion about the significance of risk and the appropriate control responses and the committee member will need to weigh up differing views.	
Meeting management skills	Chair the meeting effectively: summarise issues raised, ensure all participants are able to contribute, focus on the outcome and actions from the meeting.	These skills are essential for the Audit and Risk Committee chair to help ensure that meetings stay on track and address the items on the agenda. The skills are desirable for all other members.	

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