

Audit and Risk Committee

3 July 2017

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 Mary Bateman Cllr Jasbir Jaspal Cllr Rupinderjit Kaur Cllr Martin Waite	Cllr Andrew Wynne	Mr Mike Ager

Quorum for this meeting is two Councillors.

Information for the Public

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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

<i>Item No.</i>	<i>Title</i>
1	Apologies for absence
2	Declaration of interests
3	Minutes of previous meeting - 13 March 2017 (Pages 5 - 14) [For approval]
4	Matters arising [To consider any matters arising from the minutes]

DECISION ITEMS

5	External Audit Progress Report and Update (Pages 15 - 34) [To receive the update from the External Auditor]
6	Draft Statement of Accounts 2016/17 (Pages 35 - 38) [To receive the draft Statement of Accounts for 2016/17, which is subject to audit, and which has been approved by the Director of Finance]
7	Annual Governance Statement 2016/17 (Pages 39 - 54) [To review and comment upon the contents of the Annual Governance Statement for 2016/17]
8	Strategic Risk Register and Strategic Assurance Map (Pages 55 - 80) [To keep the Committee aware of the key risks the Council faces, and how it can gain assurance that these risks are being mitigated]
9	Audit and Risk Committee Annual Report 2016/17 (Pages 81 - 94) [To endorse the annual report and refer it to Full Council for approval]
10	Annual Internal Audit Report 2016/17 (Pages 95 - 112) [To note the content of the annual internal audit report]
11	Audit Services - Counter Fraud Update (Pages 113 - 124) [To note the latest Audit Services Counter Fraud Update]
12	Payment Transparency (Pages 125 - 126) [To note the Council's current position with regards to the publication of all its expenditure]

13 **Exclusion of the 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 item, closed to press and public

14 **Audit Investigations Update** (Pages 127 - 134)

[To note the current position with regards to 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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Audit and Risk Committee

Minutes - 13 March 2017

Attendance

Members of the Audit and Risk Committee

Cllr Craig Collingswood (Chair)
Cllr Christine Mills (Vice-Chair)
Cllr Harbans Bagri
Cllr Mary Bateman
Cllr Philip Bateman
Cllr Jasbir Jaspal
Cllr Andrew Wynne
Mike Ager (Independent Member)

Employees

Ian Cotterill	Client Lead Auditor
Peter Farrow	Head of Audit
Dereck Francis	Democratic Services Officer
Alexandra Jones	Assistant Director - School Standards
Hayley Reid	Senior Auditor
Mark Taylor	Director
Mark Wilkes	Client Lead Auditor

External Auditors – Grant Thornton

Mark Stocks

Part 1 – items open to the press and public

Item No. Title

- 1 Apologies for absence**
Apologies for absence were submitted on behalf of Cllr Martin Waite.
- 2 Declaration of interests**
The following declarations were made:

Attendee	Item	category	Reason
Cllr Christine Mills	11	Non-pecuniary	Member of a secondary pupil referral unit

Cllr Mary Bateman	11	Non-pecuniary	School Governor - Ashmore Park St Albans
Cllr Phi Bateman	11	Non-pecuniary	School Governor - Ashmore Park St Albans
Mike Ager, Independent Member	9 and 11	Non-pecuniary	Governor - Coppice Performing Arts School and Highfields School

3 **Minutes of the previous meeting - 12 December 2016**

Resolved:

That the minutes of the previous meeting held on 12 December 2016 be approved as a correct record and signed by the Chair.

4 **Matters arising**

With reference to Minute 4 (Matters arising) and in response to Cllr Andrew Wynne, Mark Stocks from the Council's external auditors, Grant Thornton reiterated the response given at the last meeting. The external auditor remained comfortable with the assumptions the Council was making on its plans to address the budget deficit. The assumptions were kept under review and the Council's audit plans and risk register were consulted. There were no issues that they needed to bring to the Committee's attention.

With reference to Minute 6 (Strategic Risk Register and Strategic Assurance Map), it was confirmed that the owner of risk 21 (Transforming Adult Social Care Programme) would be attending the next meeting to provide a detailed update on how the risk was being managed.

5 **Audit and Risk Committee - Terms of Reference**

The Committee was invited to undertake the annual review of its terms of reference, based on the Chartered Institute of Public Finance and Accountancy (CIPFA) model.

Resolved:

That the terms of reference for the Audit and Risk Committee, that were last reviewed and approved in March 2016 and which continue to be in line with recognised best practice be approved for 2017/18.

6 **External Audit Plan**

Mark Stocks from the Council's external auditors, Grant Thornton highlighted the key points from the report on their audit plans for the Council for the year ended 31 March 2017.

Referring to the Chancellor's comment in his Spring Statement about social care funding, Mike Ager, Independent Member said he anticipated that the Chancellor's statement would be taken into account in the external audit plans. He also asked the external auditors whether they were in contact with external auditors for other local authorities regarding the West Midlands Combined Authority (CA) risk. Mark Stock reported that Grant Thornton was the external auditor for the CA. There were only

two West Midlands Councils for whom they were not the external auditors. They would only share as much information with other external auditors as the Council allowed.

Mark Taylor, Director of Finance added that the seven West Midlands District Councils and the CA had asked Public Sector Audit Appointments (PSAP) Limited (the body responsible for appointing auditors as set out in section 3 of the Audit Commission Act 1998), that they all have the same external auditor given that they all work closely together.

Responding to Cllr Jasbir Jaspal on the progress with Integrated Health Care, Grant Thornton reported that nationally it was poor. However, there was a will within the West Midlands area for organisations and care professionals to work together and the Better Care Fund as an example of this integrated approach.

The Chair reported that he looked forward to the issue 'related party transactions', which had been highlighted in previous audit plans being fully addressed this year. The Chair also reported that it was good to see that the value for money (VFM) risk areas identified in the external audit plan, i.e. Medium Term Financial Strategy, OFSTED inspection of children's services, and the Combined Authority, were also included in the Council's strategic risk register. He asked that the results from the external audit work be fed into the reports to the Committee on the strategic risks through the Assurance Map. Peter Farrow, Head of Audit confirmed that would happen.

Resolved;

That the external audit plan be received and noted.

7

Grant Certification Work

Mark Stocks from the Council's external auditors, Grant Thornton presented the outcome of their work to certify the Council's Housing Benefit Subsidy Claim on behalf of the Department for Work and Pensions; on Homes and Communities Agency compliance work; and to certify the Pooling of Housing Receipts Return. The Council had been issued an unqualified opinion by the external auditor. Mark Stock reported that this year was the only year when he had issued an unqualified opinion in a certification letter. Only three minor points had been picked up in the external auditors report and they did not result in any amendments being made to the claim. The external auditor commended the Council for its work in this area.

The Committee placed on record its congratulations to the Council employees involved in the submission of the claim for their efforts in achieving the pleasing result of an unqualified opinion from the external auditor.

Resolved:

That the Certification Work Letter from the Council's external auditors Grant Thornton be noted.

8

External Audit Communication

Mark Stocks from the council's external auditors, Grant Thornton presented a paper 'Informing the Audit Risk Assessment'. It set out some of the potential areas of risk for the external audit together with a management response to a number of questions posed by the auditor. The views of the Committee were invited on the management responses.

The Chair observed that reports on Counter Fraud Activities, Fraud Related Policies and Procedures and the publication from TEICCAF (The European Institute for Combating Corruption and Fraud) were all included on the agenda for the meeting. This supported the Council's management response to the external auditor's question on the processes the Council had in place to identify and respond to the risks of fraud. The Chair also welcomed that the council had systems in place to identify, account for and disclose, related third party transactions and relationships.

Resolved:

That the report from the external auditors, Grant Thornton be noted.

9

Strategic Risk Register and Strategic Assurance Map

Mike Ager declared a personal interest in the report in so far as it referred to Highfields School where he is a Governor.

Alex Jones, Assistant Director School Standards was in attendance for this item. She updated the Committee on the action taking place to manage risk 14 - School Improvement as well as the achievements arising from those actions. The Committee had called in the risk area for detailed consideration at the last meeting.

Cllr Phil Bateman welcomed the report and action the Local Authority (LA) had taken through the Managing Director of the Council to write to the Regional Schools Commissioner requesting that they re-broker Wednesfield School as soon as possible in order to achieve rapid improvement in the performance of the academy. Cllr Bateman went on to asked whether contacting the Regional Schools Commissioner was the only tool available to the LA to intervene where it had concerns about the standards of education at an academy. The Assistant Director School Standards advised that practically it was the only recourse available to a LA. However, the Council's Schools Standards Service Improvement Plan (SIP) made clear how the LA would hold academies to account for their performance. An annual desk top data analysis was completed in respect of all academies and they received a letter on where the LA viewed the school's position. The letter would include an offer of support where the LA had concerns about an academies performance. Where the LA felt that an academy was not engaging or if the Service felt it necessary it would write to the Regional Schools Commission about its concerns. In response to a further question, the Assistant Director School Standards undertook to make enquiries as to whether a copy of the letter to the Regional Schools Commission and any response received could be shared with the Committee via a briefing note.

Mike Ager, Independent Member queried the direction of travel on risk 14 – School Improvement. The Assistant Director School Standards informed the Committee that the score had been adjusted to 8 by the Strategic Executive Board (SEB) but was still lower than previously recorded. The Director of Finance confirmed that SEB had challenged the score as it felt it was too low and did not reflect the ongoing challenges in this area.

Mike Ager also stated that in his view the big problem facing schools in the coming year would be financial and this would not help with school improvement. He also suggested that there was little contact between the School Improvement Service and school governors. In response the Committee was informed of the engagement that took place with governors and schools. This included half termly governors' forums;

policy meetings with Head Teachers and Chair of Governors to discuss best practice and where schools are in terms of performance; the production of monthly newsletters; and an invitation to Governors to attend Service Improvement Board (SIB) meetings.

Cllr Mary Bateman requested an update on the position at St Albans CoE Primary School. She was advised that a new Interim Head Teacher had been appointed. A SIB was in place and meeting and the LA was confident that the Head Teacher had the capability to move the school forward.

In response to other issues raised by the Committee on risk 14, it was reported that:

- The national average for pupils achieving A*- C in both in English and maths was 59%. Wolverhampton was in line with the national average at 58%. Over the next three years Wolverhampton's schools would need to improve upon this.
- Wolverhampton was the second best performing LA within the West Midlands region at the end of key-stage 2.
- Safeguarding falls within the remit of Dawn Williams, Head of Safeguarding. The School Performance Service does provide a safeguarding offer that schools could procure.
- Comparisons with the performance of academies and free schools, are made, however such comparisons in the primary sector make little difference because there are so few academies in the sector.
- Her Majesty's Inspectors hold the LA to account for performance across all schools within the city not only the maintained schools.

Hayley Reid, Senior Auditor, outlined the salient points of the rest of the report on the key risks the Council faced and how the Committee could gain assurance that the risks are being mitigated.

Cllr Christine Mills asked whether the Council was sure that risk 22 (Skills for Work and Economic Inclusion) would move to RAG rated amber in three months. The Assistant Director School Performance advised that a lot of the risk was tied into the Skills and Employment Action Plan. The majority of the actions within the plan were due to be completed by the end month at which time the position would be reviewed to determine whether the risk area was on target.

The Chair commented that some of the key risks were 'ongoing' and he queried whether target dates had been set for them. The Senior Auditor reported that where risks were recorded as ongoing the position with regards to them being mitigated down to a certain level was still under consideration. The Audit Team could go back to the risk owners and seek a more accurate indication of the target score and date for completion.

At the end of the discussion the Chair invited the Committee to decide if there were any risks it wished to consider in more detail at the next meeting.

Resolved:

1. That the strategic risk register at Appendix A to the report be noted.
2. That the identification of the following two new risks be noted;
 - Risk 23 - Cyber Security.

- Risk 24 – Maximising Benefits from West Midlands Combined Authority (WMCA).
3. That it be noted that following discussions with the risk owner, risk 2 – Skills for Work and risk 10 – Economic Inclusion have been reviewed and combined to create a new risk, risk 22 – Skills for Work and Economic Inclusion.
 4. That the increase in risk 14 – School Improvement to reflect on-going challenges in this area be noted.
 5. That it be noted that risk 1 – Looked after Children and risk 7 – Safeguarding would be reviewed again following the current Ofsted inspection.
 6. That the main sources of assurance available to the Council against its strategic risks at Appendix B to the report be noted.
 7. That risk 23 - Cyber security be considered at the next meeting and the risk owner be invited to attend.

10 **Progress Update on the Action Plan Arising from the Local Government Association Peer Review**

Mark Taylor, Director of Finance presented the report on progress made against the action plan from the Local Government Association (LGA) Finance Peer Review carried out in June 2016.

The Chair welcomed that the Council was on track with the implementation of the agreed actions. Responding to the Chair the Director of Finance reported that the Financial Strategy working group was a sub group of the Confident, Capable Council (3Cs) Scrutiny Panel. It had held one meeting to agree the scope for the planned work and the outcomes were reported to the 3Cs Scrutiny Panel. The first piece of work on the Financial Strategy was complete and Keren Jones, Service Director Economy was now working on the next phase, the Strategic Economic Plan for the City. The Director of Finance undertook to provide details of the membership of the Financial Strategy working group to the Chair.

Peter Farrow, Head of Audit reported that the Audit and Risk Committee received a good mention from the Peer Assessors for its work in calling in strategic risk areas for detailed consideration.

Resolved:

That the progress and actions arising from the recommendations within the Local Government Association Finance Peer Review final report of June 2016 be noted.

11 **Internal Audit Update - Quarter Three**

Peter Farrow, Head of Audit presented the update report on progress made against the 2016/17 audit plan and on recently completed audit work.

Responding to questions on the limited assurance reports for three schools, the Head of Audit reported that the audit reviews at the schools had taken place during the last 12 months as part of the rolling programme of visits to schools and that key issues raised would be followed up as appropriate within the agreed timescales. A member of the Audit team was working closely with the schools to address the

issues highlighted in the audit reports. He also advised the Committee that, excluding where schools convert to academies, his team had a strong presence in maintained schools across the city and visited them on a regular cycle. The School Improvement Service also made recommendations to Audit Services for his team to investigate.

Resolved:

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

12

Internal Audit Plan 2017/18

Peter Farrow, Head of Audit presented the proposed internal audit plan for 2017/18.

Cllr Christine Mills noted the volume of work included within the plan and asked the Head of Audit if he had the resources to complete the work. The Head of Audit reported that he had enough resources to deliver the audit plan and was confident that the reviews would be undertaken and the outcomes reported to Committee. If he felt that he did not have sufficient resources to complete the work he would speak to the Director of Finance and inform the Committee accordingly.

Referring to the auditable area 'Use of Pharmacy outcomes (a review of the new electronic system for the payment of prescriptions to pharmacies), Cllr Phil Bateman asked whether the work would consider the national loss of payments made to our pharmacies and encourage pharmacies in the city to deliver on the Council's key public health performance management indicators. The Head of Audit reported that the audit review would where appropriate consider that.

Referring to the list of organisations the Council's Audit Service's support, the Chair asked whether audit reports are submitted to the Committee on the support delivered to the organisations. The Head of Audit advised that the West Midlands Combined Authority and Wolverhampton Homes both received Audit Service reports at their own Audit Committee, and that the Pensions Committee received the Audit reports on the West Midlands Pension Fund. On the latter, if anything significant came out of the audit work it would be reported to the Audit and Risk Committee. The other organisations on the list were relatively new in their existence. The Head of Audit added that the outcomes of the audit work on the activities for the other organisations could be reported to the Committee.

Resolved:

That the risk based internal audit plan for 2017/18 be approved.

13

Audit Services - Counter Fraud Update

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

Responding to questions the Client Lead Auditor advised that further results from the latest National Fraud Initiative data matching exercise would be included in the report to the next meeting of the Committee. He confirmed that the Council was compliant with all that was asked of it from the recommendations check list in the TEICCAF (The European Institute for Combatting Corruption and Fraud) report. Feedback on how the recommendations were being addressed would be included in the report to a later meeting.

Cllr Phil Bateman commented that the TEICCAF report was a valuable source of information for the work of councillors and members of the Audit and Risk Committee.

Peter Farrow, Head of Audit also reported that last year TEICCAF had produced a local level report comparing the Council's local data with the national picture. If a similar report is produced for the current year he undertook to forward a copy to the Committee.

Resolved:

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

14 **Review of Fraud Related Policies and Procedures**

Peter Farrow, Head of Audit presented for review and approval the Council's fraud related policies and procedures. No major changes were being proposed to the policies as approved in 2016.

In response to questions from the Chair, it was reported that:

- The fraud related policies and procedures were promoted to all council employees via the Council's website, on the Intranet and through City People.
- The suspected cases of money laundering reported to the Council tended to relate to land and property transactions. Checks were carried out by the Counter Fraud Team.
- In certain parts of the Council employees with interests in private enterprises, land or property had to declare the interest. Rules on officer declarations were in place but it was unclear how widely they were known. The Head of Audit undertook to check and report back in a later Counter Fraud report.
- Any issues arising or activity undertaken relating to the fraud related policies and procedures had been reported piecemeal to the Committee throughout the year within the Counter Fraud report.

Resolved:

That the following Council fraud related policies and procedures be approved:

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

15 **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 in September 2016. No requests for information from the public (as an 'armchair auditor') had been received since the last report.

Resolved:

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

16

EU Funding

Further to the request at the last meeting (see Minute 9 of meeting on 12 December 2016), Heather Clarke, Service Development Manager presented a report on projects currently being funded by the European Structural and Investment Fund (ESIF), those in the pipeline and the potential impact of Brexit on projects.

Responding to questions the Service Development Manager explained the rationale for the delay on the Black Country Blue Network EU funded project. The project had been approved by the Department for Communities and Local Government.

The Chair stated that it was reassuring that a lot of the EU funding had been secured. He asked whether the Council had a plan post Brexit if the funding position were to change. The Service Development Manager reported that it had been suggested that EU funded projects should be made up by national resources but no detail had been issued.

Resolved:

That projects currently being funded by European Structural and Investment Funds, those in the pipeline and the potential impact of Brexit be noted.

17

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 paragraph 3 of Schedule 12A of the Act.

Part 2 - exempt items, closed to press and public

18

Audit Investigations Update

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

Members of the Committee expressed concern at the financial practices of the organisation referred to in the report and on the effects the organisation was having on local residents.

Resolved:

That the update on the internal audit investigation be noted and a further update on the investigation be submitted to the next meeting.

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Audit and Risk Committee

3 July 2017

Report title	External Audit Progress Report and Update	
Cabinet member with lead responsibility	Councillor Andrew Johnson Resources	
Accountable director	Claire Nye, Director of Finance	
Originating service	Strategic Finance	
Accountable employee(s)	Emma Bland Tel Email	Finance Business Partner 01902 553928 Emma.Bland2@wolverhampton.gov.uk
Report to be/has been considered by	None	

Recommendations for noting:

The Committee is asked to note:

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

1.0 Purpose

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

2.0 Background

- 2.1 Annually at the July Committee, Grant Thornton customarily report on progress made against their Audit Plan and provide an update on technical matters, sector issues and developments. A copy of the report is attached at Appendix A.

3.0 Financial Implications

- 3.1 The statement, and the forthcoming audit of those statements by the external auditors, is an important element of the accountability and transparency of the Council's finances.
[CN/23062017/Y]

4.0 Legal implications

- 4.1 The Secretary of State makes the Accounts and Audit Regulations in exercise of powers conferred by the Local Audit and Accountability Act 2014. The Accounts and Audit Regulations 2015 require the 2016/17 Statement of Accounts be produced in accordance with proper practice.
- 4.2 This is exemplified by the Code of Practice on Local Authority Accounting which is published by CIPFA. These regulations also require that the accounts are approved by 30 June 2017 and published by 30 September 2017.
[RB/22062017/J]

5.0 Equalities implications

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

6.0 Environmental implications

- 6.1 There are no environmental implications arising from this report.

7.0 Human resources implications

- 7.1 There are no human resource implications arising from this report.

8.0 Corporate landlord implications

- 8.1 There are no implications for the Council's property portfolio arising from this report.

9.0 Schedule of background papers

9.1 There are no relevant preceding reports.

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Audit Committee Update City of Wolverhampton Council Progress Report and Update Year ended 31 March 2017

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3 July 2017

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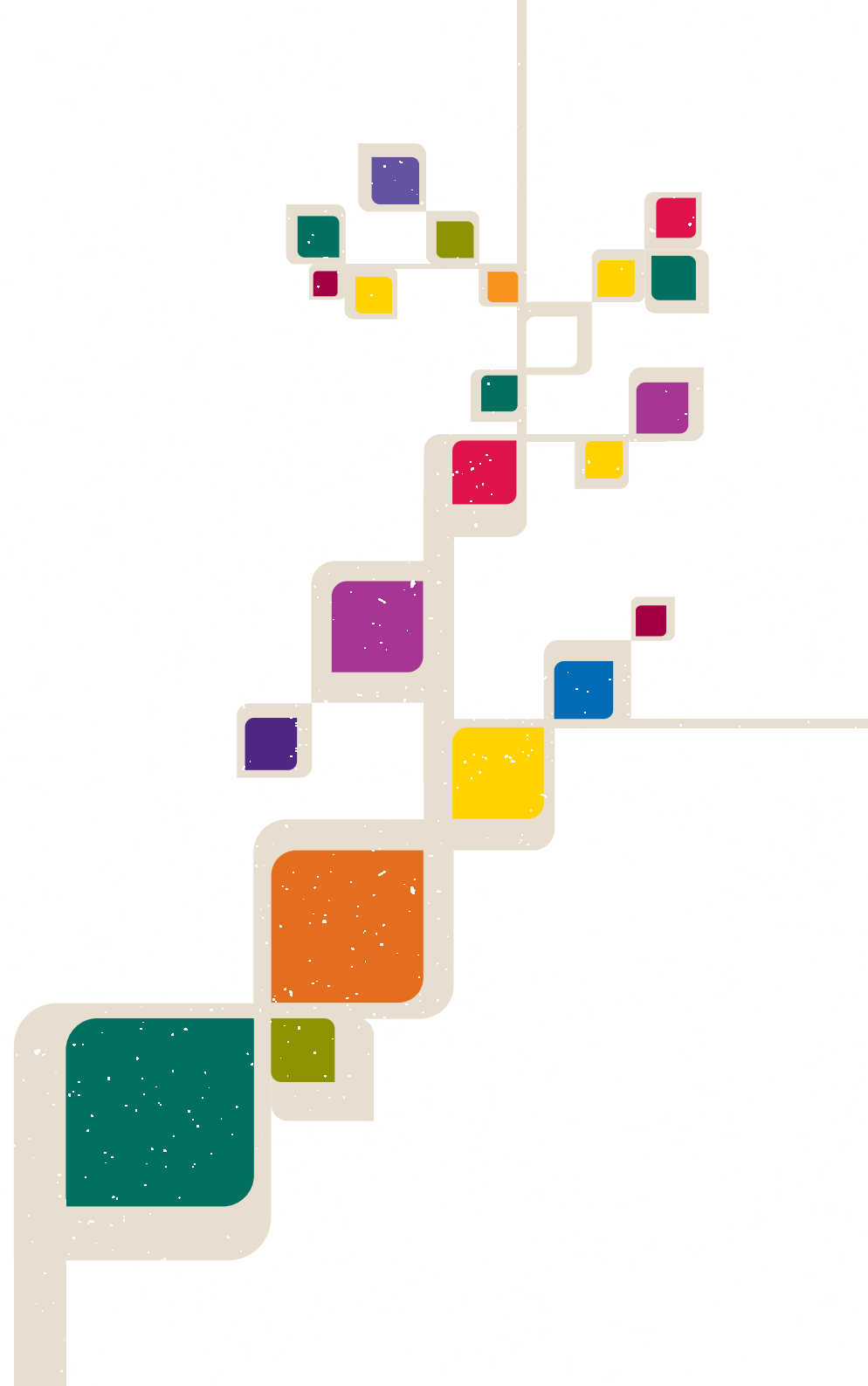
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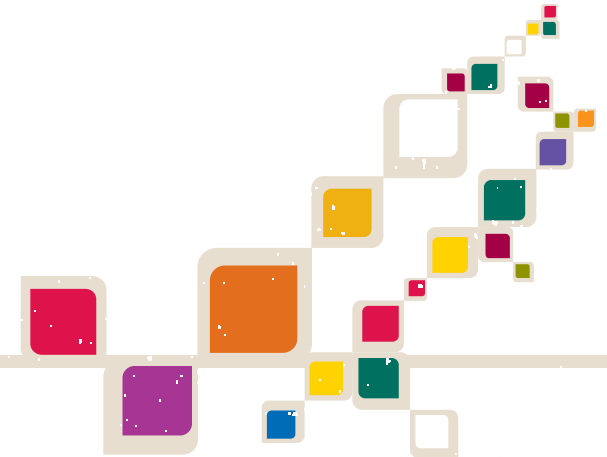
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to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



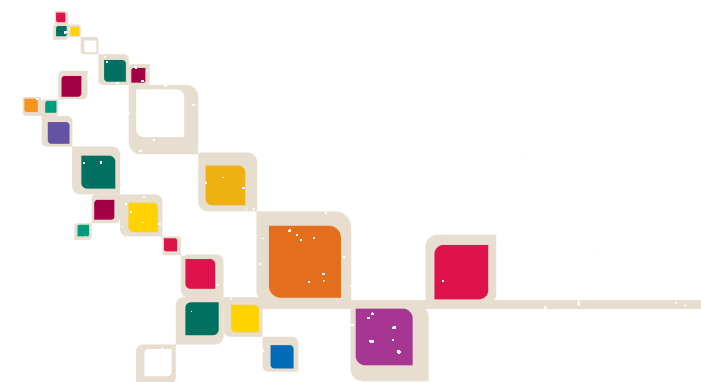
Introduction

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

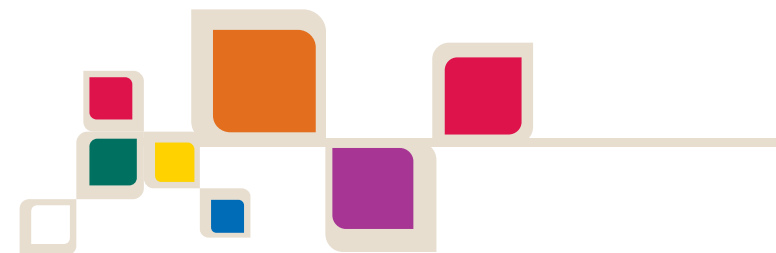
Members of the Audit and Risk Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications and articles, including the reports mentioned in this update along with other items:

- Income generation is an increasingly essential part of providing sustainable local services (March 2017); <http://www.grantthornton.co.uk/en/insights/the-income-generation-report-local-leaders-are-ready-to-be-more-commercial/>
- CFO Insights – reviewing council's 2015/16 spend (December 2016); <http://www.grantthornton.co.uk/en/insights/cfo-insights-reviewing-councils-201516-spend/>
- Fraud risk, 'adequate procedures', and local authorities (December 2016); <http://www.grantthornton.co.uk/en/insights/fraud-risk-adequate-procedures-and-local-authorities/>
- Brexit and local government; (April 2017) <http://www.grantthornton.co.uk/en/insights/a-global-britain-needs-more-local-government-not-less/> and (December 2016) <http://www.grantthornton.co.uk/en/insights/brexit-local-government-transitioning-successfully/>

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 Engagement Manager.



Progress at June 2017



2016/17 work

Planned Date

Complete?

Comments

Fee Letter

We are required to issue a 'Planned fee letter for 2016/17' by the end of April 2016

April 2016

Yes

Fee letter provided by the required deadline.

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 2016-17 financial statements.

March 2017

Yes

Our audit plan was presented to the Audit and Risk Committee on 13 March 2017. It identified the following matters as risks, which will attract the majority of our audit effort.

- The revenue cycle includes fraudulent transactions
- Management over-ride of controls
- Valuation of property, plant & equipment
- Valuation of pension fund liability
- Changes to the presentation of local authority financial statements
- Operating expenses understated by not being recorded or not being recorded in the correct period
- Employee remuneration understated

Interim accounts audit

Our interim fieldwork visit plan included:

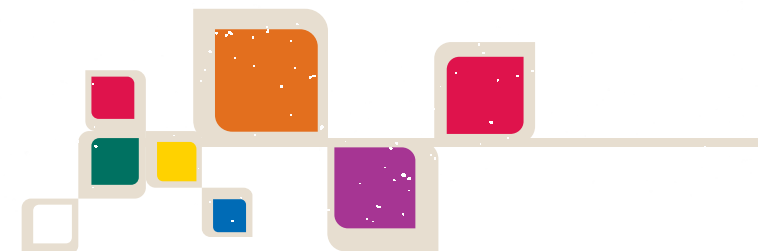
- updated review of the Council's control environment
- updated understanding of financial systems
- review of Internal Audit reports on core financial systems
- early work on emerging accounting issues
- early substantive testing
- Journal entry controls.

January to march 2017

Yes

We reported the results of our interim audit work to you within our Audit Plan on 13 March 2017 as well as our follow up on recommendations raised as part of our 2015/16 audit. We will update the status of all recommendations as part of our audit when it commences in July 2017.

Progress at March 2017



2016/17 work

Planned Date

Complete?

Comments

Final accounts audit

Including:

- audit of the 2016/17 financial statements
- proposed opinion on the Council's accounts
- proposed Value for Money conclusion
- review of the Council's disclosures in the consolidated accounts against the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16

July and August

No

We are due to commence our on-site final accounts work on 17 July. However, we have maintained ongoing dialogue since our interim visit with the finance team and have had several project planning meetings and shared documents to ensure that we can hit the ground running in July. The finance team provided us with the draft financial statements on 13 June 2017. This is 17 days earlier than in 2015/16 and therefore stands the Authority in good stead to be able to provide the accounts even sooner next year as part of the earlier closedown process.

In our Audit Plan, we noted five risks in relation to the Value for Money conclusion. These are listed below along with a summary of the work proposed to address the risks:

- Medium Term Financial Resilience: we will review the Council's Medium Term Financial Strategy and monthly financial monitoring reports and assess the assumptions used.
- Ofsted inspection of Children's services: we will review update reports from Ofsted as they become available and take these into account in forming our conclusion
- Combined Authority: We will review the arrangements the Council has in place to mitigate the risk of ineffective working relationships and to establish how the Council is identifying, managing and monitoring risks in relation to the Combined Authority
- Worklessness: We will review the Council's progress against the risk noted in their risk register in relation to Skills for Work. Through discussion with officers and review of relevant documents we will assess whether actions taken have been and are being effective.
- Strategic Asset Management: We will review the Council's progress against the risk noted in the 2015/16 Annual Governance Statement in relation to Strategic Asset Management. Through discussion with officers and review of relevant documents we will assess whether actions taken have been and are being effective.

We will report our detailed findings against these risks in our Audit Findings Report, which will be presented to the Audit and Risk Committee on 18 September 2017.

Value for Money (VfM) conclusion

The scope of our work is unchanged to 2015/16 and is set out in the final guidance issued by the National Audit Office in November 2015. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as; "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".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

July and August

No

Technical Matters

Page 24





Accounting and audit issues

LAAP Bulletin 105: Closure of the 2016/17 accounts and related matters

In March, CIPFA's Local Authority Accounting Panel issued LAAP Bulletin 105. The bulletin provides further guidance and clarification to complement CIPFA's 2016/17 Guidance Notes for Practitioners and focuses on those areas that are expected to be significant for most authorities. Topics include:

- Highways Network Asset
- update to the 2016/17 code
- Telling the Story
- accounting standards that have been issued but have not yet been adopted
- summary of other changes to the 2016/17 Code
- statutory guidance on the flexible use of capital receipts
- the Better Care Fund

The LAAP bulletin confirms that section P - Highways Network Asset of Module 4 no longer applies and any reference in the 2016/17 Code Guidance Notes to the Highways Network Asset does not apply. Therefore, highways authorities' accounting policies for the infrastructure class of assets are unchanged from the approach adopted in previous years, i.e. the infrastructure class of assets will be defined as it was in the 2015/16 Code and be measured at depreciated historical cost.

Telling the Story – the 2016/17 Code changed segmental reporting arrangements for the Comprehensive Income and Expenditure Statement (CIES) and introduced the Expenditure and Funding Analysis (EFA). Both the CIES and EFA include a segmental analysis which requires local authorities to report on the basis of how they are structured.

Challenge question:

- Has your Director of Finance reviewed the guidance and taken into consideration any relevant aspects when preparing your 2016/17 financial statements?



Accounting and audit issues

Code of Practice on Local Authority Accounting in the United Kingdom 2017/18

CIPFA/LASAAC has issued the Local Authority Accounting Code for 2017/18. The main changes to the Code include:

- amendments to section 2.2 (Business Improvement District Schemes (England, Wales and Scotland), Business Rate Supplements (England), and Community Infrastructure Levy (England and Wales)) for the Community Infrastructure Levy to clarify the treatment of revenue costs and any charges received before the commencement date
- amendment to section 3.1 (Narrative Reporting) to introduce key reporting principles for the Narrative Report
- updates to section 3.4 (Presentation of Financial Statements) to clarify the reporting requirements for accounting policies and going concern reporting
- changes to section 3.5 (Housing Revenue Account) to reflect the Housing Revenue Account (Accounting Practices) Directions 2016 disclosure requirements for English authorities
- following the amendments in the Update to the 2016/17 Code, changes to sections 4.2 (Lease and Lease Type Arrangements), 4.3 (Service Concession Arrangements: Local Authority as Grantor), 7.4 (Financial Instruments – Disclosure and Presentation Requirements) amendments to section 6.5 (Accounting and Reporting by Pension Funds) to require a new disclosure of investment management transaction costs and clarification on the approach to investment concentration disclosure.

Challenge questions:

- Is your Director of Finance aware of the changes to the 2017/18 Code and assessed the potential impact?

Sector issues and developments

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National Audit Office

NAO Publications

Protecting information across government

“Protecting information while re-designing public services and introducing the technology necessary to support them is an increasingly complex challenge. To achieve this, the Cabinet Office, departments and the wider public sector need a new approach, in which the Centre of government provides clear principles and guidance and departments increase their capacity to make informed decisions about the risks involved.”

Amyas Morse, head of the National Audit Office, 14 September 2016

<https://www.nao.org.uk/report/protecting-information-across-government/>

Planning for 100% local retention of business rates

“The Department faces a significant challenge in implementing 100% local retention of business rates by 2019-20. It has benefited from the experience of delivering the 50% local retention scheme and is using this experience effectively. The key question is whether there is enough money in the system to let services be delivered on the right scale and for self-sufficiency to be seen to succeed.”

Amyas Morse, head of the National Audit Office, 29 March 2017

<https://www.nao.org.uk/report/planning-for-100-local-retention-of-business-rates/>

Challenge question:

- Have you read the NAO reports?

Health and social care integration

“Integrating the health and social care sectors is a significant challenge in normal times, let alone times when both sectors are under such severe pressure. So far, benefits have fallen far short of plans, despite much effort. It will be important to learn from the over-optimism of such plans when implementing the much larger NHS sustainability and transformation plans. The Departments do not yet have the evidence to show that they can deliver their commitment to integrated services by 2020, at the same time as meeting existing pressures on the health and social care systems.”

Amyas Morse, head of the National Audit Office, 8 February 2017

<https://www.nao.org.uk/report/health-and-social-care-integration>

Grant Thornton

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Income generation

Local government is under immense financial pressure to do more with less. The 2015/16 spending review is forecast to result in a £13 billion funding hole by 2020 that requires. With further funding deficits still looming, income generation is increasingly an essential part of the solution to providing sustainable local services, alongside managing demand reduction and cost efficiency of service delivery. This report shares the insights into how and why local authorities are reviewing and developing their approach to income generation.

Our new research on income generation which includes our CFO Insights tool suggests that:

- ❖ councils are increasingly using income generation to diversify their funding base, and are commercialising in a variety of ways. This ranges from fees and charges (household garden waste, car parking, private use of public spaces), asset management (utilities, personnel, advertising, wifi concession license) and company spin-offs (housing, energy, local challenger banks), through to treasury investments (real estate development, solar farms, equity investment).
- ❖ the ideal scenario to commercialise is investing to earn with a financial and social return. Councils are now striving to generate income in way which achieves multiple strategic outcomes for the same spend; examining options to balance budgets while simultaneously boosting growth, supporting vulnerable communities and protecting the environment.

- ❖ stronger commercialisation offers real potential for councils to meet revenue and strategic challenges for 2020 onwards. Whilst there are examples of good practice and innovation, this opportunity is not being fully exploited across the sector due to an absence of a holistic and integrated approach to corporate strategy development (a common vision for success, understanding current performance, selecting appropriate new opportunities, the capacity and culture to deliver change).

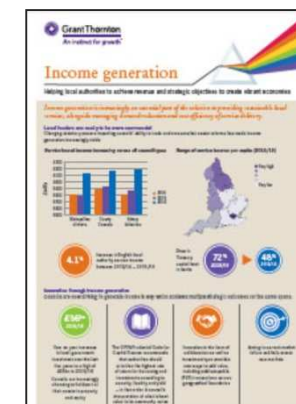
Our report helps local authorities maximise their ability to generate income by providing:

- Case study examples
- Local authority spend analysis
- Examples of innovative financial mechanism
- Critical success factors to consider

Grant Thornton publications

Challenge question:

- Have you read our income generation report?
- Is your council actively exploring options to generate income?



Our Income generation report was published on Thursday 2 March, hard copies are available from your team and via link:

<http://www.grantthornton.co.uk/en/insights/the-income-generation-report-local-leaders-are-ready-to-be-more-commercial/>

A Manifesto for a Vibrant Economy

Grant Thornton publications

Developing infrastructure to enable local growth

Cities and shire areas need the powers and frameworks to collaborate on strategic issues and be able to raise finance to invest in infrastructure priorities. Devolution needs to continue in England across all places, with governance models not being a “one-size-fits all”. Priorities include broadband, airport capacity in the North and east-west transport links.

Addressing the housing shortage, particularly in London and the Southeast, is a vital part of this. There simply is not enough available land on which to build, and green belt legislation, though designed to allow people living in cities space to breath, has become restrictive and is in need of modernisation. Without further provision to free up more land to build on, the young people that we need to protect the future of our economy will not be able to afford housing, and council spending on housing the homeless will continue to rise.

Business rates are also ripe for review – a property-based tax is no longer an accurate basis for taxing the activity and value of local business, in particular as this source of funding becomes increasingly important to the provision of local authority services with the phasing out of the Government’s block grant.

Demographic and funding pressures mean that the NHS no longer remains sustainable, and the integration of health and social care – recognised as critical by all key decision makers – remains more aspiration than reality. .

There is an opportunity for communities to take a more holistic approach to health, for example creating healthier spaces and workplaces and tackling air quality, and to use technology to provide more accessible, cheaper diagnosis and treatment for many routine issues

Finding a better way to measure the vibrancy of places

When applied to a place we can see that traditional indicators of prosperity such as GVA, do not tell the full story. To address this we have developed a [Vibrant Economy Index](#) to measure the current and future vibrancy of places. The Index uses the geography of local authority areas and identifies six broad objectives for society: prosperity, dynamism and opportunity, inclusion and equality, health wellbeing and happiness, resilience and sustainability, and community trust and belonging.

The city of Manchester, for example, is associated with dynamic economic success. While our Index confirms this, it also identifies that the Greater Manchester area overall has exceptionally poor health outcomes, generations of low education attainment and deep-rooted joblessness. These factors threaten future prosperity, as success depends on people’s productive participation in the wider local economy, rather than in concentrated pockets.

Every place has its own challenges and opportunities. Understanding what these are, and the dynamic between them, will help unlock everybody’s ability to thrive. Over the coming months we will continue to develop the Vibrant Economy Index through discussions with businesses, citizens and government at a national and local level.

Challenge question:

- Have you read our manifesto?



CREATING A MANIFESTO
FOR A VIBRANT ECONOMY
Draft recommendations
April 2017

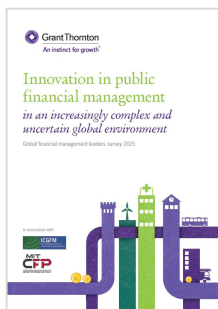


<http://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/documents/creating-manifesto-vibrant-economy-draft-recommendations.pdf>

Guy Clifton – Head of Local Government Advisory

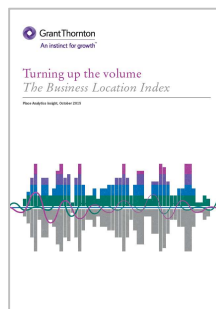
Publications

Providing key insight and examples of best practice to local government, police, fire and rescue services.



Innovation in public financial management

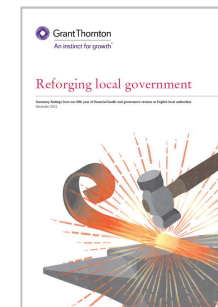
Our research on international public financial management shows it is evolving, from having a narrow focus on budgeting, towards a wider mandate as a key driver of policy and strategy across all levels of government, public services, state enterprises and public-private partnerships.



Turning up the volume

Our Business Location Index identifies the most desirable and affordable areas for investment in England, by looking at a combination of economic performance, people & skills, environment & infrastructure and cost.

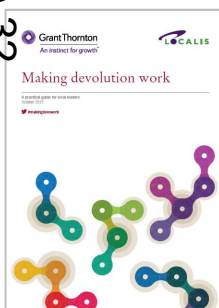
Our aim is to give local authorities and LEPs the tool to better understand and market their strength and assets to increase inward investment and inform their devolution discussions.



Reforing local government

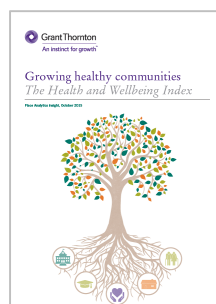
The autumn statement identified how councils will need better financial management and further efficiency to achieve the projected 29% savings. This presents a serious challenge to manage councils that have already become lean.

Our report looks at the financial challenge facing councils, the new governance agenda that will challenge traditional arrangements and expectations, and the way forward for the public sector through devolution, innovation, collaboration and cultural change.



Making devolution work

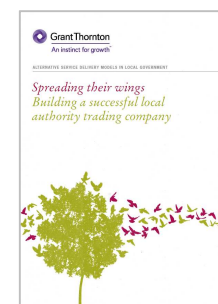
This report gets under the bonnet of the devolutionary conversations taking place between Whitehall and local government across England. It offers a practical guide to local leaders by outlining the benefits of devolution, the areas of priority to central government and the key questions that must be addressed in order to produce a successful devolution bid.



Growing healthy communities

It has long been recognised that the health of a population is strongly linked to the circumstances in which people live.

Our health and wellbeing index looks at the health determinants and outcomes of an area, highlights the scale and nature of inequality across the country and reiterates the need for a local, place-based approach to tackling health outcomes. It also identifies the wider economic determinants on an area's circumstances, emphasising the need for local collaboration between public sector bodies.



Spreading their wings

Our first report in a series looking at alternative delivery models in local government looks at local authority trading companies (LATCs).

The need to improve performance against the continuing financial pressure in the public sector has led to an increase in innovative solutions to the challenges, such as alternative delivery models.

Our report provides a guide on building a successful LATC, identifying the areas that must be considered at each stage of the process, as well as offering a number of examples of best practice.

Hardcopies of these reports are available from your audit team



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Audit and Risk Committee

3 July 2017

Report title	Draft Statement of Accounts 2016/17	
Decision designation	AMBER	
Cabinet member with lead responsibility	Councillor Andrew Johnson Resources	
Key decision	Yes	
In forward plan	Yes	
Wards affected	All	
Accountable director	Claire Nye, Director of Finance	
Originating service	Strategic Finance	
Accountable employee(s)	Emma Bland Tel Email	Finance Business Partner 01902 553928 Emma.Bland2@wolverhampton.gov.uk
Report to be/has been considered by	None	

Recommendations for noting:

The Committee is asked to note:

1. That the Director of Finance approved the Draft Statement of Accounts 2016/17 on 12 June 2017, within the 30 June 2017 deadline set by the Accounts and Audit Regulations 2015.
2. That the 2016/17 Draft Statement of Accounts is to be audited by Grant Thornton UK LLP from July through to September, and that any material changes required as a result of the audit will be reported to the Audit and Risk Committee.
3. That formal approval by the Council and publication of the 2016/17 Statement of Accounts is required by 30 September 2017 (Accounts and Audit Regulations 2015).
4. That the Statement of Accounts incorporates a copy of the Annual Governance Statement as required by the Accounts and Audit Regulations 2015.

1.0 Purpose

- 1.1 The draft Statement of Accounts for 2016/17, which is subject to audit, has been approved by the Director of Finance and is appended to this report.

2.0 Background

- 2.1 The draft Statement of Accounts is required by statute (The Accounts and Audit Regulations 2015) to be prepared and approved by the Section 151 Officer by 30 June 2017.
- 2.2 A copy of the draft Statement of Accounts is attached at Appendix A and can also be found at <http://www.wolverhampton.gov.uk/article/3050/Statement-of-Accounts>. This will now be audited by the Council's appointed external auditors, Grant Thornton, during July and August, following which they will report their findings to the Audit and Risk Committee in September. At the same time the final audited Statement of Accounts to be published by the Council will be presented to the Committee for approval.
- 2.3 The statutory deadline for publication of the audited Statement of Accounts is 30 September 2017.
- 2.4 The format of the Statement of Accounts is governed by the Code of Practice on Local Authority Accounting (the Code), published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Statement is prepared in accordance with International Financial Reporting Standards (IFRS). For 2016/17 there was a change to the Code in relation to the format of the cost of services section of the Comprehensive Income and Expenditure Statement (CIES). Previously, authorities were required to present this in line with CIPFA's Service Reporting Code of Practice (SERCOP), but under the new requirements, to make the accounts more accessible to the reader, this is now reported on the basis of the Council's organisational structure. Further detail can be found in the appended draft Statement of Accounts for 2016/17 under 'Note 17A – Changes in Accounting Policies from Previous Year'.

3.0 Financial Implications

- 3.1 The statement, and the forthcoming audit of those statements by the external auditors, is an important element of the accountability and transparency of the Council's finances.
[EB/22062017/T]

4.0 Legal implications

- 4.1 The Secretary of State makes the Accounts and Audit Regulations in exercise of powers conferred by the Local Audit and Accountability Act 2014. The Accounts and Audit Regulations 2015 require the 2016/17 Statement of Accounts be produced in accordance with proper practice.

- 4.2 This is exemplified by the Code of Practice on Local Authority Accounting which is published by CIPFA. These regulations also require that the accounts are approved by 30 June 2017 and published by 30 September 2017.
[RB/22062017/J]

5.0 Equalities implications

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

6.0 Environmental implications

- 6.1 There are no environmental implications arising from this report.

7.0 Human resources implications

- 7.1 There are no human resource implications arising from this report.

8.0 Corporate landlord implications

- 8.1 There are no implications for the Council's property portfolio arising from this report.

9.0 Schedule of background papers

- 9.1 There are no relevant preceding reports.

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Audit and Risk Committee

3 July 2017

Report title	Annual Governance Statement 2016-2017	
Accountable director	Claire Nye, 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	20 June 2017

Recommendation for action or decision:

The Committee is recommended to:

1. Review and comment upon the contents of the Council's Annual Governance Statement for 2016-2017.

1.0 Purpose

- 1.1 That Members review and comment upon the content of the Annual Governance Statement for the year 2016-2017.
- 1.2 The Council is required under Regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulation 2006 to produce an Annual Governance Statement to be included in the annual statement of accounts, which is signed by the Leader of the Council and the Managing Director.

2.0 Background

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

3.0 Progress, options, discussion

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

4.0 Financial implications

- 4.1 There are no financial implications arising from the recommendation in this report. (MK/19062017/U)

5.0 Legal implications

- 5.1 There are no legal implications arising from the recommendation in this report. (TS/1906/2017/W)

6.0 Equalities implications

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

7.0 Environmental implications

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

8.0 Human resources implications

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

9.0 Corporate landlord implications

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

10.0 Schedule of background papers

- 10.1 Annual Governance Statement – 2016-2017

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DRAFT Annual Governance Statement 2016-2017

Scope of Responsibility

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

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

The Council has a Local Code of Corporate Governance, which is now being revised in line with the latest principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. The new principles have been adopted in this statement.

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

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

The Purpose of the Governance Framework

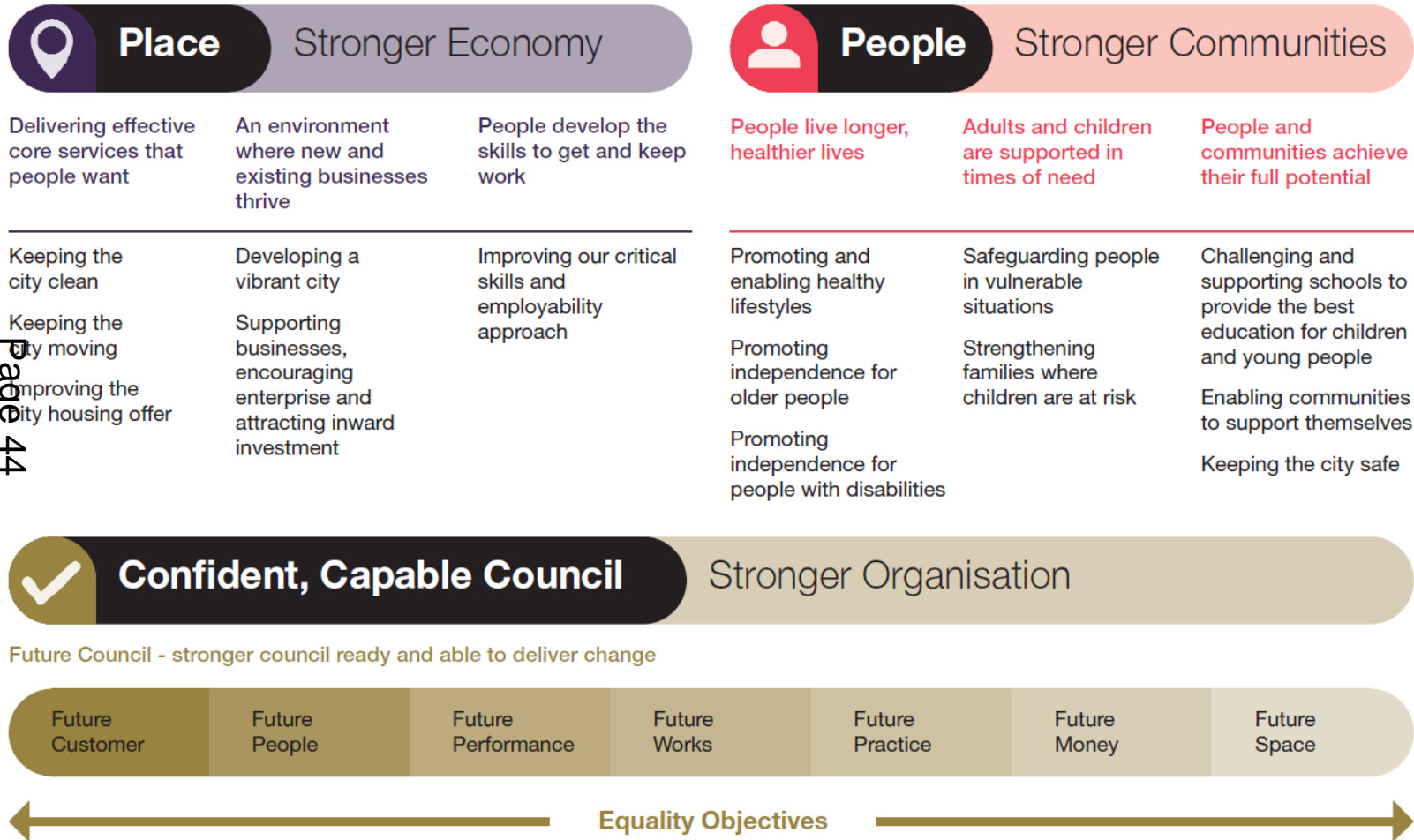
The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the council to monitor the achievements of its strategic objectives and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

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

[NOT PROTECTIVELY MARKED]

The governance framework has been in place at the Council for the year ended 31 March 2017 and up to the date of approval of the annual report and statement of accounts.


The Council has a Corporate Plan with the following aims and themes



These are underpinned by the governance environment. This environment is consistent with the core principles of the new CIPFA/ SOLACE framework. In reviewing the Council's priorities and the implications for its governance arrangements, the Council carries out an annual review of the elements that make up the governance framework to ensure it remains effective.

[NOT PROTECTIVELY MARKED]

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

Core principles of the CIPFA/ SOLACE framework	Assurances required	Governance framework providing assurance	Review of Effectiveness	Issues identified
<ul style="list-style-type: none"> Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law. Ensuring openness and comprehensive stakeholder engagement. Defining outcomes in terms of sustainable economic, social, and environmental benefits. <p>  Assessment Determining the interventions necessary to optimise the achievement of the intended outcomes. </p> <ul style="list-style-type: none"> Developing the entity's capacity, including the capability of its leadership and the individuals within it. Managing risks and performance through robust internal control and strong public financial management. Implementing good practices in transparency, reporting, and audit to deliver effective accountability. 	<ul style="list-style-type: none"> Delivery and communication of an agreed corporate plan Quality services are delivered efficiently and effectively Clearly defined roles and functions Management of risk Effectiveness of internal controls Compliance with laws, regulation, internal policies and procedures Value for money and efficient management of resources High standards of conduct and behaviour Public accountability Published information is accurate and reliable Implementation of previous governance issues 	<ul style="list-style-type: none"> The Constitution (including Head of Paid Service, Chief Financial Officer and Monitoring Officer) Council, Cabinet and Committees Audit and Risk Committee Scrutiny function Standards Committee Internal and External Audit Strategic Executive Board Wider Leadership Team Directors Assurance Statements Corporate and Business plans Medium Term Financial Strategy Corporate Risk Register and Assurance Map Codes of Conduct Business Planning and Performance Management Framework Whistleblowing and other anti-fraud related policies Complaints System Financial Procedures Rules Contract Procedure Rules modern.gov (the council's committee management information system) 	<ul style="list-style-type: none"> External Audit Report to Those Charged with Governance (ISA 260) Report – unqualified opinion Annual Internal Audit Report - unqualified opinion Annual Audit and Risk Committee Report to Council 2017 LGA Corporate Peer Review – positive outcome 2017 Ofsted inspection of Children's Services – judged "Good". Annual Statement of Accounts Local Government Ombudsman Report Scrutiny reviews Annual Governance Statement – including the follow up of previous year issues 	<ul style="list-style-type: none"> Medium Term Financial Strategy Procurement, Contract Management and Monitoring Combined Authority Corporate Landlord

The Review of Effectiveness

[NOT PROTECTIVELY MARKED]

The Council has a responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This review is informed by the work of councillors and senior officers within the Council who have responsibility for the development and maintenance of the governance framework including Internal Audit's annual report, the Scrutiny function and also by reports made by the Council's external auditors and other review agencies and inspectorates. The above table helps illustrate this framework, where assurance is provided and the processes through which the effectiveness of these arrangements are reviewed.

A key component of this is the work of the Council's Audit and Risk Committee and during the year the Committee continued with its new initiatives, helping to ensure that the Council had a modern, effective and risk focussed Committee. During the year they:

- Maintained the focus of the Committee on the Council's risk management arrangements, gaining an increased assurance that the Council was managing its risks well. This also involved the Committee 'calling-in' certain risks and their risk owners, for a more detailed review.
- Developed a strong working relationship, through regular progress meetings, with the Council's External Auditors Grant Thornton, the Internal Auditors, key Cabinet Members and Senior Officers. They also had further engagement with Grant Thornton, through regular consideration of their informative Audit Committee Update publications at Committee meetings.
- Members of the Committee attended several high profile Audit Committee Institute events run by top accountancy firms and the Council, in partnership with Grant Thornton, arranged and hosted a well attended Midlands-wide Audit Committee forum, which focussed upon key themes for Audit Committees and their governance responsibilities.

Internal Audit

Internal Audit has reviewed itself against the governance arrangements set out in the CIPFA Statement on the Role of Head of Internal Audit and the Council is able to confirm that the arrangements conform to these requirements. The Council is also able to confirm compliance with the Public Sector Internal Audit Standards.

Internal Audit has concluded that based on the work undertaken during the year on areas of key risk, the implementation by management of the recommendations made and the assurance made available to the Council by other providers as well as directly by Internal Audit, it can provide reasonable assurance that the Council has adequate and effective governance, risk management and internal control processes".

Managing the risk of Fraud and Corruption

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

CIPFA's Statement on the Role of the Chief Financial Officer in Local Government

The role of the Council's Section 151 Officer has been assessed against the CIPFA Statement and found to be compliant.

Key changes to the governance framework

There were no key changes to the governance framework during the year. However, in March 2017 the Cabinet approved a new senior management structure which will come into effect during 2017-2018. Also, the Council continues to play an active role in the in the governance arrangements for the West Midlands Combined Authority, including the Council's Managing Director in their role as Monitoring Officer for the Combined Authority.

West Midlands Pension Fund

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

Wolverhampton Homes

Wolverhampton Homes have included a Statement of Corporate Governance within the Company's Financial Statements for 2016-2017. This states that the control framework has been reviewed by the Company's Audit Committee on behalf of the Board of Wolverhampton Homes and found to be effective. The review included an assurance statement from the Company's internal auditors.

Progress on the Governance Issues from 2015-2016

The table below describes the governance issues identified during 2015-2016 and the progress made against these during 2016/17. While a limited number of issues have been carried forward to 2017-2018, these often relate to a range of on-going activities that develop as issues are addressed and programmes continue.

2015-2016 - Key areas for Improvement	In-year update provided as at 30 October 2016	End of year update
<p><i>Savings Targets</i></p> <p>This continues to be a key area for the Council to manage as it is faced with finding savings of £56.4 million by 2019/20. As part of this process £22.2 million of additional savings is to be identified for 2017-2018 and reported to Cabinet, in order to demonstrate that a balanced budget can be achieved in 2017-2018.</p>	<p>On 19 October Cabinet approved that:</p> <ul style="list-style-type: none"> Budget reduction and income generation proposals amounting to £13.5 million in 2017-2018 proceed to the formal consultation and scrutiny stages of the budget process. That Financial Transaction and Base Budget Revisions totalling a net reduction of £10.0 million in 2017-2018 be incorporated into the 2017-2018 draft budget. <p>Cabinet also approved a number of changes to items in the MTFS. As a result of the</p>	<p>Following the Local Government Finance Settlement and completion of detailed budget work, Council approved a balanced budget for 2017-2018 without the use of general reserves. It is estimated that further savings of £14.9 million will need to be identified for 2018-2019 and another £5.6 million for 2019-2020. Council approved that work starts on developing budget reductions for 2018-2019 and that progress be reported to Cabinet in July 2017.</p> <p>It is important to note that the updated projected budget deficit assumes the</p>

	<p>recommendations approved by Cabinet the Council is projected to be able to set a balanced budget for 2017-2018.</p> <p>Budget consultation and scrutiny will be undertaken during November and December the outcome of which will be reported back to Cabinet. An initial review of the assumptions and projections built into the Draft Budget and MTFS 2017-2018 to 2019-2020 has been undertaken, with further work to be completed during the 2017-2018 budget setting process.</p> <p>A further report will be taken to Cabinet on 22 February 2017.</p>	<p>achievement of budget reduction proposals amounting to £33.8 million over the three year period to 2019-2020.</p>
<p><i>Combined Authority</i></p> <p>The West Midlands Combined Authority (WMCA) has been formally vested. The Council needs to work effectively with its partners - including other local authorities and Local Enterprise Partnerships – to ensure that WMCA is a success and that it benefits the City of Wolverhampton.</p> <p>Next steps include strengthening and embedding the governance arrangements required to deliver the first devolution deal and preparation for a West Midlands Metro Mayor in May 2017. This will include public consultation (in the Summer of 2016) on the powers to be conferred on the Mayor by Central Government.</p> <p>Continuing officer and member involvement WMCA is crucial to making it a success, in delivering the first devolution deal, and developing future deals.</p>	<p>The Council needs to continue to work effectively with its partners - including other local authorities and Local Enterprise Partnerships – to ensure that the WMCA successfully delivers the devolution deal, and its success benefits the City of Wolverhampton. The Council continues to play a major role in the Combined Authority. The appointment of the Leader of the Council, Councillor as the Transport portfolio lead for the WMCA was confirmed at its AGM in June 2016.</p> <p>The appointment of the Managing Director to the role of Monitoring Officer of the Combined Authority (on a part time basis) was also confirmed at its AGM, on an interim basis until May 2017.</p> <p>Next steps include strengthening and embedding the governance arrangements required to deliver the first devolution deal and preparation for a West Midlands Metro Mayor in</p>	<p>Preparation for the Mayoral position to be incorporated into the WMCA continues.</p> <p>There is no requirement on Wolverhampton to amend its constitution as the WMCA is the vehicle for devolution and therefore holds the powers and functions, some of which are exercised by the Mayor.</p> <p>The Statutory Order to confer the devolution deal functions was signed on 31 March 2017. The Order and the amended constitution came into force on 8 May 2017.</p> <p>Five observer organisations will progress to non-constituent membership. These authorities are highlighted below:</p> <p>Shropshire Council, Stratford on Avon District Council, Rugby Borough Council, Warwickshire County Council and North Warwickshire Borough Council</p> <p>WMCA is currently recruiting a number of permanent full time senior management posts</p>

May 2017. This to date has included a public consultation (summer 2016) on the functions to be conferred on the Combined Authority by government, to deliver the devolution deal. The formalising of that process will be underway in December 2016, through the constituent council's consideration of the statutory 'Order' (detailing the devolution agreement functions). The governance structures of the Combined Authority, consisting of boards, committees, working groups and commissions, were reflected upon and amended following the development of the devolution agenda and the updated structures were approved at the Combined Authority Board meeting on 28 October 2016. Constitutional arrangements are also being made to incorporate the Mayoral WMCA arrangements into the Combined Authority, and following the consideration by Parliament of the Mayoral WMCA functions, the required changes will be embedded. Continuing officer and member involvement in the Combined Authority is crucial to delivering the first devolution deal, and developing future deals.

On 3 March 2017 the WMCA Board approved the creation of the West Midlands Growth Company.
On 4 May 2017 Andy Street was elected as the Mayor for WMCA.
The WMCA and seven Metropolitan Borough Councils will appoint the company directors by mid May 2017.
The growth company will channel opportunities for regional investment which in turn will benefit WMCA.

Corporate Landlord

A Strategic Asset Plan for the Council is to be developed.
Detailed service reviews to ensure the new service delivery is relevant and effective in supporting the Council's priorities and objectives are underway and due to be completed in-year.

A dedicated project manager is now in place to finalise scopes of work, prepare briefs and commission external consultancy support. Work packages to be supported are summarised as follows:
Strategic Asset Plan
Duration: six months consultancy (completion June 2017)
To assist in the production of the Strategic Asset Plan (suite of three documents – Asset Policy,

Strategic Asset Plan

CIPFA are engaged and will be assisting with the development of the Strategic Asset Plan. Due to complete by October 2017 and full implementation by March 2018

Commercial

The income target exceeded in 2016-2017 as leases, licences and service charges were updated. Investment in the commercial

Asset Strategy and Action Plan). This documentation will set out the long term strategy/goals for where the Council's asset portfolio needs to be in the future.

Commercial Portfolio: review of leases/licences/ service charges/debt management

Duration: 6-12 months (completion November 2017)

To review all leases, licences and service charges in line with the Royal Institute of Chartered Surveyors requirements.

Asset Challenge: Utilisation and Life-cycle Assessment

Duration: 12 months (completion December 2017)

To undertake utilisation surveys and life-cycle (circa 25 years) condition surveys on all buildings enabling Corporate Landlord to assess the performance of the asset portfolio and ensure it supports the Council's strategic and operational objectives.

Data Management

Duration: 6-12 months (completion November 2017)

A Project Manager, Data Support Officer and access to scanning facilities will be required to map, identify, cleanse and capture baseline land and property data. Centralised data is at the core of the Corporate Landlord service delivery model and this work will enable analysis and reporting.

portfolio has also commenced to improve the offer.

Asset Challenge

The Project Manager is developing a utilisation template and life-cycle condition surveys are being considered as part of the future FM Delivery Model.

Data Management

All estates files now scanned and a data intelligence solution currently being evaluated. Processes are being reviewed together with staff capability with a view to systems rationalisation.

Procurement, Contract Management and Monitoring

A standard approach to Contract

The Procurement team has started to offer contract management support to service teams. The first areas where this has commenced is

The Contract Management System was implemented in February 2017. The Contract Management of the Waste collection and

<p>Management will be implemented, with a programme of training developed to support a consistent approach to realising the benefits from contracts.</p>	<p>Environmental Services and Public Health. The first dedicated Contract Manager post has been agreed and is currently being recruited to. A new contract management system (Accord) is being implemented and will be live in early 2017. This will give visibility of each contract and a standardised approach to performance monitoring and contract administration.</p>	<p>treatment contracts is being supported by the Procurement Team. A Contract Manager post has been recruited to with a start date of May 2017 and a standard approach to performance monitoring and contract administration is to be developed during 2017-2018.</p>
<p><i>Partnership Governance</i></p> <p>The Council is embarking on a systematic review of Governance arrangements with partner organisations and has already implemented revised protocols for all newly drafted arrangements. The Black Country Joint Committee, set up in Summer 2015, has established a clear governance structure for collaborative arrangements across the Black Country, which the Council has committed to.</p> <p>The City Board oversees the Economic Growth Board, Inclusion Board and the recently set up Employment and Skills Board. The governance for each is reviewed annually and amendments made, if required.</p>	<p>At the City level, work is underway to review the strategic approach for City Economy and how this is reflected in our partnerships. This work is expected to complete around spring 2017.</p> <p>New reporting formats for projects being championed by the Economic Growth Board and Skills and Employment Board have now been developed and approved. This will help to tighten governance and impact from partnership working.</p> <p>The Council is also the accountable body for the delivery of the Black Country Growth Hub. Again the governance has been reviewed and tightened to enable effective governance of a wider remit that includes delivery of the new ERDF funded AIM for the Black Country project.</p>	<p>The City Board has agreed to focus on sustainability and smart city during 2017, and has completed an audit of sustainable development activities across the core partners that contribute to the millennium goals.</p> <p>A refresh of the City Strategy 2011 – 2026: Prosperity for All is underway, to better align it with the Black Country and West Midlands Combined Authority SEPs. Initial work to review and update the economic evidence base has been commissioned and will be completed in spring 2017.</p> <p>Revised reporting process have now been introduced with the Economic Growth, Employment and Skills and Inclusion Boards. This is helping to identify and focus on areas relevant to the influence of the board members, and be able to track activity.</p> <p>Clear reporting structures are in place for the Black Country Growth Hub and the EU funded project AIM, both of which the City of Wolverhampton holds the role of accountable body. The city has also developed a clear delivery approach to ensure value from these partnership programmes is secured in the city.</p>

Action Plan for the Significant Governance Issues identified during 2016-2017 which will need addressing in 2017-2018

Based on the Council's established risk management approach, the following issues have been assessed as being "significant" for the purpose of the 2016-2017 annual governance statement. Over the coming year appropriate actions to address these matters and further enhance governance arrangements will be taken.

2016-2017 - Key areas and actions for implementation	Responsibility and expected implementation date
<p><i>Savings Targets</i></p> <p>This continues to be a key area for the Council to manage as it is faced with finding savings of £20.5 million by 2019/20. As part of this process £14.9 million of additional savings is to be identified for 2018-2019 and reported to Cabinet, in order to demonstrate that a balanced budget can be achieved in 2018-2019.</p>	<p>Chief Accountant July 2017</p>
<p><i>Procurement, Contract Management and Monitoring</i></p> <p>Following the recruitment of the Contract Manager post a standard approach to performance monitoring and contract administration is to be developed during 2017-2018.</p>	<p>Service Director – Commercial Services December 2017</p>
<p><i>Combined Authority</i></p> <p>Following the election of the new Mayor in May 2017, the Council will be working with their office in order to maximise the benefits the Combined Authority will bring to the city.</p>	<p>Managing Director September 2017</p>

Corporate Landlord

- Strategic Asset Plan - to develop the Strategic Asset Plan with CIPFA.
- Asset Challenge- to develop a utilisation template and consider life-cycle condition surveys as part of the future FM Delivery Model
- Data Management - to rationalise systems and introduce a data intelligence solution.

Head of Corporate
Landlord
October – December 2017

Future Assurance

A progress report on the implementation of the above actions from the key areas will be produced by Audit Services and reported to the Audit and Risk Committee during 2017-2018.

Certification

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



Roger Lawrence, Leader of the Council

Date:



Keith Ireland, Managing Director

Date:



Audit and Risk Committee

3 July 2017

Report title	Strategic Risk Register and Strategic Insurance Map	
Accountable director	Claire Nye, 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	20 June 2017

Recommendations for noting:

The Committee is asked to note:

1. The strategic risk register at Appendix A.
2. The identification of three new risks;
 - Risk 24 – Payment Card Industry Data Standard. Due to a change in regulations the Council does not currently comply with the Payment Card Industry's Data Standards. The Payment Card Industry have been made aware of this and are being kept informed of the steps the Council are taking to comply with the updated standard.
 - Risk 25 – Community Cohesion. To reflect the increased risk of community tensions due to the recent terror attacks in Manchester and London.
 - Risk 26 – Safety concerns around the City's tower blocks, as a result of the recent tragic events at Grenfell Tower in London.
3. The amendment to the risk description and increase in the risk score for risk 15 – Emergency Planning.
4. The increase in the risk score for risk 23 – Cyber Security, as a result of the recent world-wide RansomeWare cyber-attack.

5. The reduction in the assessment of the following risks:

- Risk 1 – Looked after Children. To reflect the progress made as per the recent Children's Services Ofsted Report and the £1.2m efficiencies from the 2016-17 LAC Placements budget. It is noted there was a slight increase in LAC admissions during 2016-17, although overall the numbers continue to reduce. LAC numbers continue to be closely monitored and target projections have been established for the next three years.
- Risk 7 – Safeguarding. The reduction in this risk reflects progress made in this area and the steps that have been taken to implement the recommendations made in Ofsted's inspection of the Council's Local Safeguarding Children's Board.
- Risk 22 – Skills for Work and Economic Inclusion, to reflect the completion of the majority of the Skills and Employment Action Plan and the introduction of Work Box and the Wolves@Work programme.

6. The main sources of assurance available to the Council against its strategic risks at Appendix B.

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 was last presented to the Committee in March 2017. Since this time, we have met with the risk owners to review and update the risks.
- 2.3 The strategic risk register does not include all the risks that the Council faces. It represents the most significant risks that could potentially impact on the achievement of the corporate priorities. Other risks are captured within operational, programme, project or partnership risk registers in line with the Council's corporate risk management framework and strategy.
- 2.4 A summary of the strategic risk register is included at Appendix A of this report which sets out the status of the risks as at June 2017. 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 C provides a summary of the Council's strategic assurance map which follows the three lines of defence model (shown on the following page). 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. At the last meeting, the Committee

requested risk 12 – Transforming Adult Social Care and risk 23 – Cyber Security to be called in for the July 2017 meeting. Details regarding this risk are included in the risk register at appendix A and the risk owner(s) will be attending the meeting to discuss details of the risk with the Committee.

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.
[SR/15062017/R]

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/13062017/W]

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

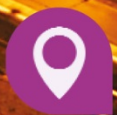
- 9.1 There are no corporate landlord implications arising from the recommendations made in this report.

10.0 Schedule of background papers

- 10.1 None

The background image is a nighttime aerial photograph of a city. In the foreground, a railway station is visible, featuring a large, modern building with a curved glass facade that is brightly lit from within. To the right of the station, there are railway tracks and a large, dark, rectangular structure, possibly a train or a storage container. In the background, the city lights are visible, with a prominent church spire rising above the skyline. A semi-transparent olive-green box is overlaid on the top left of the image, containing the title text.

Appendix A – Strategic Risk Register @ June 2017



**Stronger
Economy**



**Stronger
Communities**



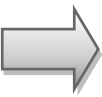
**Stronger
Organisation**

Profile of current strategic risks


Red 23

Amber 1,3,4,7,8,9,14,15,21,22,24,25,26


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


Risk ref	Risk title and description	Previous score (Feb 2017)	Direction of travel	Current score (June 2017)	Target score and date	Comment																																				
4 01/14	<p>Medium Term Financial Strategy</p> <p>If the Council does not manage the risks associated with the successful delivery of its medium term financial strategy including the continual review of the assumptions and projections of the strategy, the effective management of the key MTFS programmes and projects then this may exhaust reserves, result in the potential loss of democratic control and the inability of the Council to deliver essential services and discharge its statutory duties.</p> <p>Risk owner: Keith Ireland Cabinet Member: Cllr Andrew Johnson</p> <div> <div>Likelihood</div> <table> <tr><td>5</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>4</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>3</td><td></td><td></td><td></td><td>12</td><td></td></tr> <tr><td>2</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>1</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td></td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr> </table> <div>Impact</div> </div>	5						4						3				12		2						1							1	2	3	4	5	12 Amber		12 Amber	8* Amber On-going	<p>Following the Local Government Finance Settlement and completion of detailed budget work, a final budget report was presented to Cabinet on 22 February 2017 it is noted that:</p> <ul style="list-style-type: none"> The budget is in balance for 2017/18 without the use of general reserves. Further savings of £14.8 million will need to be identified for 2018/19 and another £5.6 million for 2019/20. <p>The Revenue Budget Monitoring 2016/17 report to Cabinet on 6 December 2016 noted that the projected outturn for the General Fund for 2016/17 is on target to achieve a net balanced position. This reflects the delivery of in year budget reduction and income generation targets.</p> <p>A report regarding the outturn for 2016/17 is due to be submitted to Cabinet on 19 July, full details with regards to the outturn will be provided to Committee at their next meeting.</p>
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This report is PUBLIC [NOT PROTECTIVELY MARKED]

Risk ref	Risk title and description	Previous score (Feb 2017)	Direction of travel	Current score (June 2017)	Target score and date	Comment																																												
7 01/14	<p>Safeguarding</p> <p>If the Council's safeguarding procedures and quality assurance processes are not consistently and effectively implemented then it will fail to safeguard children and vulnerable adults and lead to reputational damage.</p> <p>Risk owner: Linda Sanders Cabinet Member: Cllr Val Gibson and Cllr Sandra Samuels OBE</p> <table border="1"> <tr> <td rowspan="6">Likelihood</td><td>5</td><td></td><td></td><td></td><td></td><td></td></tr> <tr> <td>4</td><td></td><td></td><td></td><td></td><td></td></tr> <tr> <td>3</td><td></td><td></td><td></td><td></td><td></td></tr> <tr> <td>2</td><td></td><td></td><td></td><td>8</td><td></td></tr> <tr> <td>1</td><td></td><td></td><td></td><td></td><td></td></tr> <tr> <td></td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr> <tr> <td></td><td colspan="5">Impact</td><td></td></tr> </table>	Likelihood	5						4						3						2				8		1							1	2	3	4	5		Impact						10 Amber		8 Amber	5 Amber March 2018	<p>An action plan has been established to implement the recommendations made in Ofsted's inspection of the Local Safeguarding Children's Board. Despite the 'requires improvement' rating given by Ofsted it should be noted that the areas for development are related to Governance and there is no suggestion that the Board does not have oversight of their safeguarding responsibilities. Following the inspection, the following is noted:</p> <ul style="list-style-type: none"> The Board's data set has been reviewed, early help and looked after children's data has been incorporated to provide a wider source of information. The multi-agency audit schedule has been extended to include all activity across the partnership. The Board's training strategy has now been implemented. It is noted that the strategy was in draft form at the point of the Ofsted inspection. The Board's risk register has been reviewed and revised. <p>Other areas of note since last reported are as follows:</p> <ul style="list-style-type: none"> An interim joint (children's and adults) Board Manager is currently in post. The permanent appointment of an experienced Board Manager has now been finalised and they are due to start work at the end of August 2017. One of their roles will be to review and standardise governance arrangements across both the adult's and children's Boards. The contract for the independent chair of the Children's Board is due to expire in August 2017. The Council's Managing Director is progressing with the recruitment process to appoint a new chair. An external organisation has now been commissioned to eliminate Wolverhampton's outstanding deprivation of liberty assessments and a rota for the completion of assessments has been agreed. <p>The reduction in this risk score reflects progress made in this area. The risk score will be reviewed again once the recommendations made in the Ofsted report have been implemented.</p>
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Page 62

Risk ref	Risk title and description	Previous score (Feb 2017)	Direction of travel	Current score (June 2017)	Target score and date	Comment																																											
21 11/16	<p>Transforming Adult Social Care (TASC) programme</p> <p>If the Council does not have robust management and governance arrangements in place for the Transforming Adult Social Care Programme then it may be unable to effectively manage demand and deliver the targets of the significant savings challenge the service needs to make as part of the MTFS.</p> <p>Risk owner: Linda Sanders (David Watts)</p> <p>Cabinet Member: Cllr Sandra Samuels OBE</p> <table><tr><td rowspan="6">Likelihood</td><td>5</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>4</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>3</td><td></td><td></td><td></td><td>12</td><td></td></tr><tr><td>2</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>1</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr><tr><td colspan="6">Impact</td></tr></table>	Likelihood	5						4						3				12		2						1							1	2	3	4	5	Impact						12 Amber		12 Amber	8* Amber	<p>In the past year the TASC programme has supported the delivery of a wide range of initiatives to realise the aims and objectives within the Corporate Plan. Programme highlights not previously reported have included:</p> <ul style="list-style-type: none">The Promoting Independence Team who have reduced the level of outstanding community based care and support reviews for over 65's to nearly zero. They have completed over 740 outstanding reviews, focusing on the promotion of independence through joint working with occupational therapy services and identifying opportunities to introduce telecare and re-ablement where appropriate. This project delivered estimated savings of £300,000 during 20016/17, resulting in a full year budget reduction of over £670,000. The team have developed a positive approach that recognises a person's strengths and assets, leading to them being nominated for Adult Services' Team of the Year at the National Social Work Awards.Adult Disability and Mental Health Transformation projects delivered over £1m of savings during 20016/17. Savings were achieved through a combination of tenancy type negotiations with providers, negotiations regarding health funding and supporting people with disabilities to gain independence in supported living settings.The roll out of mobile technology to social work staff is enabling smarter working and allowing useful information to be shared with customers in their homes. By September 2017, all staff in adult social care settings will have access to new IT equipment to help them work more flexibly.A partnership project with the local CCG and data integration specialists Pi Ltd is developing a system (Pi Care and Health) that is enabling analysis of data from across the health and social care system, providing evidence to support a more intuitive service design and ultimately deliver better outcomes for people using both health and adult social care services.A pilot project managing demand for care and support at the 'front door' in the Council's customer contact centre has resulted in the avoidance of inappropriate referrals to social work teams and has provided customers with relevant information quickly and efficiently.
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22 01/17	<p>Skills for Work and Economic Inclusion</p> <p>If the city residents do not have the appropriate skills that employers require and the Council does not work effectively with its partners to promote and enable growth, high rates of unemployment and economic inclusion will result in increased demand for Council Services.</p> <p>Risk owner: Tim Johnson (Keren Jones) Cabinet Member: Cllr John Reynolds</p> <table border="1"> <tr> <td rowspan="6">Likelihood</td><td>5</td><td></td><td></td><td></td><td></td><td></td></tr> <tr> <td>4</td><td></td><td></td><td></td><td></td><td></td></tr> <tr> <td>3</td><td></td><td></td><td></td><td></td><td></td></tr> <tr> <td>2</td><td></td><td></td><td></td><td></td><td>10</td></tr> <tr> <td>1</td><td></td><td></td><td></td><td></td><td></td></tr> <tr> <td></td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr> <tr> <td colspan="6">Impact</td></tr> </table>	Likelihood	5						4						3						2					10	1							1	2	3	4	5	Impact						15 Red		10 Amber	5 Amber March 2018	<p>The reduction in the risk score reflects progress made in this area and the completion of the majority of the Skills and Employment Action Plan. Since last reported the following is noted:</p> <ul style="list-style-type: none"> The Work Box is due to go live on 29 June 2017. The launch was delayed slightly due to staffing changes within ICTS and 'purdah' which prevented the launch before the general election. 80 pages of high quality web content have now been developed and work on CRM functions is ongoing. At the time of reporting 60 organisations had signed up to be a part of the Work Box. The Wolves@Work programme is ongoing, the programme aims to get 3,000 people (including 1,000 young people) into sustained employment over a three-year period. 1,234 people have now registered on the programme, to date the programme has successfully supported 428 people into work and 82 people into work experience. 94 employers have now signed the pledge and agreed to be part of the programme. The city apprenticeships group has been set up in response to the low take-up of apprenticeships in the city. It includes all major partners and providers in delivery including the college, university as well as representation from the many private training providers. Priorities for 2017/18 are; <ul style="list-style-type: none"> Stimulating increased employer engagement – through city-wide marketing campaigns and employer support. Ensuring that the apprenticeship offer meets the needs of Wolverhampton – by increasing the numbers and range of higher/degree level opportunities and supporting key employment sectors. Promoting the apprenticeship pathway – through improved information, advice, guidance and support for under-represented groups and young people. Ensuring apprenticeships are of the highest quality – by supporting employers with developing and implementing appropriate standards and support.
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23 01/17	<p>Cyber Security</p> <p>Failure to maintain a high level of cyber security (technology, processes and awareness) throughout the Council may result in cyber-attacks and theft or loss of confidential data leading to financial penalties, reputational damage and a loss in public confidence.</p> <p>Risk owner: Andy Hoare Cabinet Member: Cllr Milkinderpal Jaspal</p> <table border="1"> <tr> <td rowspan="6">Likelihood</td><td>5</td><td></td><td></td><td></td><td></td><td></td></tr> <tr> <td>4</td><td></td><td></td><td></td><td></td><td></td></tr> <tr> <td>3</td><td></td><td></td><td></td><td></td><td>15</td></tr> <tr> <td>2</td><td></td><td></td><td></td><td></td><td></td></tr> <tr> <td>1</td><td></td><td></td><td></td><td></td><td></td></tr> <tr> <td></td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr> <tr> <td></td><td colspan="5">Impact</td><td></td></tr> </table>	Likelihood	5						4						3					15	2						1							1	2	3	4	5		Impact						10 Amber		15 Red	10 Amber December 2017 (providing no further cyber incidents)	<p>The level of this risk has increased to take into account the recent world-wide WannaCry RansomeWare cyber-attack which significantly disrupted the NHS and the likelihood that further attacks could be imminent. As a result of the recent cyber-attack a number of long and short-term steps were taken to protect the Council's systems, these included;</p> <ul style="list-style-type: none"> All links to the NHS were severed for the duration of the attack to prevent the spread of the virus to Council systems. Prior to re-establishing these links the Royal Wolverhampton NHS Trust were asked to evidence what steps had been taken to prevent further attacks. These actions were reviewed and approved prior to the connection being re-established. The Council's firewall was switched to 'advanced detection mode' to enable additional filtering and ensure unauthorised access to the network was blocked. This tends to be a short-term measure used for specific periods of time because of the effect on performance. 'Safelinks in Office 365' was enabled. Safelinks identifies and highlights potential malicious links within emails to prevent individuals from clicking on them. This software also enables ICT to monitor incoming emails and identify individuals being targeted so that additional training and support can be provided where required. The introduction of this software was brought forward in response to the cyber-attack. Patching levels on all servers were reviewed. Microsoft patches are normally introduced to a test group fortnightly and then deployed across the network at least monthly. A full anti-virus scan across the Council's entire ICT estate was initiated. <p>Maintaining robust, secure and up-to-date technology defences continues to be the Council's first line of defence against cyber-attacks. Regular maintenance of the cyber security technical defences is required to address identified vulnerabilities. System back-up's continue to be undertaken in accordance with agreed time-tables and practise restores to the Council's non-production area are ongoing to ensure that back-ups have been undertaken correctly and can be restored.</p>
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Risk ref	Risk title and description	Previous score (Feb 2017)	Direction of travel	Current score (June 2017)	Target score and date	Comment																																												
27 06/17	<p>Safety concerns around the City's tower blocks</p> <p>Following the recent tragic events at Grenfell Tower in London, there is an urgent need for the Council to ensure that the tower blocks in the City do not face the same risks, and that tenants can be assured on this.</p> <p>Risk Owner: Lesley Roberts Cabinet Member: Cllr Peter Bilson</p> <table border="1"> <tr> <td rowspan="6">Likelihood</td> <td>5</td><td></td><td></td><td></td><td></td><td></td></tr> <tr> <td>4</td><td></td><td></td><td></td><td></td><td></td></tr> <tr> <td>3</td><td></td><td></td><td></td><td></td><td></td></tr> <tr> <td>2</td><td></td><td></td><td></td><td></td><td>10</td></tr> <tr> <td>1</td><td></td><td></td><td></td><td></td><td></td></tr> <tr> <td></td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr> <tr> <td></td><td colspan="5">Impact</td><td></td></tr> </table>	Likelihood	5						4						3						2					10	1							1	2	3	4	5		Impact						N/A	N/A	10 Amber	5 Green July 2017	<p>Wolverhampton has 36 residential tower blocks ranging from 9 – 23 stories high which are managed by Wolverhampton Homes. Six of the thirty-six tower blocks have a screen type cladding which is not the same as the cladding at Grenfell Tower, checks have confirmed the cladding on all six blocks passes 'flammable tests'. Further on-site tests are due to be undertaken shortly with specialist contractors to confirm that installation provides necessary fire breaks. Wolverhampton Homes have a very strict Health and Safety regime in respect of fire safety, the main elements of which are as follows:</p> <ul style="list-style-type: none"> Daily fire checks in all blocks. Fire risk-assessments undertaken every 12-months with action plans for any issues identified. Fire retardant paint in communal areas to prevent the spread of fire. Dry and wet risers in place which are regularly checked. Smoke alarms in every flat. Periodic checks that 'fire stopping' is in place. All incidences of fire are reported to and considered by Wolverhampton Homes. Regular fire safety committee meetings are held and attended by the Director of Operations and other senior officers. <p>All tower block residents have been issued with a message reassuring them of the fire safety measures in place. Details have also been provided on the Wolverhampton Homes web-site. This includes fire-safety advice from the Fire Service which is for tenants to stay put in their flats until they are asked to leave by fire service personnel or unless the fire is in their own flat. This advice is on the basis that tower blocks have been built to withstand fire for a period of time and avoids the danger of a mass evacuation down a single stair-well. A joint visit by Council / Wolverhampton Homes staff and the Fire Service was undertaken at the tower-blocks in Graisleigh and Heath Town on 19 and 20 June to advise residents about fire prevention, offer support and answer any concerns from tenants.</p> <p>In conjunction with the Fire Service Wolverhampton Homes are currently assessing emergency vehicle access at all tower blocks, the results of these assessments will be acted on as a matter of urgency.</p>
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- The following are/were the medium and low (assessed at less than 10) strategic risks that the Council faces in delivering its corporate priorities.


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1 01/14	<p>Looked After Children (LAC)</p> <p>If the number of LAC is not reduced this may result in an increase in costs, budget overspends and an increased demand on children's services.</p> <p>Risk owner: Linda Sanders (Emma Bennett) Cabinet Member: Cllr Val Gibson</p> <table><tr><td rowspan="6">Likelihood</td><td>5</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>4</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>3</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>2</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>1</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr><tr><td colspan="6">Impact</td></tr></table>	Likelihood	5						4						3						2						1							1	2	3	4	5	Impact						8 Amber		5 Amber	5 Amber Target achieved
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3 01/14	<p>Information Governance (IG)</p> <p>If the Council does not put in place appropriate policies, procedures and technologies to ensure:</p> <ul style="list-style-type: none">that the handling and protection of its data is undertaken in a secure manner and consistent with both the provisions of the Data Protection Act 1998 and the General Data Protection Regulation (GDPR) which comes into force during May 2018;compliance with the Freedom of Information Act and Environmental Information Regulations; <p>then it may be subject to regulatory action, financial penalties, reputational damage and the loss of confidential information.</p> <p>Risk owner: Kevin O' Keefe Cabinet Member: Cllr Milkinderpal Jaspal</p> <table><tr><td rowspan="6">Likelihood</td><td>5</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>4</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>3</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>2</td><td></td><td></td><td></td><td>8</td><td></td></tr><tr><td>1</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr><tr><td colspan="6">Impact</td></tr></table>	Likelihood	5						4						3						2				8		1							1	2	3	4	5	Impact						8 Amber		8 Amber	4 Amber May 2018
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8 01/14	<p>Business Continuity Management (BCM)</p> <p>Failure to develop, exercise and review plans and capabilities that seek to maintain the continuity of critical functions in the event of an emergency that disrupts the delivery of Council services.</p> <p>Risk owner: Linda Sanders (Ros Jervis) Cabinet Member: Cllr Paul Sweet</p> <table><tr><td rowspan="6">Likelihood</td><td>5</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>4</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>3</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>2</td><td></td><td></td><td></td><td>8</td><td></td></tr><tr><td>1</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr><tr><td colspan="6">Impact</td></tr></table>	Likelihood	5						4						3						2				8		1							1	2	3	4	5	Impact						8 Amber		8 Amber	8* Amber
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9 01/14	<p>City Centre Regeneration</p> <p>If the city centre regeneration programme is not effectively managed in terms of project timings, costs and scope, then it will be unable to maximise opportunities including:</p> <ul style="list-style-type: none">the attraction of private sector investmentthe creation of space to accommodate new businesses and economic growththe enhancement and creation of visitor attractionsthe creation of well paid employmentretention of skilled workersthe creation of residential opportunitiesa functioning city centre offer that serves the residents of the Cityincreased prosperity anda reduced demand on Council services <p>Risk owner: Tim Johnson</p> <p>Cabinet Member: Cllr John Reynolds</p> <table><tr><td rowspan="6">Likelihood</td><td>5</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>4</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>3</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>2</td><td></td><td></td><td></td><td>8</td><td></td></tr><tr><td>1</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr><tr><td colspan="6">Impact</td></tr></table>	Likelihood	5						4						3						2				8		1							1	2	3	4	5	Impact						8 Amber		8 Amber	4 Amber April 2018
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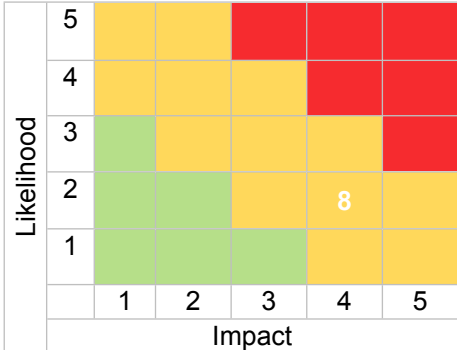
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14 01/14	<p>School Improvement</p> <p>If the Council does not provide effective support, challenge and appropriate intervention to raise standards in schools and school governance, then the Council and these schools are at risk of underperforming, receiving inadequate Ofsted judgements and a potential loss of control and influence.</p> <p>Risk owner: Linda Sanders Cabinet Member: Cllr Claire Darke</p> <table><tr><td rowspan="6">Likelihood</td><td>5</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>4</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>3</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>2</td><td></td><td></td><td></td><td>8</td><td></td></tr><tr><td>1</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr><tr><td colspan="7">Impact</td></tr></table>	Likelihood	5						4						3						2				8		1							1	2	3	4	5	Impact							8 Amber		8 Amber	5 Amber 90% schools @ good or above
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15 01/14	<p>Emergency Planning</p> <p>Failure to develop, exercise and review plans and capabilities for preventing, reducing, controlling or mitigating the effects of emergencies in both the response and recovery phases of a major incident. Failure to train sufficient numbers of staff to undertake the roles in our plans that assist our residents in emergencies and protect the council's reputation from damage. Failure to audit the emergency response plans and capabilities of third party organisations that deliver statutory services on behalf of the council.</p> <p>Risk owner: Linda Sanders (Ros Jervis) Cabinet Member: Cllr Roger Lawrence and Cllr Paul Sweet</p> <table><tr><td rowspan="6">Likelihood</td><td>5</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>4</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>3</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>2</td><td></td><td></td><td></td><td>8</td><td></td></tr><tr><td>1</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr><tr><td colspan="6">Impact</td></tr></table>	Likelihood	5						4						3						2				8		1							1	2	3	4	5	Impact						4 Amber		8 Amber	4 Amber April 2018
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24 01/17	<p>Maximising Benefits from West Midlands Combined Authority</p> <p>If the Council does not put in place effective co-ordination arrangements to utilise the opportunities available from being part of West Midlands Combined Authority (WMCA) it will be unable to maximise the benefits and opportunities available to it.</p> <p>Risk owner: Keith Ireland Cabinet Member: Cllr Roger Lawrence</p> <table><tr><td rowspan="6">Likelihood</td><td>5</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>4</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>3</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>2</td><td></td><td></td><td>6</td><td></td><td></td></tr><tr><td>1</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr><tr><td colspan="6">Impact</td></tr></table>	Likelihood	5						4						3						2			6			1							1	2	3	4	5	Impact						6 Amber		6 Amber	3 Green December 2017
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25 03/17	<p>Payment Card Industry Data Security Standard</p> <p>If the Council does not put in place appropriate systems, procedures and technologies to ensure agent-led telephone payments are compliant with the Payment Card Industry Data Security Standard, there is a risk of data breaches which may result in regulatory action, financial penalties and reputational damage.</p> <p>Risk owner: Mark Taylor Cabinet Member: Cllr Andrew Johnson</p> 	N/A	N/A	8 Amber	4 Amber April 2018

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26 05/17	<p>Community Cohesion</p> <p>There is a risk of an escalation in community tensions in response to external influences i.e. terrorism, national policy changes e.g. Brexit and national events such as riots.</p> <p>Risk owner: Linda Sanders Cabinet Member: Cllr Paul Sweet</p> <table><tr><td rowspan="6">Likelihood</td><td>5</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>4</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>3</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>2</td><td></td><td></td><td></td><td>8</td><td></td></tr><tr><td>1</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr><tr><td colspan="6">Impact</td></tr></table>	Likelihood	5						4						3						2				8		1							1	2	3	4	5	Impact						N/A	N/A	8 Amber	4 Amber December 2017 (provided no further instances)
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* The target assessment for these risks remains constant as they are risks which are likely to remain at their current level over the medium term and as such these risks may not have target dates.

Strategic Risk Assurance Map – June 2017

Risk Ref	Risk Title and Description	Current Score	External/ Independent (Third Line of Defence)	Types of Assurance Risk and Compliance (Second Line of Defence)	Operational and Management (First Line of Defence)	Comments / Gaps in Assurance/Risk Exposure
1	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.	5 Amber	Performance indicator- number of LAC per 10,000 population Audit and Risk Committee review of risk – September 2015 Internal audit review 2015/16 – External Placements (substantial assurance) Children's Services Ofsted Inspection January / February 2017 (Good Rating)	Scrutiny review of Corporate Parenting and Children in Care Council – September 2015 Resources panel reviews Update to Children's Trust Board- September 2014 Care panel 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 programme. Assurances through the budgetary process regarding the cost of LAC need to be continually provided to ensure effective management of the budgetary pressures associated with this risk.
3	Information Governance (IG) If the Council does not put in place appropriate policies, procedures and technologies to ensure: <ul style="list-style-type: none"> that the handling and protection of its data is undertaken in a secure manner and consistent with both the provisions of the Data Protection Act 1998 and the General Data Protection Regulation (GDPR) which comes into force during May 2018; 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.	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 2016/17 – Freedom of Information Requests (Substantial Assurance) Internal audit review 2016/17 – Information Governance (Satisfactory assurance)	Information risk register and reports to Information Governance Board Performance 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 Information Risk Officer Annual Report Controls Assurance Statements	The Council's on-going dialogue with the Information Commissioners Office, regular audits, performance against FOI and SAR requests and information incidence logs will all continue to inform the level of assurance over the effectiveness and adequacy of the controls in place to manage this risk this risk.

Risk Ref	Risk Title and Description	Current Score	External/ Independent (Third Line of Defence)	Types of Assurance Risk and Compliance (Second Line of Defence)	Operational and Management (First Line of Defence)	Comments / Gaps in Assurance/Risk Exposure
4	Medium Term Financial Strategy If the Council does not manage the risks associated with the successful delivery of its medium term financial strategy including the continual review of the assumptions and projections of the strategy, the effective management of the key MTFS programmes and projects then 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.	12 Amber	PwC report: Report to those charged with governance (ISA 260) September 2016 Independent review of process for MTFS and budget- E Sullivan, May 2014 Internal audit review Budgetary Control - 2015/16 (Satisfactory assurance) Internal audit review – 2014/15 Assumptions of the MTFS LGA Finance Peer review- June 2016 Audit and Risk Committee review of risk – December 2016 Internal audit review Budgetary Control – 2016/17 (Satisfactory assurance)	MTFS risk register Reports to Budget Working Party Reports to Cabinet Scrutiny reviews of budget strategy Outcome of Local Government Finance Peer Review Report –Report to 3C Scrutiny Board 14 September 2016	Management accounts Controls Assurance Statements	Ongoing internal and external reviews will continue to provide assurances over the successful delivery of the MTFS and the achievement of efficiency savings.
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.	8 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 Internal audit review 2015/16 – Independent Reviewing Officer Service (satisfactory assurance) Internal audit review 2015/16 – Safeguarding in schools (satisfactory assurance) S.11 (Safeguarding self-Assessment) Audit 2016/17 Internal audit review 2016/17 – MASH (satisfactory assurance) Children's Services Ofsted Inspection January / February 2017 (Requires Improvement Rating)	Scrutiny review- Child Sexual Exploitation 2015/16 Adults and Safer City Scrutiny Panel Review- Violence against women and girls strategy September 2015 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 Annual Reports from: IRO Service, Local Authority Designated Officer, Foster Home Reviewing Officer Safeguarding Adults Board Annual Review – Report to Adult and Safer City Scrutiny Panel 31 January 2017	Children's Services self- assessment December 2015 Adults safeguarding self- assessment and action plan – June 2016 Quality Assurance Framework and assessments Controls Assurance Statement WSCB Self-Assessment against Ofsted Descriptors	Regular updates to the Children's Board and People management times with regards to the implementation of recommendations made by Ofsted will provide further assurance.
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.	8 Amber	Internal audit review 2015/16 – Business continuity and resilience management (satisfactory assurance) Audit and Risk Committee review of risk – July 2016	Reports from Wolverhampton Resilience Board to SEB Strategic Business Continuity Plan, approved by SEB	Controls Assurance Statement Implementation of the Apprise Co-ordination system Completed Priority 1 Business Continuity Plans Development of tactical loss of building plan	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.

Risk Ref	Risk Title and Description	Current Score	External/ Independent (Third Line of Defence)	Types of Assurance Risk and Compliance (Second Line of Defence)	Operational and Management (First Line of Defence)	Comments / Gaps in Assurance/Risk Exposure
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: <ul style="list-style-type: none"> • creation of well paid employment • retention of skilled workers • sector and economic growth • increased prosperity and • reduced demand on council services 	8 Amber	Internal audit review 2015/16- City centre development (Satisfactory assurance)	Programme and project risk registers Monthly reporting to the City Centre Regeneration Programme Board Stronger City Economy Scrutiny Panel Review 2016/17 – Regeneration programmes	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.
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.	8 Amber	Ofsted annual report – Schools 2014/15, December 2015 Ofsted inspections 2015/16 School internal audit reviews 2014/15 and 2015/16 and 2016/17 Internal audit review 2015/16 – School Improvement and Governance Strategy (satisfactory assurance) Audit and Risk Committee review of risk – February 2017 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 – School Improvement Strategy July 2016 Report to Children and Young People and Families Scrutiny Panel - Local Authority School Improvement Inspection Self-Evaluation July 2016 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- Academy Partnership Protocol April 2016 Report to Children and Young People and Families Scrutiny Panel – Secondary School Sufficiency Strategy April 2016 Report to Children and Young People and Families Scrutiny Panel – Improving Our Schools Annual Report 2016 April 2016 Audits carried out by School Support Advisors and External Governance reviews	Reports to Cabinet Controls Assurance Statement Individual school SFVS statements	The Ofsted inspections and annual report published in December 2016 will continue to be the primary source of assurance for 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. Failure to train sufficient numbers of staff to undertake the roles in our plans that assist our residents in emergencies and protect the council's reputation from damage. Failure to audit the emergency response plans and capabilities of third party organisations that deliver statutory services on behalf of the council.	8 Amber	Follow up of internal audit recommendations, January 2014	Reports to Wolverhampton Resilience Board (WRB) Regular reports from WRB to SEB and C3 Scrutiny Panel	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.

Risk Ref	Risk Title and Description	Current Score	External/ Independent (Third Line of Defence)	Types of Assurance Risk and Compliance (Second Line of Defence)	Operational and Management (First Line of Defence)	Comments / Gaps in Assurance/Risk Exposure
21	Transforming Adult Social Care (TASC) If the Council does not have robust management and governance arrangements in place for the Transforming Adult Social Care Programme then it may be unable to effectively manage demand and deliver the targets of the significant savings challenge the service needs to make as part of the MTFS.	12 Amber	Birmingham City Council – Wolverhampton Adult Social Care Peer Challenge, March 2016 Financial Decision Making – Adults Services audit	Reports to Transforming Adult Social Care (TASC) Board Regular reports from TASC Board to SEB Resources Panel reviews Programme and project risk registers Various TASC KPI's and performance measures	Controls Assurance Statement	Ongoing reviews will continue to provide assurances over the successful delivery of the TASC programme and the achievement of savings targets in the MTFS.
22	Skills for Work and Economic Inclusion If the city residents do not have the appropriate skills that employers require and the Council does not work effectively with its partners to promote and enable growth, high rates of unemployment and economic inclusion will result in increased demand for Council Services.	10 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 Skills and Employment Board Audit and Risk Committee review of risk – September 2016 and December 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 Black Country performance management framework	Stronger City Economy Scrutiny Panel Review – Investment and Funding July 2016 Report to SEB – City Board – Monthly unemployment briefings Scrutiny review of “Employability and Skills in Wolverhampton” report to Cabinet 11 March 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 Scrutiny Skills and Employment Update – Report to Stronger City Economy Scrutiny Panel – 20 September 2016	Reports to the Wolverhampton Skills and Employment Board growth board Inclusion board Controls Assurance Statement	National indicators will demonstrate the effectiveness of the measures in place to manage this long-term risk. In addition, assurances received at a regional level (e.g. through the West Midlands Combined Authority) will also inform the adequacy and effectiveness of the regional initiatives being employed to manage this risk.
23	Cyber Security Failure to maintain a high level of cyber security (technology, processes and awareness) throughout the Council may result in cyber-attacks and theft or loss of confidential data leading to financial penalties, reputational damage and a loss in public confidence.	15 Red	Annual Public Service Network (PSN) certification Independent testing of cyber security technical defences Use of 3 rd party software to stimulate email phishing attacks	Information risk register and reports to Information Governance Board Reports to SEB and Cabinet (Performance Monitoring)	Regular maintenance and review of technical defence's i.e. fire walls and virus software. Senior Information Risk Officer Annual Report Appointment of Chief Cyber Security Officer Controls Assurance Statements	Independent testing of the Council's cyber security defences will continue to provide assurance.
24	Maximising Benefits form West Midlands Combined Authority If the Council does not put in place effective co-ordination arrangements to utilise the opportunities available from being part of West Midlands Combined Authority (WMCA) it will be unable to maximise the benefits and opportunities available to it.	6 Amber	SEP monitoring via WMCA SEP Board and Black Country LEP. WMCA Assurance framework Reports to WMCA Board and various Committees City of Wolverhampton Council provide the internal audit service for WMCA	Regular reports to SEB Representation on WMCA Boards and Committee's including Audit Risk and Assurance Committee and Overview and Scrutiny Committee. Update on the West Midlands Combined Authority – Report to Scrutiny Board 17 January 2017	Appointment of Business Support Officer Controls Assurance Statement	Council representation on key WMCA Boards and Committees will continue to provide assurance.

Risk Ref	Risk Title and Description	Current Score	Types of Assurance			Comments / Gaps in Assurance/Risk Exposure
			External/ Independent (Third Line of Defence)	Risk and Compliance (Second Line of Defence)	Operational and Management (First Line of Defence)	
25	Payment Card Industry Data Security Standard If the Council does not put in place appropriate systems, procedures and technologies to ensure agent-led telephone payments are compliant with the Payment Card Industry Data Security Standard there is a risk of data breaches and which may result in regulatory action, financial penalties and reputational damage.	8 Amber	Advice provided by the Payment Card Industry	Progress reporting to the Hub Management / Customer Services Management Teams Compliance with contract procedure rule / liaison with Corporate Procurement	Controls Assurance Statement	The implementation of a 3 rd party solution to take and process payment details will ensure compliance with the Payment Card Industry standard and transfer the risk of fraud to the 3 rd party.
26	Community Cohesion There is a risk of an escalation in community tensions in response to external influences i.e. Terrorism, national policy changes e.g. Brexit and national events such as riots.	8 Amber	Partnership working with West Midlands Police and various community groups / faith leaders	Regular meetings of the Community Cohesion Forum	Daily monitoring of hate crime figures and reports of community unrest	The low numbers of reported instances in this area continue to provide assurance that this area is well managed.
27	Safety concerns around the City's tower blocks Following the recent tragic events at Grenfell Tower in London, there is an urgent need for the Council to ensure that the tower blocks in the City do not face the same risks, and that tenants can be assured on this.	10 Amber	Due to timing constraints, the Assurance Map will be updated prior to the next Committee meeting scheduled for 18 September 2017 once the levels of assurance have been properly assessed.			Joint work with Wolverhampton Homes, the Fire Service and specialist contractors is on-going to review fire safety and provide assurance to residents.

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Audit and Risk Committee

3 July 2017

Report title	Audit and Risk Committee Annual Report – 2016-2017	
Accountable director	Claire Nye, 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 for action or decision:

The Committee is recommended to:

1. Endorse the Audit and Risk Committee Annual Report for 2016-2017 and refer it to Full Council for approval.

1.0 Purpose

- 1.1 This report summarises the main areas of work undertaken by the Audit and Risk Committee during 2016-2017.

2.0 Background

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

3.0 Progress, options, discussion

- 3.1 The Audit and Risk Committee work programme for 2017-2018 will continue to be developed and presented at regular meetings of the Committee.

4.0 Financial implications

- 4.1 There are no financial implications arising from the recommendation in this report. (MK/19062017/U)

5.0 Legal implications

- 5.1 There are no legal implications arising from the recommendation in this report. (TS/1906/2017/E)

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.

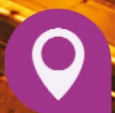
9.0 Corporate landlord implications

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

10.0 Schedule of background papers – Audit and Risk Committee – Annual Report



Audit and Risk Committee Annual Report 2016-2017



**Stronger
Economy**



**Stronger
Communities**



**Stronger
Organisation**

The Audit and Risk Committee at Wolverhampton

Councillor Craig Collingswood – Chair of the Audit and Risk Committee



The 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 the Audit and Risk Committee is to provide independent assurance to the Council on the adequacy of the risk management framework and the internal control environment. It provides independent review of the governance, risk management and control frameworks and oversees the financial reporting and annual governance processes.

It also oversees the work of both the internal and external auditors, helping to ensure that efficient and effective assurance arrangements are in place. The key benefits of the Committee can be seen as:

- increasing public confidence in the objectivity and fairness of financial and other reporting;
- reinforcing the importance and independence of internal and external audit and similar review processes;
- providing additional assurance through a process of independent review; and
- raising awareness of the need for internal control and the implementation of audit recommendations.

The Audit and Risk Committee agrees a work programme for each year. It is based on (but not limited to) the following main sources of assurance:

- Annual Governance Statement - this is the statutory report which the Committee approves in relation to the council's Statement of Accounts.
- Strategic Risk Register and Assurance Map - a regular review of the key risks the Council faces, and how and where the Committee can gain assurance that these risks are being well managed.
- Internal Audit - the ongoing work of, and reports from the Council's internal auditors.
- External Audit - the reports submitted to the Committee by the Council's external auditors Grant Thornton

I believe it has been another successful year for the Audit and Risk Committee and we look forward to building on this during 2017-2018.

Finally, as the Chair of the Audit Committee I would like to thank all the Councillors who served on the Committee during the year, both the internal and external auditors and all of the other officers who have contributed towards its success.

We undertook the following key developments during the year

In the last 12 months the Committee has put in place many initiatives, in what has been a productive year, helping to ensure that the City of Wolverhampton has a modern, effective and risk focussed Committee.

During the year we:

- Continued to focus on the Council's risk management arrangements, gaining an increased assurance that the Council is managing its risks well. This also involved the Committee 'calling-in' a number of risks and their risk owners, for a more detailed review as detailed later in this report.
- Maintained a strong working relationship, through regular progress meetings, with the Council's External Auditors Grant Thornton, our Internal Auditors, key Cabinet Members and Senior Officers. We also had further engagement with Grant Thornton, through regular consideration of their informative Audit Committee Update publications at Committee meetings.
- Extended our knowledge on good practice areas for Audit Committee's within Local Government by attending several high profile Audit Committee Institute events run by top accountancy firms, and other leadership events organised by the University of Warwick.
- Hosted a regional Audit Committee Forum in partnership with top accountancy firm Grant Thornton UK LLP. This event saw councillors and Audit Committee members from Local Authorities come together to discuss key themes and their governance responsibilities.
- Continued to obtain strong local press and radio coverage on a number of issues that were raised through, and discussed at the Committee, which portrayed the Council in a positive light.

We hosted a Midlands Audit Committee Forum here in Wolverhampton



Councillor Craig Collingswood, the Chair of the Committee delivering his opening address

In November 2016 the City Council in partnership with top accountancy firm Grant Thornton UK LLP hosted a Midlands Audit Committee Forum. This regional event saw councilors and Audit Committee members from Local Authorities come together to discuss key themes and their governance responsibilities. Councillor Collingswood opened the event with a welcome address and gave an overview of the exciting developments that are taking place within the City of Wolverhampton. He then shared his perspective on what makes a strong audit committee, which was followed by an interactive discussion with members of the audience. Grant Thornton then put on a thought provoking session which looked into the implications of Brexit on Local Government.

**Grant Thornton**
An instinct for growth

CITY OF WOLVERHAMPTON COUNCIL


Audit Committee Forum
21 November 2016

We are delighted to invite you to join us for an opportunity to network with fellow Local Government Audit Committee Members from across the Midlands.

Grant Thornton UK LLP in partnership with City of Wolverhampton Council are holding an event which will focus on key themes for Audit Committees and their governance responsibilities, giving Members an opportunity to learn and debate topics with experts and peers.

We aim to cover current issues and challenges relevant to local authorities, and the changing landscape in local government.

The event will be held in an informal and interactive setting and will facilitate interesting and informative discussions between speakers and attendees alike, so please come prepared to participate and contribute.

Places are limited, so book your **free** place early to avoid disappointment.

We hope that you can join us and very much look forward to seeing you on the day.

Agenda

09.15	Registration and refreshments
09.45	Welcome, introduction and a Chair's Perspective with Councillor Craig Collingswood – Chair of the City of Wolverhampton and Vice Chair of the West Midlands Combined Authority Audit Committee
10.00	The Role of the Modern Audit Committee
10.45	Internal Audit? External Audit? What's the point?
11.15	Break
11.30	Technical update – what are the issues you need to know about?
12.00	Brexit and other emerging risks – what should be on your risk register?
12.30	Buffer and networking
13.15	Close

Easily accessible venue
City of Wolverhampton Council
City Centre
St Peter's Square
Wolverhampton
WV1 1SH
(on the day and display parking available and excellent bus, rail and metro links)

To book a free place, RSVP:
Penny Bassett
Grant Thornton UK LLP
T 0121 212 4000
E penny.bassett@uk.gt.com



The Council's Head of Audit, Peter Farrow concluded the morning by sharing his thoughts on the value a modern internal audit service can bring to an organisation.

We were delighted to host such a prestigious event here in our City and it was great to meet with fellow councillors and audit committee members from across the region. We received strong feedback from those attending who indicated that they found it an informative day with a good range of presenters and subjects, giving them the opportunity to take part in a challenging but interesting debate.



Our key business during the year was:

Meeting	Activity
4 July 2016	<ul style="list-style-type: none"> • The Council's Draft Statement of Accounts • External Audit Update Report • Annual Governance Statement • Annual Internal Audit Report • Audit and Risk Committee Annual Report • <i>Reviewing the Strategic Risk Register and Assurance Map</i> • Counter Fraud Update • Audit Investigations Update • CIPFA Audit Committee Update • Payment Transparency • Summary Place Profile - Wolverhampton • Business Rates Appeals
19 September 2016	<ul style="list-style-type: none"> • <i>Approving the Council's Statement of Accounts</i> • External Audit Annual Report to those charged with Governance (ISA 260) • <i>Reviewing the Internal Audit Charter</i> • Internal Audit Update • Counter Fraud Update • CIPFA Audit Committee Update • Payment Transparency • Audit Committee – Knowledge and Skills Framework • Strategic Risk Register and Assurance Map • Audit Investigations Update
12 December 2016	<ul style="list-style-type: none"> • <i>Receiving the External Audit Annual Audit Letter</i> • Strategic Risk Register and Assurance Map • Internal Audit Update • Payment Transparency • <i>Considering a number of Counter Fraud initiatives</i> • National Fraud Initiative Report • Annual Governance Statement – Action Plan Update • Audit Investigations Update

13 March 2017

- Audit and Risk Committee – Terms of Reference
- External Audit Plan
- External Audit Communications with the Committee
- External Audit Grant Certification Letter
- Strategic Risk Register and Assurance Map
- Progress Update on the Action Plan arising from the Local Government Association Peer Review
- Internal Audit Update
- *Approving the Internal Audit Plan*
- Counter Fraud Update
- Protecting the English Public Purse – National Fraud Report
- Reviewed the Council's Fraud Related Policies and Procedures (Anti- Fraud and Corruption, Whistleblowing and Anti-Money Laundering)
- Payment Transparency
- *Considering the impact of Brexit on EU Funding*
- Audit Investigations Update

How we ensured there was a strong focus on risk management

One of the main roles of the Committee is to regularly review the Strategic Risk Register in order to ensure that the risks the Council faces are being suitably addressed. During the year we 'called in' the following risks for a more detailed review:

Employee Management

We considered the Council's performance in ensuring that all employees receive regular appraisals.

We assessed how the Council was meeting its duties under the Civil Contingencies Act

Business Continuity Management

Skills for Work

We looked at how the Council and our key partners were working together in order to improve resident skills and job readiness, support economic growth and reduce demand on public services.

We gained assurance on how managing the Medium Term Financial Strategy is helping the Council deliver its corporate plan

Medium Term Financial Strategy

School Improvement

We heard from the risk owner on how the Council was seeking to raise standards in schools

We received positive feedback from the recent LGA Peer Review:



As part of their recent Corporate Peer Challenge, we were delighted that the LGA commented in their final report that:

"the Audit and Risk Committee appears to be working well and is focussing more on strategic risks"



We played a key role in helping the West Midlands Combined Authority develop its own Audit Committee

Councillor Collingswood is the City's representative on the West Midlands Combined Authority Audit and Risk Assurance Committee. As part of the Combined Authority's constitution their Committee needed to recruit an Independent Member to act as chair, in order to help them he sat on their recruitment panel and took part in the interviews as part of their appointment process.

Also, until the Chair was appointed Councillor Collingswood chaired the Committee for the first six months following its inception, and now acts as the Vice-Chair, supporting the new Chair in helping to embed the Committee into the workings of the Combined Authority.

Our conclusion for 2016-2017:

As a result of our work throughout the year, we were able to confirm:

- That the system of internal control, governance and risk management in the Council was adequate in identifying risks and allowing the Council to understand the appropriate management of these risks.
- That there were no areas of significant duplication or omission in the systems of internal control, governance and risk management that had come to the Committee's attention, and had not been adequately resolved.

We believe that our key achievements during the year were:

- Providing assurance through a process of independent review and challenge.
- Raising the profile of internal control issues across the Council and of the need to ensure that audit recommendations are implemented.
- Regular consideration and review of the risks that the Council faces, through examination of the strategic risk register and accompanying assurance map.
- Maintaining a good working relationship with the Council's internal and external auditors.
- Maintaining an ongoing awareness of the changes to the appointment of external auditors through the Local Audit and Accountability Act.
- Building the skills and knowledge of Committee members through regular technical updates and the consideration of related guidance issued by CIPFA.
- The continued presence of independent members serving on the Committee in order to broaden the Committee's experience and independent view point.
- Maintaining a detailed focus on the actions being taken to combat fraud.
- Reviewing the Committee's Terms of Reference in order to ensure they remain fit for purpose.

These are our Terms of Reference:

Statement of purpose

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

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

Governance, risk and control

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

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

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

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

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

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

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

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

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

To 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.



Agenda Item No: 10

Audit and Risk Committee

3 July 2017

Report title	Annual Internal Audit Report 2016-2017	
Accountable director	Claire Nye, Finance	
Accountable employee(s)	Peter Farrow	Head of Audit
	Tel	01902 554460
	Email	peter.farrow@wolverhampton.gov.uk
Report to be/has been considered by	Not applicable	

Recommendation for noting:

The Committee is asked to note:

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

1.0 Purpose

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

2.0 Background

- 2.1 This report gives a brief description of the role of Internal Audit, the control environment within which it operates, its compliance with the Public Sector Internal Audit Standards and a summary of the work carried out during the year to 31 March 2017.

3.0 Progress, options, discussion, etc.

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

4.0 Financial implications

- 4.1 There are no financial implications arising from the recommendations in this report. (MK/20062017/S)

5.0 Legal implications

- 5.1 There are no legal implications arising from the recommendations in this report. (TS/19062017/U)

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.

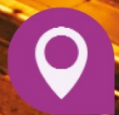
9.0 Corporate landlord implications

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

10.0 Schedule of background papers – Internal Audit Quarterly Update Reports



Internal Audit Annual Report 2016-2017



**Stronger
Economy**



**Stronger
Communities**



**Stronger
Organisation**

Introduction

Our internal audit work for the period from 1 April 2016 to 31 March 2017 was carried out in accordance with the approved Internal Audit Plan. The plan was constructed in such a way as to allow us to make a statement on the adequacy and effectiveness of the Council's governance, risk management and control processes. In this way our annual report provides one element of the evidence that underpins the Annual Governance Statement the council is required to make to accompany its annual financial statements. This is only one aspect of the assurances available to the Council as to the adequacy of governance, risk management and control processes. Other sources of assurance on which the council may rely, could include:

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

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

The definition of internal audit, as described in the Public Sector Internal Audit Standards, is "Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes".

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

Overall Assurance

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

- All audits undertaken for the year ended 31 March 2017.
- Any follow-up action taken in respect of audits from previous periods.
- Any key recommendations not accepted by management and the consequent risks.
- Any limitations which may have been placed on the scope of internal audit.

Internal Audit Opinion

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

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

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

While not fundamental to the overall opinion, we gave a 'limited' rating as a result of our internal audit work in the following areas:

Payment Arrangements for Court Costs
Section 17 Payments
Volunteer Drivers
Payroll Contribution Statements for WMPF
Dedicated Schools Grant for Terrific for Two's Capital Projects
Health and Safety
Civic Hall Refurbishment Project
Jacobs Strategic Partnership
Black Country Growth Hub
Private Sector Housing - Private Landlord Enforcement
ConnectED
5 x School Audits

Governance issues arising from the Annual Governance Statement:

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

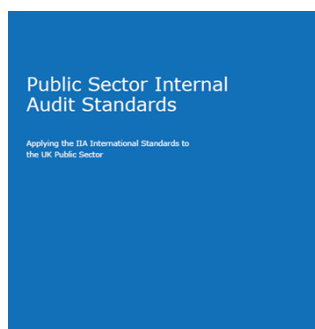
Savings Targets
Combined Authority
Corporate Landlord
Procurement, Contract Management and Monitoring

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

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

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

Compliance with the Public Sector Internal Audit Standards



The internal audit service follows the Public Sector Internal Audit Standards, and the Code of Ethics that form part of the standards, as laid out in the internal audit charter approved by the Audit and Risk Committee. The quality assurance and improvement programme identified no major non-conformances with these standards and therefore the internal audit activity has conformed with the international standards for the professional practice of internal auditing. An external assessment of this programme is planned for 2017-2018.

Summary of work completed

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

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

Year on year comparison

68 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	2016/17	2015/16	2014/15
Substantial	27	13	7
Satisfactory	25	35	29
Limited	16	14	12

Summary of audit reviews completed

The following audit reviews were completed during the 2016-2017 year.

Auditable area	AAN Rating	Recommendations					Level of assurance
		Red	Amber	Green	Total	Number accepted	
Previously reported:							
Phoenix Nursery School	Medium	-	-	1	1	1	Substantial
St Thomas' CE Primary School	Medium	-	-	2	2	2	Substantial
Holy Trinity Catholic Primary School	Medium	-	-	2	2	2	Substantial
Castlecroft Primary School	Medium	-	-	2	2	2	Substantial
St Michael's CE Aided Primary School	Medium	-	-	4	4	4	Substantial
The Braybrook Centre	Medium	-	-	4	4	4	Substantial
The Orchard Centre	Medium	-	-	2	2	2	Substantial
Midpoint Centre	Medium	-	-	4	4	4	Substantial
Fleet Management Accounts Payable Process	Medium	-	1	5	6	6	Substantial
FutureSpace Governance Assurance	High	-	-	3	3	3	Substantial
Annual Certification of Senior Officers Remuneration and Officers earning over £50K	N/A*	-	-	-	-	-	N/A*
Tettenhall Wood Special School	Medium	-	2	1	3	3	Satisfactory
Wilkinson Primary School	Medium	-	3	2	5	5	Satisfactory
Bilston CE Primary School	Medium	-	1	4	5	5	Satisfactory
Christ Church CE Junior School	Medium	-	-	3	3	3	Substantial
Mayoral Hospitality	Medium	-	-	2	2	2	Substantial
Schools Compliance - Collective Agreement	Medium	-	3	2	5	5	Satisfactory

Auditable area	AAN Rating	Recommendations					Level of assurance
		Red	Amber	Green	Total	Number accepted	
Management of Utility Works	Medium	-	-	5	5	5	Substantial
Carbon Reduction Credits Scheme	N/A*	-	-	-	-	-	N/A*
Payment Arrangements for Court Costs	Medium	1	1	-	2	2	Limited
Section 17 Payments	Medium	-	10	1	11	11	Limited
IT and SM Transport Grant 2015	N/A*	-	-	-	-	-	N/A*
Highway Challenge Fund Grant	N/A*	-	-	-	-	-	N/A*
Payment by Results - June 2016 Claim	N/A*	-	-	-	-	-	N/A*
Woodfield Infants School Audit	Medium	6	11	5	22	22	Limited
Woodfield Junior School Audit	Medium	6	10	5	21	21	Limited
Loxdale Primary School	Medium	-	4	4	8	8	Satisfactory
Oxley Primary School	Medium	5	16	3	24	24	Limited
Coppice Performing Arts School	Medium	-	3	1	4	4	Satisfactory
St. Matthias Secondary School	Medium	-	7	3	10	10	Satisfactory
The King's CE School	Medium	-	2	8	10	10	Satisfactory
Volunteer Drivers	Medium	4	3	-	7	7	Limited
Employee Benefits Scheme	Medium	-	-	2	2	2	Satisfactory
Payroll Contribution Statements for WMPF	Medium	-	5	1	6	6	Limited
Dedicated Schools Grant for Terrific for Two's Capital Projects	*	3	-	-	3	3	Limited
Agresso Upgrade – Payroll	Medium	-	1	2	3	3	Substantial
Agresso Upgrade – Human Resources	Medium	-	3	-	3	3	Satisfactory

Auditable area	AAN Rating	Recommendations					Level of assurance
		Red	Amber	Green	Total	Number accepted	
Agresso Upgrade – Income Manager	Medium	-	-	-	-	-	Substantial
Agresso Upgrade – P2P (Creditors)	Medium	-	-	-	-	-	Substantial
Agresso Upgrade – S2C (Debtors)	Medium	-	-	-	-	-	Substantial
Agresso Upgrade – Project Costing Billing	Medium	-	-	-	-	-	Substantial
Treasury Management	Medium	-	-	1	1	1	Substantial
New for this quarter:							
St Paul's CE Aided Primary School	Medium	3	4	3	10	10	Limited
Green Park Special School	Medium	-	5	1	6	6	Satisfactory
D'Eyncourt Primary School	Medium	7	14	4	25	25	Limited
WV Active Online Booking and Payments	Medium	-	7	2	9	9	N/A*
Off Site School Visits	Medium	-	4	-	4	4	Satisfactory
Freedom of Information Requests	Medium	-	-	2	2	2	Substantial
Home to School Transport	Medium	-	6	2	8	8	Satisfactory
Information Governance	Medium	-	4	3	7	7	Satisfactory
Procurement – Compliance Review	Medium	-	1	3	4	4	Satisfactory
Performance Appraisal Scheme	High	4	4	5	13	13	Satisfactory
Multi Agency Safeguarding Hub	High	-	2	2	4	4	Satisfactory
Accounts Receivable	High	-	-	-	-	-	Substantial
Payroll	High	-	2	1	3	3	Satisfactory
Local Taxes	High	-	-	-	-	-	Substantial

Auditable area	AAN Rating	Recommendations					Level of assurance
		Red	Amber	Green	Total	Number accepted	
Council Tax Reduction Scheme	High	-	-	-	-	-	Substantial
Agresso Upgrade - R2R (Report to Report)	Medium	-	-	-	-	-	Substantial
Accounts Payable	High	-	-	3	3	3	Substantial
Housing Benefits	High	-	-	-	-	-	Substantial
Housing Rents	High	-	1	1	2	2	Satisfactory
Payment by Results - January 2017 Claim	N/A*	-	-	-	-	-	N/A*
Payment by Results - March 2017 Claim	N/A*	-	-	-	-	-	N/A*
Springdale Infants	Medium	-	4	4	8	8	Satisfactory
Capital Expenditure	High	-	2	3	5	5	Satisfactory
Main Accounting System	High	-	1	7	8	8	Satisfactory
Fixed Assets	High	-	1	3	4	4	Satisfactory
Health and Safety	Medium	2	5	1	8	8	Limited
Civic Hall Refurbishment Project	High	1	14	-	15	15	Limited
Black Country Growth Hub	High	-	10	1	10	10	Limited
Pre-Paid Cards	Medium	-	2	4	6	6	Satisfactory
ConnectED	Medium	-	17	1	18	18	Satisfactory
Property Services Strategic Partnership	Medium	1	7	-	8	8	Limited
Highways Asset Management	Medium	-	-	-	-	-	Substantial
WV Creative & Visitor Economy - Phase 1	Medium	-	5	-	5	5	Satisfactory
Private Sect Housing - Private Landlord Enforcement	Medium	-	5	2	7	7	Limited

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/required.

On-going assurance where reports are not issued

We provide on-going assurance throughout the year in the following areas:

Equal Pay

A member of the audit team is embedded in the project to provide advice on project governance and risks associated with the management of equal pay claims. Audit assurance is also provided around the calculation of settlement offers and the payment of claims.

Information Governance

We have a member of the team who sits on the Council's Information Governance Board.

Digital Transformation Programme (DTP)

We also have a member of the team involved in this programme which covers the Customer Engagement Platform, Master Data Management, and Business Intelligence projects. During the lifecycle of the programme we provide on-going advice on the governance of the programme and management of associated risks. We have also provided on-going support in respect of user acceptance testing in respect of each of the programme's projects.

Corporate Projects/Programmes

We also have representation on the Council's Corporate Review Group. The group is responsible for reviewing and approving the initiation all of the Council's proposed programmes and projects. The group also provides assurance that all programmes and projects are managed in accordance with the Council's corporate project management approach.

Pay Strategy

Finally, we have representation on the Council's Pay Strategy Board. The purpose of the board is to ensure that all requests in respect of pay and grading is approved in accordance with the Council's Collective Agreement for NJC employees.

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.

Key issues arising from our work completed in the final quarter

St. Paul's CoE Aided Primary School

A review of the key financial controls at St. Paul's CoE Primary School was undertaken covering governance, protection of people, assets and data, expenditure and income. A limited audit assurance rating was given due to a number of weaknesses identified in the areas reviewed including the maintenance of the single central record and procurement processes. We subsequently undertook a follow up review of the original report and significant progress had been made in implementing the recommendations and specifically resolution of issues relating to the single central record.

D'Eyncourt Primary School

A review of the key financial controls at D'Eyncourt Primary School was also undertaken and as above a limited audit assurance rating was given due to the significant number of weaknesses identified in the areas including controls around the authorisation of expenditure, segregation of duties, and inventory arrangements. The Governing Body and the Head Teacher accepted all of our recommendations and action plans had been agreed.

Black Country Growth Hub

This review covered the governance, partnering and project management arrangements in respect of the Black Country Growth Hub. Some of the main issues identified during our audit included:

- Growth Hub governance arrangements, organisational structure and business / decisions undertaken were not clearly evidenced or demonstrated.
- Partnership arrangements were not clearly documented or agreed through engagement within an appropriate written agreement.
- Growth Hub objectives and measurement of achievement of those objectives were not clearly and consistently stated amongst the various documentation / agreements.
- Project management, administration arrangements and risk management arrangements were not clearly defined or established.

We understand that a new full-time Head of Black Country Growth Hub has now been appointed and in conjunction with the Black Country Advice, Investment and Markets Project is working to strengthen governance, partnering and project management arrangements. The Service Director – City Economy has advised that many of the recommendations in the audit have been actioned, including a revised governance structure and the appointment of a new independent chair for the Growth Hub Strategic Board.

Civic Hall Project

This review covered the governance and project management arrangements for the Civic Halls Refurbishment Project. City Economy is the Client Department and Corporate Landlord is responsible for the delivery team, providing a one stop shop for design and construction. Some of the main issues identified during our audit included:

- An incident of non-compliance with the Council's Contract Procedure Rules by the delivery team regarding engagement of externally provided project management services.
- Lack of up to date governance and project management arrangements, and associated roles and responsibilities with limited engagement of key stakeholders and client side technical expertise.
- Changes in staff on both the client and delivery side, resulting in the need for revised project management arrangements and resources, and specifically dedicated project

- support.
- Absence of embedded risk management processes and consistently recorded risks.

The Service Director – City Economy has advised that the report to Cabinet Resources Panel in July 2016 approved the revised timescale for construction and that this was amended following the results of a competitive tender process. We also understand that at the same time the governance and project management arrangements were reviewed and revised, given that the project had passed a critical milestone from development into delivery, and that the enabling works scheduled for 2017 continue to present challenges to programme and budget. The capacity and expertise in both the strategic and delivery teams is being reviewed to ensure that there are sufficient controls in place. The Director of Finance and the Service Director - City Economy plan to shortly undertake a health check review to ensure that the project is on track with implementation of the recommendations. A follow-up review will be undertaken within 2017-2018.

Property Services Strategic Partnership

This was a high-level review of the Council's partnering arrangements in place with Jacobs for the provision of construction and property related professional services over the period November 2013 to March 2018 with a contract value of approximately £11.5m. Some of the main issues identified during our audit related to the historic lack of contract management and performance monitoring arrangements. The Head of Corporate Landlord has advised that whilst some action has already been taken, processes will be further strengthened in good time for consideration of future procurement / partnering arrangements.

Private Sect Housing - Private Landlord Enforcement

This was a high-level review that focussed on the procedures in place within the Private Sector Housing Team for the charging and collection of fees. Some of the main issues identified during our review included finalisation of the Private Sector Housing Enforcement Policy and the establishment of procedures for the identification of income due and subsequent monitoring of income received. It is recognised that this is only one element of the overall enforcement functions undertaken and therefore the opinion expressed in the audit report should be viewed in that context. However, due to the Government's national agenda to tackle rogue and criminal landlords and the powers / duties placed on the Local Authority through the Housing and Planning Act 2016, the processes for charging and collection of fees will be of more importance as a means of deterrence and penalty. As a result management are in the process of taking action to address the issues identified.

Health and Safety

This was a high-level review of the Council's Health and Safety function. The main findings of the review focussed upon the need to ensure that there was a robust audit process in place and a strengthened risk methodology. Our recommendations were all agreed and actions are in place to implement them.

ConnectED

Under the Education Act 2002 a school company can be formed by a school or groups of schools to purchase goods and services collectively or sell their own expertise and/or services to other schools. Each school company will have the local authority as a supervising authority. The aim of ConnectED is to operate alongside the authority to promote partnership, school self-improvement and effective resource management across the city. The scope of our review focussed upon compliance with legislation including the School Companies Regulations 2002 and Companies Act 2016 requirements, adherence to the agreed Memorandum of Understanding, stewardship of public funds and the monitoring arrangements for ensuring

compliance with legislative requirements. We found a common theme with the Council not always being provided with timely information as required under the School Companies Regulations 2002 in order to enable it to carry out its supervisory role, or as stipulated within the Memorandum of Understanding.

Following our review a number of discussions have been held between the Council and Connected and we understand that a number of steps are being taken to build on and improve the working relationship further.

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. We have recently received an encouraging update following our limited assurance report on the Black Country GOLD Project and this will be further followed up as part of the European Regional Development Fund projects audit included in the 2017/18 Internal Audit Plan.

We have also received an update regarding implementation of the recommendations included in our limited assurance report on the Bilston Urban Village Advanced Works Programme. Some progress had been made with implementation of the governance and project management related recommendations by the agreed target date, In particular the specific procurement / contract related issues have been resolved. The Service Director – City Economy has advised that action is being taken to fully implement the remaining recommendations, which need to be delivered in context of the arrangements for project assurance having very recently been put in place at a Corporate level.

Audit and assurance effectiveness measures

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

Audit Plan measures	
Audit reports identifying suggested areas for action, issued to auditees within two weeks of completion of fieldwork.	Approximately 70% of audit reports were issued within two weeks of the completion of audit fieldwork. A new protocol has been agreed with senior managers in order to help improve on this.
Number of audits where time taken to complete assignment is more than 10% longer than planned.	Approximately 50% of reviews took 10% longer than anticipated, with the others completed either on target or under. In the majority of instances, reasons for audit work exceeding budget is that unforeseen issues arise which take time to resolve.
Delivery of at least 80% of the audit plan, and an opinion which provides suitable assurance on the overall governance, risk management and control environment.	The audit plan was subject to revision during the course of the year in order to take account of emerging issues and a changing risk profile. Based on the revised number of audits as at 31 March 2017, 94% of the plan had been delivered.
Risk Based Audit Plan produced and available to the Council in advance of the year.	The Audit Plan was approved by the Audit and Risk Committee before the year commenced.
Recommendations measures	
90% of recommendations accepted by Council management.	All recommendations made in the year were accepted by Council management.
Number of key recommendations followed up, implemented by the council by the target date.	The majority of previous key recommendations followed up had been implemented within the agreed date.
Relationships measure	
Positive feedback from completed client satisfaction surveys.	The vast majority of feedback was of a positive nature.
External Audit measure	
Full reliance placed on internal audit work by External Audit.	The External Auditors continue to comment favourably on work completed by Internal Audit.

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Audit and Risk Committee

3 July 2017

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

Recommendation for noting:

The Committee is asked to note:

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

1.0 Purpose

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

2.0 Background

- 2.1 The 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 and Risk Committee in March 2017, 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/19062017/N)

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/19062017/R)

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.

Audit Services Counter Fraud Report @ June 2017



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.

3 *Counter Fraud Update*

Counter Fraud Plan

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

Whistleblowing Policy Review

Whistleblowing is the 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.

During 2016-2017 a total of 15 concerns that could be classified as whistleblowing were received and investigated by Audit Services. The key concerns identified from these investigations have been reported to the Audit and Risk Committee as part of a regular Investigations Update.

A review of five other Midlands Councils identified that they each received an average of just under 11 concerns that they classed as whistleblowing. This is slightly lower than the number received at Wolverhampton.

The Council's Whistleblowing Policy and Procedure was approved at the Audit and Risk Committee meeting on 13 March 2017. The policy and procedure has been reviewed to ensure that it remains up to date, fit for purpose and represents generally accepted good practice. While most concerns are raised anonymously, wherever possible whistleblowers are provided with brief feedback regarding the action taken by the Council. The review identified that no complaints were received from whistleblowers regarding the Council's handling of their concerns during the year.

The Policy is available on the Council's Policy Portal and on its web site. To assist anyone wishing to report a concern an online whistleblowing reporting facility is available on the website. Employees will continue to be made aware of the

Whistleblowing Policy and when it can be used through information made available on amongst other routes, City People, workshops, new employee induction and possibly e-learning.

National Anti-Fraud Network Intelligence Notifications

The National Anti-Fraud Network (NAFN) issues regular alerts which provide information on fraud attempts, trends and emerging threats. The information provided in the alerts has been notified to NAFN by other local authorities from across the country. These alerts are checked to the Council's systems to verify whether there have been any instances at Wolverhampton. Since the beginning of March 2017 there have been 24 alerts issued by NAFN, seven involved suppliers used by the Council, the appropriate sections have been alerted and in each case, it was confirmed that there was no impact at Wolverhampton. Three of the alerts related to schools and referred to unsolicited invoices which were fraudulent. These alerts were published on the Headteacher's weekly bulletin 'CloudW'. A further six alerts were referred to the Council's ICT, of these four related to phishing exercises and two to ransomware.

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.

At the end of January 2017, the results from the latest NFI data matching exercise, completed by the Cabinet Office, were released to the Council. A total of 13,479 matches were released of which the Cabinet Office identified 4,521 as recommended matches. The Cabinet Office expects all the recommended matches to be investigated as a minimum. The Council has commenced the examination of the matches and details of early results are provided below. Further details of the progress made will be brought before the Committee as it becomes known.

- *Council Tax Reduction Scheme to DWP Deceased Persons*

A total of 67 matches were checked and in all but one instance the claimants had been correctly recorded as passed away on the Council Tax System. In the remaining instance the Council had not been notified that the claimant had passed away and the Council tax reduction had continued. The current occupier of the property has now been made responsible for the reduction, of £3,536, that was incorrectly claimed. The Council is taking action to recover the money.

- *Waiting Lists to DWP Deceased Persons*

A total of 46 people who had passed away have now been removed from the housing waiting list.

- *Waiting Lists Duplicate Applications*

A total of 13 duplicate applications for housing have been removed from the waiting lists.

Immigration Identification Training

During May, the Home Office held five training sessions for Council employees on Immigration document identification checking. The training provided an awareness of the security features of genuine identity documents, such as passports and driving

licences. An awareness of the types of document abuse and associated criminality including common frauds relating to secure documents. The training was attended by officers from Licencing, Human Resources, Customer Services, Audit Services and Wolverhampton Homes.

Fraud Data Warehouse

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

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

For the last six years, their data warehouse has been used to hold tenancy data provided by 15 organisations including Wolverhampton Homes. The Council has been invited to participate in an initiative 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. To enable the data to be shared a data sharing agreement has been signed. Council Tax data has been uploaded through a secure web site and will be uploaded on a regular basis. Further details of the progress made in developing the use of the data warehouse 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 Council's 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 to inform future audit assurance plans by focusing on the areas with the 'highest' risk of fraud. The latest fraud risk register is included at Appendix 2.

Midland Fraud Group

This group consists of fraud officers from across the Midland's local authorities. The purpose of the group is to identify and discuss the outcome of initiatives being used to tackle fraud. At the last meeting in January 2017, topics discussed included, National Fraud Initiative, Anti-Money Laundering, Council Tax, Social Housing Fraud and current trends and cases of interest.

Counter Fraud Plan Update

Issue	Action	Timescale
Raising counter fraud awareness across the Council	Develop and deliver Fraud Awareness seminars	Fraud based training provided by Natwest Bank June 2017
	Develop on line fraud training for staff.	To be refreshed summer 2017
	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.	Summer 2017
	Hold fraud surgeries to enable staff to report areas of suspected fraud.	Fraud surgeries planned for Summer 2017
	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
	Work closely with Wolverhampton Homes and seek opportunities to promote joint fraud awareness.	On-going
Work with national, regional and local networks to identify current fraud risks and initiatives.	Maintain membership of the National Anti-Fraud Network (NAFN).	On-going
	Participate in the Cabinet Office's National Fraud Initiative (NFI) data matching exercises. Acting as key contact for the Council, the West Midlands Pension Scheme and Wolverhampton Homes.	On-going. Latest exercise commenced January 2017
	Complete the annual TEICCAF and CIPFA fraud surveys.	CIPFA Survey completed June 2017 TEICCAF survey completed September 2016
	Investigate opportunities to develop the use of NFI real time and near real time data matching.	Used for additional Single Person Discount data match Summer 2016
	Participate in CIPFA's technical information service.	On-going
	Maintain membership of the Midlands Fraud Group.	On-going – last meeting January 2017 next meeting June 2017
	Attend external fraud seminars and courses.	TEICCAF Conference – June 2017
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Issue	Action	Timescale
		<p>Immigration Training – May 2017</p> <p>Royal Bank of Scotland Fraud Seminar – May 2017</p> <p>CIPFA ISO 37001 Anti Bribery Workshop – March 2017</p> <p>GovNet Fraud and Error Conference January 2017</p> <p>NAFN Summit – November 2016</p> <p>West Midlands Economic Crime Unit Fraud in the Workplace Seminar – October 2016</p>
Assess the counter fraud strategy against best practice	Complete national fraud self-assessments, for example:	
	<ul style="list-style-type: none"> New CIPFA Code of Practice 	June 2015 (the last time required)
	<ul style="list-style-type: none"> The European Institute for Combatting Corruption And Fraud TEICCAF's- Protecting the English Public Purse 	Annually
	<ul style="list-style-type: none"> Department for Communities and Local Government – ten actions to tackle fraud against the Council. 	On-going
	<ul style="list-style-type: none"> Consideration of fraud resilience toolkit 	On-going
Identify and rank the fraud risks facing the Council	Manage the Council's fraud risk register to ensure key risks are identified and prioritised.	On-going
	Develop measures of potential fraud risk to help justify investment in counter fraud initiatives.	On-going
	Seek opportunities to integrate the fraud risk register with other corporate risk registers and also the Audit Services Audit Plan	On-going
Work with other fraud investigation teams at the Council	Develop good communication links between the Counter Fraud Unit, Wolverhampton Homes, and Audit Services.	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 the sharing of data following the establishment of a fraud data sharing agreement	Signed July 2016

Issue	Action	Timescale
	between Wolverhampton Council and Birmingham City Council.	
Work with external organisations to share knowledge about frauds?	Establish formal joint working relationships with external bodies, for example Police, Health Service and Immigration Enforcement.	On-going
Participate in external initiatives and address requests for information	Implement industry best practice as identified in reports produced by external bodies, for example; The TEICCAF Annual Protecting the English Public Purse report, Cipfa's Annual Fraud Tracker Survey and the National Fraud Initiative report.	Annual/on-going
	Encourage Service Areas to participate in initiatives to identify cases of fraud.	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
	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.	As reported back to the Audit and Risk Committee on a quarterly basis
	Implement and update the Council's portfolio of fraud related policies in response to changes in legislation.	Latest version approved at Audit and Risk Committee – March 2017
	Where appropriate take sanctions against the perpetrators of fraud either internally in conjunction with Human Resources and Legal Services or externally by the Police.	On-going
Ensure responsibility for counter fraud activities is included in Partnership agreements with external bodies.	Embed responsibility for counter fraud activities in partnership agreements with the Council's strategic partners.	On-going
	Partnership agreements to include the Council's rights of access to conduct fraud investigations.	On-going
Provide the opportunity for employees and members of the public to report suspected fraud.	Manage and promote the Whistleblowing Hotline and record all reported allegations of fraud.	City People article – July 2016
	Promote and hold fraud surgeries that provide the opportunity for staff to discuss any potential fraudulent activity at the Council.	Fraud surgeries planned for Summer 2017

Issue	Action	Timescale
	Seek other methods of engaging with employees and the public to report fraud.	On-going – for example through the Council's internet site
	Where appropriate ensure allegations are investigated and appropriate action taken.	On-going
	Work with and develop procedures for carrying out investigations with other service areas for example Human Resources, Legal Services and Wolverhampton Homes.	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

Fraud Risk Register @ June 2017

Themes	Potential fraud type	Risk rating
Housing Tenancy	Subletting for profit, providing false information to gain a tenancy, wrongful tenancy assignment and succession, failing to use the property as the principle home, right to buy. This risk is managed by Wolverhampton Homes.	Red
Council Tax	Fraudulently claiming for discounts and exemptions such as the single person's discount and Local Council Tax Support Schemes.	Red
Personal Budgets	Falsely claiming that care is needed, carers using direct payments for personal gain, carers continuing to receive direct payments after a person dies, duplicate applications submitted to multiple Councils.	Red
Cyber Security	Using technology as a tool to commit acts of fraud – this currently has a very high profile and is an ever-increasing area susceptible to fraud	Red
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

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Audit and Risk Committee

3 July 2017

Report title	Payment Transparency	
Accountable director	Claire Nye, 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 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.
 - Since last reported to the Audit Committee in March 2017, there have been no requests for information from the public (as an 'armchair auditor').

3.0 Progress, options, discussion

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

4.0 Financial implications

- 4.1 There are no financial implications arising from the recommendation in this report. (MK/20062017/Y)

5.0 Legal implications

- 5.1 There are no legal implications arising from the recommendation in this report. (TS/19062017/T)

6.0 Equalities implications

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

7.0 Environmental implications

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

8.0 Human resources implications

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

9.0 Corporate landlord implications

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

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