

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

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

## Membership

**Chair** Cllr Craig Collingswood (Lab)

**Vice-chair** Cllr Sohail Khan (Con)

### Labour

Cllr Obaida Ahmed  
Cllr Harbans Bagri  
Cllr Mary Bateman  
Cllr Philip Bateman MBE  
Cllr Jasbir Jaspal  
Cllr Barbara McGarrity

### Independent Member

Mr Mike Ager  
Mr John Humphries

Quorum for this meeting is two Councillors.

## Information for the Public

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

**Contact** Dereck Francis

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

**Address** Democratic Services, Civic Centre, 1st floor, St Peter's Square,  
Wolverhampton WV1 1RL

Copies of other agendas and reports are available from:

**Website** <https://wolverhamptoninternet.moderngov.co.uk>

**Email** [democratic.services@wolverhampton.gov.uk](mailto:democratic.services@wolverhampton.gov.uk)

**Tel** 01902 550320

Please take note of the protocol for filming, recording and use of social media in meetings, copies of which are displayed in the meeting room.

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

# Agenda

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

*Item No.*    *Title*

### MEETING BUSINESS ITEMS

- 1            **Apologies for absence**
- 2            **Declaration of interests**
- 3            **Minutes of previous meeting - 17 September 2018** (Pages 5 - 14)  
[For approval]
- 4            **Matters arising**  
[To consider any matters arising from the minutes]

### DECISION ITEMS

- 5            **External Audit Update** (Pages 15 - 38)  
[To receive an update on progress made by Grant Thornton in delivering their responsibilities as the Council's external auditors]
- 6            **Strategic Risk Register and Strategic Assurance Map** (Pages 39 - 74)  
[To provide an update on the key risks the Council faces and how it can gain assurance that these risks are being mitigated]
- 7            **Capital Projects Lessons Learnt – Progress Update** (Pages 75 - 78)  
[To provide an update on progress made in implementing the lessons learnt recommendations made in the reports: Markets Relocation, Wolverhampton Interchange (Train Station) and Civic Halls Refurbishment]
- 8            **Annual Governance Statement Update - Action Plan Update** (Pages 79 - 92)  
[To consider progress made in addressing the key improvement areas identified in the 2017-2018 Annual Governance Statement action plan]
- 9            **Internal Audit Update - Quarter 2** (Pages 93 - 104)  
[To note the contents of the latest Internal Audit update]
- 10           **Audit Services - Counter Fraud Update** (Pages 105 - 178)  
[To note the latest Audit Services Counter Fraud update]
- 11           **Internal Audit - External Assessment** (Pages 179 - 192)  
[To receive the results of the recent independent validation of the Council's internal audit team self-assessment exercise]

12        **Payment Transparency** (Pages 193 - 196)  
[To receive an update on the Council's current position with regards to the publication of all its expenditure]

13        **CIPFA Audit Committee Update - Issue 26** (Pages 197 - 200)  
[To note the contents of the latest CIPFA Audit Committee Update]

14        **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 items - closed to press and public**

15        **Audit Investigations Update** (Pages 201 - 204)  
[To receive the current position on audit investigations]

Information relating to any individual.  
Information which is likely to reveal the identity of an individual.  
Information relating to the financial or business affairs of any particular person (including the authority holding that information) Para (1, 2, 3)

This page is intentionally left blank

## Attendance

### Members of the Audit and Risk Committee

Cllr Craig Collingswood (Chair)  
Cllr Sohail Khan (Vice-Chair)  
Cllr Obaida Ahmed  
Cllr Mary Bateman  
Cllr Philip Bateman MBE  
Cllr Jasbir Jaspal  
Cllr Barbara McGarrity  
Mike Ager, Independent Member

### Employees

Mike Butler	Waste Service Lead
Ian Cotterill	Audit Business Partner
Peter Farrow	Head of Audit
Dereck Francis	Democratic Services Officer
Jan Lycett	Director of Business Support, Wolverhampton Homes
Amanda MacDonald	Client Lead Auditor
Claire Nye	Director of Finance
Hayley Reid	Senior Auditor
Mark Wilkes	Audit Business Partner

### External Auditors – Grant Thornton

Mark Stocks  
Nicola Coombe

---

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

*Item No. Title*

- 1 Apologies for absence**  
Apologies for absence were submitted on behalf of Councillor Harbans Bagri and John Humphries, Independent Member.
- 2 Declarations of interests**  
The following members of the Committee declared a non pecuniary interest in item 9 (Internal Audit Update – Quarter One) in so far as they are Governors on Boards of the schools indicated:

- Mike Ager, Independent Member - Highfields School.
- Councillor Mary Bateman - Ashmore Park Nursery
- Councillor Philip Bateman MBE - Ashmore Park Nursery
- Councillor Obaida Ahmed - West Park Primary School.

3 **Minutes of previous meeting**

Resolved:

That the minutes of the previous meetings held on 25 June and 23 July 2018 be approved as a correct record and signed by the Chair.

4 **Matters arising**

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

5 **Annual External Audit Letter**

Mark Stocks from the Council's external auditors, Grant Thornton presented the Annual Audit Letter that summarised the key findings from their work at the Council's subsidiary groups and the West Midlands Pension Fund for the year ending 31 March 2018. He informed the Committee that an unqualified opinion had been issued on the group financial statements and on the Pension Fund and that no statutory powers had been used. An unqualified opinion had also been issued on the Value for Money work. The Committee was also informed that on 23 July 2018 when Grant Thornton reported on the main findings of their audit to the Committee, they did not have the information on issues arising from the audit of the Fund's accounts. The Pension Fund audit was undertaken by a different auditor within Grant Thornton. The external auditor highlighted a couple of issues related to reconciling contributions which led to adjustments to the accounts and controls being strengthened. Changes to the accounts were agreed with the Chair of the Pensions Committee and the Chair of the Audit and Risk Committee. There was no loss to the Council as a result of the adjustments. The changes were financial movements between years. Grant Thornton had discussed with Claire Nye, Director of Finance going forwards that they would change how they work with regards to the Pension Fund audit to ensure when they present the Statement of Accounts to the Audit and Risk Committee there are be no unresolved issues. Grant Thornton concluded by putting the issues highlighted in the Pensions Fund audit in the context of the Fund being a £15 billion business and in the top five of the largest public-sector pensions funds in the country.

Councillor Philip Bateman MBE welcomed the external auditors Annual Audit Letter. He commented that the Pension service was an area the Committee should be concerned about as the value of the issues/adjustments identified throughout the audit of the Pension Fund accounts were not small. He suggested that there was a reputational issue for the Council. He hoped the issues highlighted from the audit were a one-off and that they would not be replicated in the following years audit. He asked whether at some stage the Committee could have an in-depth discussion on the Pension Fund and the way it had been affected by the changes it had gone through during the 2017/2018 financial year.

Grant Thornton reported that the Pensions service had cause little or no problems during the audit of the Fund's accounts in the past and the issues identified during the 2017/2018 audit were all unexpected. He was happy with the way that the Council and the Pensions Fund have responded.

The Director of Finance gave an update on action taken to address the causes of the issues highlighted from the audit of the Pension Fund accounts. She informed the Committee that she was the section 151 Officer for the West Midlands Pension Fund. She had spent time with colleagues at the Fund to see the difficulties they had and discuss how to put them right. There had been huge change in staffing within the Finance team at the Fund, with staff transferring to LGPS Central Ltd. There was huge pressure, with changes in systems and processes and arrangements for the transition to LGPS Central. The team have since drawn up their own self-assessment and action plan. One main issue is they now have a full team in place. If they had been in place earlier, the audit would have gone smoother. The Director of Finance also reported that she would be meeting with the Pensions Finance team every month to offer support and discuss progress. Measures are in place and she did not anticipate the problems reoccurring in the future.

Mike Ager, Independent Member asked how the positive aspects of the audit of the Pension Fund accounts would be communicated to the other local authorities who are members of the Fund. Grant Thornton advised that the Audit Letter is presented to the Pensions Committee which comprised representatives from the seven West Midlands District Councils. The Director of Finance added that the Audit Letter was presented to the Pensions Committee on 5 September 2018. In her capacity as Director of Finance she also met with her counterparts within the West Midlands Councils and would feedback to them regarding the Pension Fund audit.

The Chair added that the West Midlands Pension Fund was also discussed at the West Midlands Combined Authority Audit and Risk Committee.

Referring to the value for money conclusion, particularly the risk area Strategic Asset Management (SAM), Mike Ager, Independent Member asked whether the Strategy, Policy and Action Plan documents had been finalised. The Director of Finance undertook to confirm the position and circulate a note in response.

Further to the value for money conclusion, the Chair asked Grant Thornton what they would be looking for during their audit work on the Civic Halls in 2019. Grant Thornton reported that they would need to understand how the Council responds and manages from this position regarding the costs of the program, any action the Council takes in terms of advisors, and what the project would look like once it was delivered.

Resolved:

That the Annual Audit Letter provided by Grant Thornton be noted.

## 6 **External Audit Progress Report and Sector Update**

Nicola Coombe from the Council's external auditors Grant Thornton outlined the salient points from their report on progress made against their audit plan and an update on technical matters, sector issues and developments.

Mike Ager, Independent Member asked how the Committee should answer the questions posed by the external auditor in the report. Claire Nye, Director of Finance reported that the questions were designed to start a discussion at the meeting. Regarding the question on the CIPFA Consultation and plans to provide an authoritative measure of local authority financial index, she confirmed that the Council, through the Cabinet Member for Resources had responded to the consultation. The Leader of the Council had been briefed on the response. In

summary, the Council response recognised why CIPFA was proposing to introduce the financial resilience index, but the Council had concerns on the outputs of the proposal. It was considered that the introduction of a league table approach in isolation would not be helpful and would be a distraction in terms of what the Council was trying to achieve.

Councillor Philip Bateman MBE welcomed that the sector update report was highlighting the state of local government finance. He went on to ask for an update on the business rates pilot, and the expansion of business rates pilots and whether there was a feeling that this was a good idea. The Director of Finance reported that the Council was still participating in the business rates pilot and work was taking place to analyse its impact over the last 12 months. Going forward the picture was not clear. The Government was working towards local authorities being able to retain 75% of the growth in income raised through business rates from 2020/2021. This was all linked to their Fair Funding Review that was expected in the autumn. As it stands, there was no clarity on what would happen regarding those councils who are part of the 100% pilot. Regarding the Secretary of States invite for more councils to apply for new pilots, there had been a positive response, but it was too early to assess the impact and it would take time to understand.

Grant Thornton added that councils want to put their destiny in their own hands and that was why there has been an increase in the number applying for pilots.

Councillor Bateman MBE went on to ask about maintained nursery school funding. There was uncertainty as to what would happen after 2020 when current funding ended. The Director of Finance reported that generally education funding was in the same place as Fair Funding in so far as it had been pushed back by the government. The Council was awaiting the government's response.

Resolved:

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

## 7 **Capital Projects Lessons Learnt - Progress Update**

Peter Farrow, Head of Audit presented the update report on progress made in implementing the lessons learnt recommendations made in the Markets Relocation, 'Wolverhampton Interchange (Train Station)' and 'Civic Halls Refurbishment' reports that were presented to the Committee on 25 June 2018.

Councillor Barbara McGarrity asked when the Committee would be able to visit the Civic Halls site. Ian Cotterill, Audit Business Partner reported that he would speak to the new Programme Manager to progress a visit.

The Chair asked the Audit Business Partner whether he had detected any improvement in the way capital projects are managed. He was informed that in terms of the Civic Halls Refurbishment, more detailed information was provided to senior management; regular updates were being made to the Project Management System; and there was more accurate reporting regarding the status of the programme.

The Chair asked whether the Council was any closer to knowing the cost to refurbish the Civic Halls. The Audit Business Partner reported that there were still surveys to be completed. Once completed there would be information to make an informed

decision on the scope of the refurbishment and cost of the programme. On the question of when the surveys would all be complete, the Audit Business Partner undertook to contact the Programme Manager to invite him to attend the next meeting of the Committee to respond to the Committee's questions.

The Chair also asked when the Civic Halls building had been initially closed for the refurbishment works. Claire Nye, Director of Finance reported that there was ongoing work and that the building had been closed and reopened for a Grand Slam Darts event and then closed again.

Councillor Mary Bateman asked how long it should take to remove the asbestos at the Civic Halls. The Director of Finance undertook to provide an update at the next meeting. Councillor Sohail Khan also asked whether there was any update on action to be taken against contractors/advisors on the programme. It was agreed that the Civic Halls Refurbishment Programme Manager be invited to the next meeting to respond to these questions and provide an update on the programme.

The Chair asked the Head of Audit whether he had been approached to provide audit assurance on other projects. The Head of Audit confirmed his team had been contacted and that Audit Services was now represented on a number of project programme boards to provide assurance and avoid some of the issues that had arisen in the past.

Resolved:

1. That the progress made in implementing the lessons learnt recommendations in respect of the three capital projects that were reported to the Council's Audit and Risk Committee on 25 June 2018 be noted.
2. That the Civic Halls Refurbishment Programme Manager be invited to the next meeting of the Committee to provide an update on the programme with a particular focus on the implementation of the recommendations.
3. That a site visit to the Civic Halls be arranged for members of the Committee.

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

Mike Butler, Lead Officer, Waste was in attendance to discuss risk 32 – Waste Management Services. He gave an update on action being taken to manage the risk. In doing so he reported that the budget for the service was £12.05 million and there were agreed mechanisms to deliver the service to the budget.

Councillor Mary Bateman commented that she had visited the proposed waste recycling super-site and had a one-to-one discussion with employees on the plans. She was impressed with the amount of effort and diligence that had gone into bringing the waste service in house. She informed the Committee that she had received assurance that the proposed changes to the waste and recycling service would be phased in and that bins would be emptied effectively and efficiently. She suggested that every member of the Council should visit the site because the service would impact on all wards.

In response to questions and comments the Lead Officer Waste reported that:

- The mechanisms to deliver the changes to the household waste and recycling collections involved approximately 40 council employees from across the organisation. A phased approach was being taken on the move to alternate

- week collections for general waste and that he was confident the Council had the right plans to deliver the changes to the service.
- The super waste and recycling site was still in the early stages, but Councillors could see the vision for the new site.
  - The garden waste collection service would end and in February 2019 when a 42-week subscription garden waste service would commence. There would be an annual charge of £35 and £17.50 for concessions. Other options would be available to residents, for example home composting or they could take the garden waste to a recycling centre where the Council would take it off them for free.
  - Staff transferred from the previous contractor to the Council under their existing contract terms. The 170-staff who transferred to the Council are working well. Where the Council proposes to introduce changes to terms and conditions staff would be consulted.
  - On the delivery of large bins when the fortnightly general waste collection commences, the Council suggest that whilst 60% of residents have two or less bins they could use their 140-litre bin. If residents feel they need a larger bin there was a garden waste bin they already own and they could let the Council know which one they intend to use for their general waste through the aid of a sticker to be issued to households.
  - The food waste caddy service was costly and not successful. The Council therefore decided to terminate the service. As part of the Council's Waste Strategy it is aware of the amount of food waste in the general waste. The Council needs to affect what goes into the waste collection vehicles before it is put into the waste bins.
  - There would be a communication strategy to residents regarding recycling their 140-litre bin for household waste.
  - Next year the Council would have a program to drive recycling to 50% by March 2020. The Council would engage with all communities to help them address the problems that are preventing them from recycling more of their waste.
  - Regarding commercial waste, there are 6500 businesses in the city, 2000 of which are the Council's customers. The Council does not work with the larger organisations because they are on national contracts. The Council provides a service to the vast majority of the city's schools and small businesses.
  - Collection of garden waste is not a statutory service. If households do not wish to pay to have their garden waste collected by the Council, they could home compost or take it to their local recycling centre. If they want the Council to collect the garden waste, they would have to pay the annual or concessionary charge.
  - An education programme for residents regarding recycling and the correct use of bins would be undertaken.

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

Councillor Philip Bateman MBE commented that in twelve months' seven of the city's-maintained nursery schools might lose their government funding. He queried why this was not considered a risk for inclusion in the School Improvement risk. The Senior Auditor reported that she had met with the School Improvement Officer who felt that it was not a risk that needed to be included in the strategic risk register at this moment but would revisit this at their next meeting.

The Chair asked for an update on the transfer of the Council's Emergency Planning and Business Continuity functions to West Midlands Fire and Rescue Authority (Risk 8 - Business Continuity). The Senior Auditor reported that the transfer was still going ahead but a date had yet to be set for when it would happen. Currently the Emergency Planning and Business Continuity functions were still being managed in house. An audit review of the area was scheduled in the Audit Plan at the end of the financial year.

Resolved:

1. That the latest summary of the Council's strategic risk register at appendix 1 to the report be noted.
2. That the change in the target date for risk 24 - Maximising Benefits from West Midlands Combined Authority (WMCA), to take into account the ongoing work reviewing the arrangements in place to ensure the Council capitalises on opportunities from WMCA be noted.
3. That the main sources of assurance available to the Council against its strategic risks at appendix 2 to the report be noted.
4. That an appropriate officer be invited to the next meeting to report on funding for the Council's maintained nurseries.

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

Peter Farrow, Head of Audit presented the key points from the report on progress made against the 2018/2019 internal audit plan and on recently completed work.

The Chair asked how many schools Audit Services visited during a year. The Head of Audit reported that the service tried to visit between 15 to 20 schools per year. Some years more visits were held, particularly when a Head Teacher approached the service for support.

Councillor Obaida Ahmed noted the feedback from the training sessions for the implementation of General Data Protection Regulations (GDPR). She asked about action being taken in response to the feedback to raise employees awareness of the legislative framework they work to. The Head of Audit reported that the message from the audit was that more work on raising awareness was required. Audit Services would follow up on the implementation of the recommendations from the audit before the end of 2018/2019.

The Chair asked the Head of Audit if he was happy that the audit plan for 2018/2019 would be completed. The Head of Audit said that it would be tight, but his team would keep on top of the programme and for now they were on schedule.

Resolved:

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

#### 10 **Internal Audit Charter - Annual Review**

Peter Farrow, Head of Audit presented for review and approval the internal Audit Charter. No changes had been made to the document since it was last reviewed in September 2017.

The Chair informed the Committee that he had recently been interviewed as part of a Peer Review. He asked the Head of Audit whether there was any update from the exercise. The Head of Audit said that the interview was in connection with an external assessment of the Council's audit function, conducted by Solihull Metropolitan Borough Council's Head of Audit Services. Verbal feedback had been received from the Peer Review and they were working on a draft report. It was hoped that the report would be available for the next meeting of the Committee.

Resolved:

That the Internal Audit Charter be approved.

11 **Audit Services - Counter Fraud**

Mark Wilkes, Audit Business Partner presented the update report on current counter fraud activities undertaken by Audit Services. He also informed the Committee that a new series of the BBC's 'Council House Crackdown' was being broadcast. Three cases involving the work of Wolverhampton Homes and the Council's Counter Fraud team would feature in the series.

The Chair asked what types of business rates fraud the National Fraud Office was seeking to tackle or detect through the Business Rates Pilot. The Audit Business Partner said that small business rate relief and business rates avoidance were areas of concern they were seeking to tackle.

Resolved:

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

12 **Payment Transparency**

Peter Farrow, Head of Audit presented the report on the Council's payment transparency activity. Since the last report to the Committee no requests had been received for information from the public (armchair auditor requests).

Resolved:

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

13 **Wolverhampton Homes - Assurance from the Audit and Service Delivery Committee**

Further to the request at the last meeting, Peter Farrow, Head of Audit presented a report on the role of Wolverhampton Homes (WH) Audit and Service Delivery Committee.

Mike Ager, Independent Member asked whether the audit reports issued to WH over the last year had all received a satisfactory level of assurance. The Head of Audit reported that there had been limited assurance reports issued but overall an unqualified opinion had been given to WH on the adequacy and effectiveness of its governance, risk management and internal control processes.

Referring to WH latest strategic risk register, Councillor Philip Bateman MBE asked whether WH was involved in any other businesses where they had separate arrangements. Jan Lycett, Director of Business Support, Wolverhampton Homes reported that anything WH did was in partnership or through contractual arrangements and were included in its internal audit plan.

The Chair asked whether WH's risk register contained any red rated risks, and if so was there any adverse impact on the Council. The Director of Business Support reported that there were none.

Referring to the risk 'Health and Safety', the Chair asked whether staff from Health and Safety had transferred from WH to the City Council. The Director of Business Support reported that the staff had transferred, however the health and safety risk in the register was more about WHs' wider obligation to its employees.

On the key risk 'fire safety', Councillor Mary Bateman asked whether sprinklers would be installed in the city's high-rise blocks. By way of reassurance, the Director of Business Support reported that none of the city's high-rise blocks contained the cladding associated with the fire at Grenfell Tower, London. She added that there was a political will within the Council to install sprinklers in high-rise blocks.

Resolved:

That the role of the Wolverhampton Homes Audit and Service Delivery Committee and the reliance the Council's Audit and Risk Committee can place upon the assurance they provide be noted.

This page is intentionally left blank

<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<h1>Audit and Risk Committee</h1> <p>10 December 2018</p>
--	---

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

---

**Recommendation for noting:**

The Committee is asked to note:

1. The Audit Plan 2018-2019 from the Council's external auditors, Grant Thornton.

## 1.0 Purpose

- 1.1 To update members of the committee on the Audit Plan from the Council's external auditors, Grant Thornton, for the year ended 31 March 2019.

## 2.0 Background

- 2.1 As outlined in the document attached, the audit plan sets out the planned scope and timing of the audit, as required by the International Standard on Auditing (UK and Ireland) 260. The document attached is to help the Audit and Risk Committee understand the consequences of the external audit work, discuss issues of risk and materiality and identify any areas where additional procedures may be requested.

## 3.0 Financial implications

- 3.1 The following fees are outlined in the audit plan attached. There is a specific budget for these fees within Corporate Financial Management.

Audit fees	2017-2018 £000	2018-2019 £000
Council Audit	189	146
Grant Certification	14	14
<b>Total</b>	<b>203</b>	<b>160</b>

Independence & non-audit services	2017-2018 £000	2018-2019 £000
<b>Total</b>	<b>72</b>	<b>TBC</b>

[EB/30112018/Y]

## 4.0 Legal implications

- 4.1 The legal implications are set out in the audit plan and are in compliance with the Councils' Constitution and all relevant legislation.

[TS/29112018/G]

## 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 Health and Wellbeing implications**

9.1 There are no health and wellbeing implications arising from this report.

**10.0 Schedule of background papers**

10.1 None

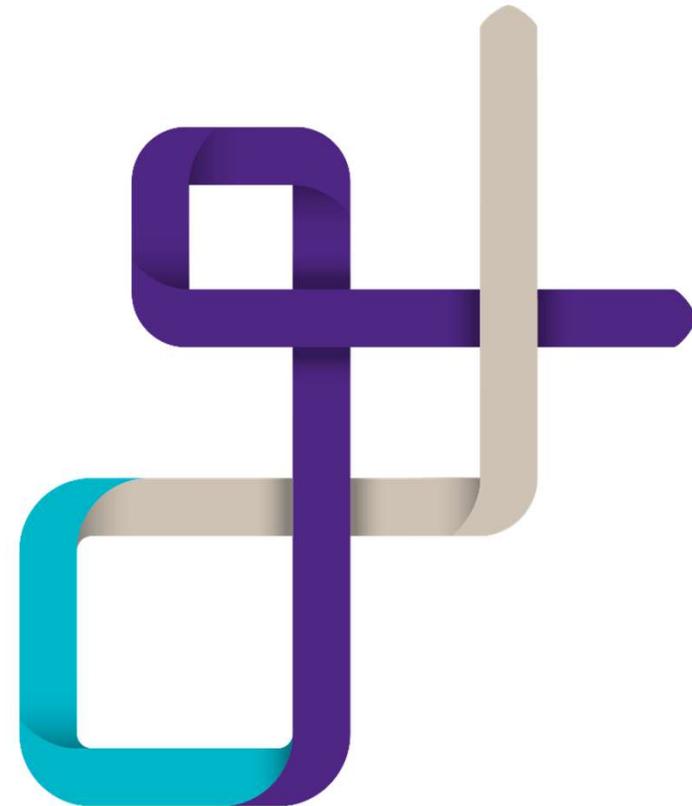
This page is intentionally left blank

# External Audit Plan

*Year ending 31 March 2019*

City of Wolverhampton Council  
10 December 2018

Page 19





## Your key Grant Thornton team members are:

Page 20

Mark Stocks  
Partner

T: 0121 232 5437

E: mark.c.stocks@uk.gt.com

Nicola Coombe  
Senior Manager

T: 0121 232 5206

E: nicola.coombe@uk.gt.com

Zak Francis  
Assistant Manager

T: 0121 232 5164

E: zak.francis@uk.gt.com

## Section

	Page
1. Introduction & headlines	3
2. Key matters impacting our audit approach	5
3. Audit approach	6
4. Group audit scope and risk assessment	7
5. Significant risks identified	8
6. Other matters	11
7. Materiality	12
9. Value for Money arrangements	13
10. Audit logistics, team & fees	15
11. Early Close	16
12. Independence & non-audit services	17

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

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

# Introduction & headlines

DRAFT

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of the City of Wolverhampton Council ('the Authority') for those charged with governance.

## Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of City of Wolverhampton Council. We draw your attention to both of these documents on the [PSAA website](#). We draw your attention to both of these documents.

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the :

- Authority and group's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and Risk Committee); and
- Value for Money arrangements in place at the Authority for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit and Risk Committee of your responsibilities. It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Authority is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Authority's business and is risk based.

---

## Group Accounts

The Authority is required to prepare group financial statements that consolidate the financial information of Wolverhampton Homes Limited.

## Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls
- Valuation of land and buildings
- Valuation of the pension fund net pension liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

---

## Materiality

We have determined planning materiality to be £16m (PY £15.503m) for the group and £16m (PY £15.426m) for the Authority, which equates to approximately 1.8% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.800m (PY £0.771m).

---

# Introduction & headlines (continued)

DRAFT

---

## Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks:

- Financial resilience
- Strategic Asset Management
- Civic Halls Refurbishment

---

## Audit logistics

We will undertake split interim visits, which will take place in January, February and March. Our final visit will take place in June and July. Our key deliverables are this Audit Plan and our Audit Findings Report.

Our fee for the audit will be £145,860 (PY: £189,428) for the Authority, subject to the Authority meeting our requirements set out on page 14.

---

## Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

---

# Key matters impacting our audit

DRAFT

## External Factors

### The wider economy and political uncertainty

Local Government funding continues to be stretched with increasing cost pressures and demand from residents. The City of Wolverhampton Council has a good track record of financial management but in common with other authorities, pressures on demand led services, particularly in Children's Social Care, continue to put pressure on finances.

For 2018-19, an overspend of £2.7 million was projected as at July 2018. Subsequent to this, services were asked to deliver in year budget reductions in order to address the projected overspend. As a result, the projected overspend has reduced to £1.7 million at November 2018. The remaining overspend is due in the main to pressures in the People Directorate, and specifically in Looked After Children.

We note that the Authority have rated the overall risk associated with the draft budget and medium term financial strategy for 2018-19 to 2019-2020 as red, due to the uncertainty being faced over the medium term.

### Changes to the CIPFA 2018/19 Accounting Code

The most significant changes relate to the adoption of:

- IFRS 9 Financial Instruments which impacts on the classification and measurement of financial assets and introduces a new impairment model.
- IFRS 15 Revenue from Contracts with Customers which introduces a five step approach to revenue recognition.

## Internal Factors

### New audit methodology

We will be using our new audit methodology and tool, LEAP, for the 2018/19 audit. It will enable us to be more responsive to changes that may occur in your organisation and more easily incorporate our knowledge of the Authority into our risk assessment and testing approach.

### Group boundary

The Council has three subsidiary companies: Wolverhampton Homes Limited, City of Wolverhampton Housing Company Limited (trading as WV Living), and Yoo Recruit. Wolverhampton Homes is already consolidated in the financial statements and Yoo Recruit is not considered to be material.

The City of Wolverhampton Housing Company Limited (trading as WV Living) began trading during the 2017/18 financial year with the aim building and developing a range of new, affordable homes across Wolverhampton. It is anticipated that the activity of this subsidiary will increase as further house building work is undertaken and completed builds are sold. The Authority will need to be mindful of the scale of revenue and expenditure going through this company and be prepared to consolidate if the activities are considered to be material.

## Our response

### We will consider

- your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- whether your financial position leads to material uncertainty about the going concern of group and will review related disclosures in the financial statements.

### We will

- keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and our technical update workshops.
- consider whether your financial statements reflect the financial reporting changes in the 2018/19 CIPFA Code.

You will see changes in the terminology we use in our reports that will align more closely with the ISAs

We will ensure that our resources and testing are best directed to address your risks in an effective way.

For the purposes of our audit plan we have deemed WV Living to be individually significant to the group financial statements, based on anticipated levels of expenditure being in excess of £20m.

We will maintain a watching brief and continue to liaise with the finance team to ensure that if further changes to the group boundary are identified that the consolidation is extended to include further entities as necessary.

# Audit approach

DRAFT

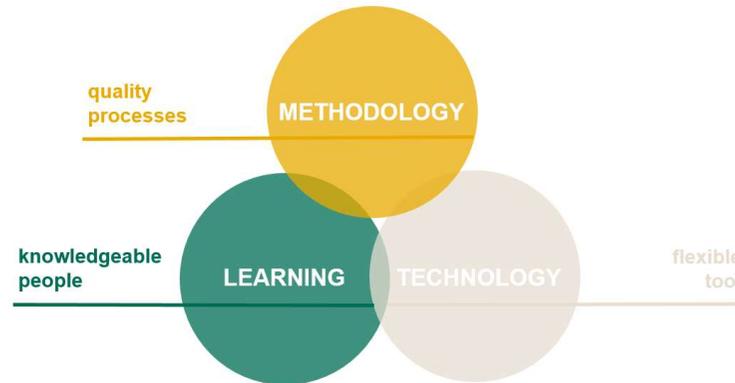
## Use of audit, data interrogation and analytics software

### LEAP



#### Audit software

- A globally developed ISA-aligned methodology and software tool that aims to re-engineer our audit approach to fundamentally improve quality and efficiency
- LEAP empowers our engagement teams to deliver even higher quality audits, enables our teams to perform cost effective audits which are scalable to any client, enhances the work experience for our people and develops further insights into our clients' businesses
- A cloud-based industry-leading audit tool developed in partnership with Microsoft



### Info



Cloud based software which uses data analytics to identify trends and high risk transactions, generating insights to focus audit work and share with clients.



#### REQUEST & SHARE

- Communicate & transfer documents securely
- Extract data directly from client systems
- Work flow assignment & progress monitoring



#### ASSESS & SCOPE

- Compare balances & visualise trends
- Understand trends and perform more granular risk assessment



#### VERIFY & REVIEW

- Automate sampling requests
- Download automated work papers



#### INTERROGATE & EVALUATE

- Analyse 100% of transactions quickly & easily
- Identify high risk transactions for investigation & testing
- Provide client reports & relevant benchmarking KPIs



#### FOCUS & ASSURE

- Visualise relationships impacting core business cycles
- Analyse 100% of transactions to focus audit on unusual items
- Combine business process analytics with related testing to provide greater audit and process assurance



#### INSIGHTS

- Detailed visualisations to add value to meetings and reports
- Demonstrates own performance and benchmark comparisons

Page 24

### IDEA



- We use one of the world's leading data interrogation software tools, called 'IDEA' which integrates the latest data analytics techniques into our audit approach
- We have used IDEA since its inception in the 1980's and we were part of the original development team. We still have heavy involvement in both its development and delivery which is further enforced through our chairmanship of the UK IDEA User Group
- In addition to IDEA, we also other tools like ACL and Microsoft SQL server
- Analysing large volumes of data very quickly and easily enables us to identify exceptions which potentially highlight business controls that are not operating effectively

### Appian



#### Business process management

- Clear timeline for account review:
  - disclosure dealing
  - analytical review
- Simple version control
- Allow content team to identify potential risk areas for auditors to focus on

# Group audit scope and risk assessment

**DRAFT**

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Individually Significant?	Audit Scope	Risks identified	Planned audit approach
City of Wolverhampton Council	Yes		<ul style="list-style-type: none"> <li>See pages 8 to 10 where the identified risks pertaining to the Authority are detailed</li> </ul>	Full scope UK statutory audit performed by Grant Thornton UK LLP
Wolverhampton Homes Limited	Yes		<ul style="list-style-type: none"> <li>See pages 8 to 10 where the identified risks pertaining to the Group are detailed</li> </ul>	<p>Specific scope procedures on management override of controls and the valuation of the net pension fund liability to be performed by component auditor, Grant Thornton UK LLP.</p> <p>The nature, time and extent of our involvement in the work of the component audit team will begin with a discussion on risks, guidance on designing procedures, participation in meetings, followed by the review of relevant aspects of the component auditors' audit documentation and meeting with appropriate members of management.</p>
Yoo Recruit Limited	No		None	Analytical review performed by Grant Thornton UK LLP, as the auditors of the Authority.
City of Wolverhampton Housing Company Limited	No		See pages 8 to 10 where the identified risks pertaining to the Group are detailed	This is the second year of trading for this company. While we have not yet had the formal group boundary consideration from the Council, we are aware from discussions with officers that consolidation of this component is likely due to the level of expenditure expected as at 31 March 2018. As such we will ask for specific scope procedures on management override of controls to be performed by the component auditor.

Page 25

## Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component's financial information
- Specified audit procedures relating to significant risks of material misstatement of the group financial statements
- Analytical procedures at group level

# Significant risks identified

**DRAFT**

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
<b>The revenue cycle includes fraudulent transactions (rebutted)</b>	<b>Group and Authority</b>	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including City of Wolverhampton Council, mean that all forms of fraud are seen as unacceptable</li> </ul> <p>Therefore we do not consider this to be a significant risk for City of Wolverhampton Council.</p> <p>In terms of this risk and how it relates to the Group we have also determined that the risk of fraud arising from revenue recognition in the Group can be rebutted because the majority of income of Wolverhampton Homes Limited (approximately 97%) arises from the Council and is therefore eliminated on consolidation. The remainder of the income stream of Wolverhampton Homes Limited is sourced from third parties but given the subsidiary's close relationship with the Council, we believe the above bullet points also apply from a Group perspective.</p>	Response not required as risk rebutted.

# Significant risks identified

DRAFT

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	Group and Authority	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>evaluate the design effectiveness of management controls over journals</li> <li>analyse the journals listing and determine the criteria for selecting high risk unusual journals</li> <li>test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration</li> <li>gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence</li> <li>evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>
Valuation of land and buildings	Authority	<p>The Authority revalues all assets over £1m on an annual basis with the remainder being revalued on a cyclical basis or as considered necessary in order to ensure that all assets are revalued at least every five years. This is in line with the Code requirements.</p> <p>This is to ensure that carrying value is not materially different from the current value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>Management have engaged the services of a valuer to estimate the current value as at 31 March 2019.</p> <p>We therefore identified the valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work</li> <li>evaluate the competence, capabilities and objectivity of the valuation expert</li> <li>write to the valuer, with follow up discussions as necessary, to confirm the basis on which the valuations were carried out</li> <li>challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding</li> <li>test, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Authority's asset register</li> <li>evaluate the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.</li> </ul>

Page 27

# Significant risks identified

**DRAFT**

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	Group and Authority	<p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements and group accounts.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£640.7 million and £678.3 million in the Authority's and Group's balance sheets respectively as at 31 March 2018) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls;</li> <li>• evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>• assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;</li> <li>• assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;</li> <li>• test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;</li> <li>• undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and</li> <li>• obtain assurances from the auditor of West Midlands Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.</li> </ul> <p>Note that from a group point of view this risk is only applicable to the City of Wolverhampton Council and Wolverhampton Homes Limited, as the City of Wolverhampton Housing Company Limited does not have any employees and therefore carries no such liability.</p>

Page 28

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2019.

## Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and consistent with our knowledge of the Authority.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
  - Giving electors the opportunity to raise questions about your 2018/19 financial statements, consider and decide upon any objections received in relation to the 2018/19 financial statements;
  - issue of a report in the public interest or written recommendations to the Authority under section 24 of the Act, copied to the Secretary of State.
  - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
  - Issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit.

## Other material balances and transactions

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

## Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the group's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

# Materiality

## The concept of materiality

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

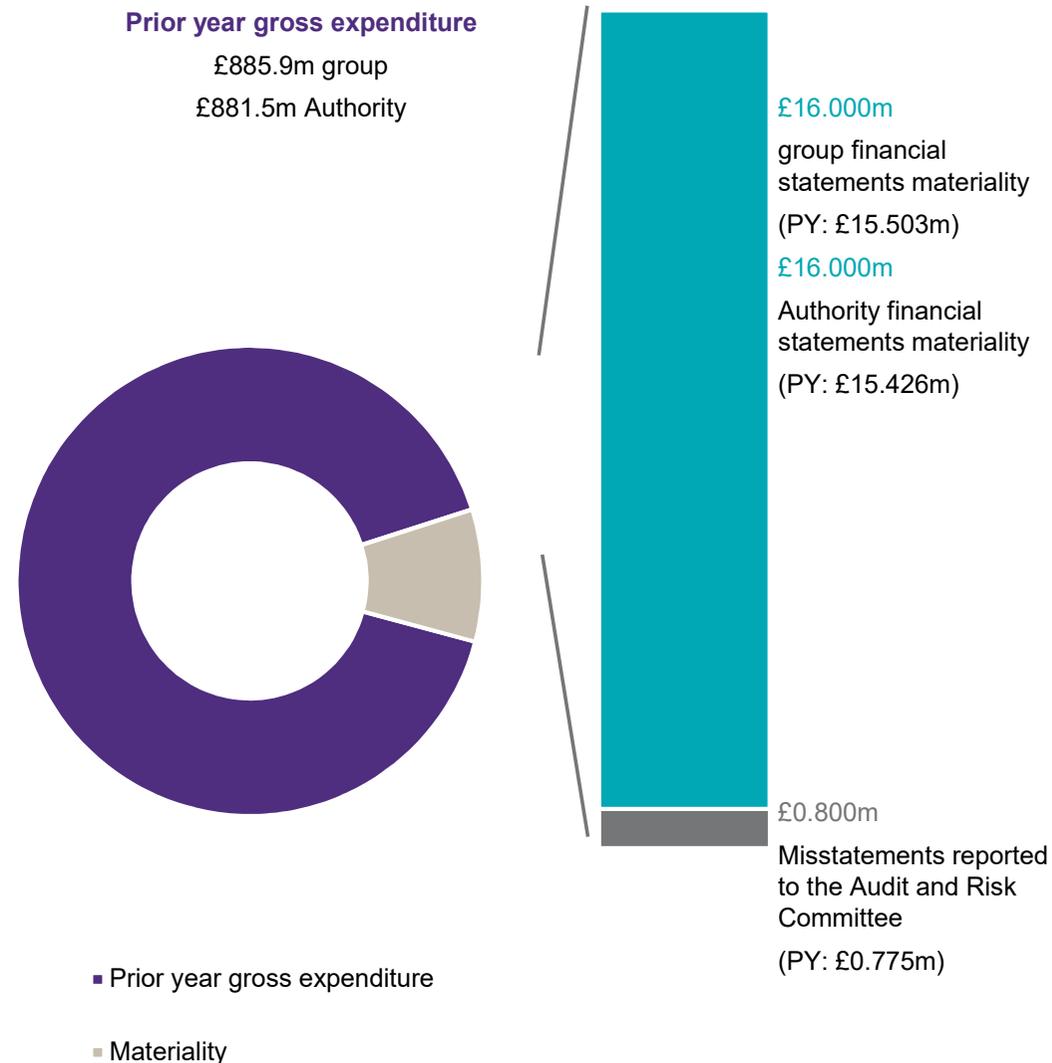
## Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the gross expenditure of the group and Authority for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £16.000m (PY £15.503m) for the group and £16.000m (PY £15.426m) for the Authority, which equates to approximately 1.8% of your prior year gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £35,000 for senior officer's remuneration as we believe these disclosures are of specific interest to the reader of the accounts. We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

## Matters we will report to the Audit and Risk Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit and Risk Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the group and Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.800m (PY £0.775m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Risk Committee to assist it in fulfilling its governance responsibilities.



# Value for Money arrangements

DRAFT

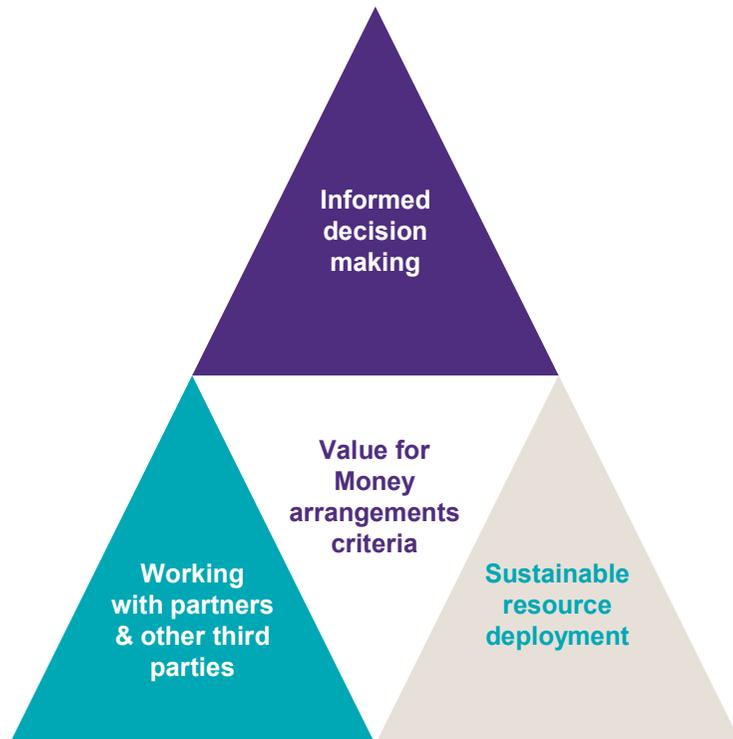
## Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, auditors are required to give a conclusion on whether the Authority has proper arrangements in place to secure value for money.

The guidance identifies one single criterion for auditors to evaluate:

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

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



Page 31

## Significant VFM risks

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Authority to deliver value for money.



### Financial resilience

The Authority has historically managed its finances well, achieving financial targets. The Budget and Medium Term Financial Strategy considered by Cabinet on 20 February 2018 and approved by Full Council on 7 March 2018 identified that the budget for 2018-19 was in balance without the use of general reserves. However, in common with other authorities, pressures on demand led services, particularly in Children's Social Care, continue to put impact finances and the Authority is forecasting an overspend against the general fund of £1.7m for 2018/19.

The scale and pace of change for local government will affect future projections and it is important the Authority is on track to identify and produce savings required to deliver balanced budgets in the future. The Authority is faced with finding further budget reduction and income generation proposals totalling £19.5 million over the period to 2019/20. There is therefore still a gap to address in terms of future funding and savings solutions.

We will review the Council's Medium Term Financial Strategy and financial monitoring reports and assess the assumptions used.



### Strategic Asset Management

The Council's 2014/15 Annual Governance Statement noted that following the transfer of Corporate Landlord to City Assets (Place Directorate) in January 2015 the opportunity was being taken to further embed the Strategic Asset Management function. It was intended to ultimately establish a Strategic Asset Management Plan, rationalise the property base, and dispose of unneeded assets. It was noted in the 2015/16, 2016/17 and 2017/18 Annual Governance Statement that a Strategic Asset Plan had yet to be developed.

We reported last year that while we thought arrangements were adequate, the speed of implementation was slow. We will revisit the Council's progress against this for 2018/19 through discussion with officers and review of relevant documents.



## Civic Halls Refurbishment

As part of our VFM conclusion for 2017/18 we noted that the Authority had undertaken reviews during the year with regard to the build of Wolverhampton Markets, Wolverhampton Train Station and Wolverhampton Civic Hall. It had identified deficiencies with regard to the programme management of all three projects. We considered these as part of our review and concluded that:

- Markets – while deficiencies with regard to the project exist the project in itself was not considered to be material to the VFM conclusion.
- Train Station – while deficiencies exist with regard to the project management of the capital build these were not considered to be unusual for this type of complex project and therefore was not material to the VFM conclusion.
- Civic Hall – the deficiencies appeared to be significant and we acknowledged that the final outcome of the project was not clear as at the time of writing and that the majority of the costs would fall into 2018/19. We reported that therefore we would consider this project as part of our 2018/19 VFM conclusion.

Internal audit were commissioned by the former Managing Director to undertake a lessons learned review for three capital projects, which included the Civic Halls Refurbishment.

We will review the report produced by internal audit and assess progress being made against the actions they identified. We will also take into account the quantum of overspend against budget to determine if appropriate arrangements were in place.

# Audit logistics, team & fees

DRAFT



## Mark Stocks, Engagement Lead

As your engagement lead, Mark will have the ultimate responsibility for the delivery of your audit service. He will lead our relationship with the Authority and take overall responsibility for delivering a high quality audit, which meets the highest professional standards while adding value.



## Nicola Coombe, Audit Manager

As the engagement manager, Nic is responsible for overseeing the delivery of our service and managing the audit process. She will work with officers and our on-site team to ensure the smooth planning and delivery of the audit. She will oversee the on-site team and discuss any issues with you during the audit process as well as any questions you may have throughout the year.



## Zak Francis, Audit Incharge

Zak will lead the on-site audit team and is responsible for the performance of the audit fieldwork and day-to-day liaison with the finance team. He will ensure that your audit is delivered effectively, efficiently and supportively, keeping the finance team abreast of any issues arising as and when they occur.

## Audit fees

The planned audit fees are £145,860 (PY: £189,428) for the financial statements audit completed under the Code, which are inline with the scale fee published by PSAA. There is no non-Code (as defined by PSAA) work planned. In setting your fee, we have assumed that the scope of the audit, and the Authority and its activities, do not significantly change.

## Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section 'Early Close'. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

Any proposed fee variations will need to be approved by PSAA.

## Meeting the 31 July audit timeframe

In the prior year, the statutory date for publication of audited local government accounts was brought forward to 31 July, across the whole sector. This was a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts was curtailed, while, as auditors we had a shorter period to complete our work and faced an even more significant peak in our workload than previously.

The early close deadline was met in respect of the year ending 31 March 2018: this was as a result of both the audit and finance teams working proactively with one another throughout the year to identify issues to discuss, agree and resolve; the finance team presented us with draft accounts in accordance with the national deadline and provided a good set of working papers to support them; in addition, the finance team responded promptly and efficiently to our queries during the course of the audit.

We have carefully planned how we can make the best use of the resources available to us during the final accounts period. As well as increasing the overall level of resources available to deliver audits, we have focused on:

- bringing forward as much work as possible to interim audits
- starting work on final accounts audits as early as possible, by agreeing which authorities will have accounts prepared significantly before the end of May
- seeking further efficiencies in the way we carry out our audits
- working with you to agree detailed plans to make the audits run smoothly, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

We will also liaise closely with the West Midlands Pension Fund and its audit team to discuss any issues that may impact or delay the issue of the City of Wolverhampton's Council's accounts.

We are satisfied that, if all these plans are implemented, we will be able to complete your audit and those of our other local government clients in sufficient time to meet the earlier deadline.

## Client responsibilities

Where individual clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. We will therefore conduct audits in line with the timetable set out in audit plans (as detailed on page 15). Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit by the statutory deadline. Such audits are unlikely to be re-started until very close to, or after the statutory deadline. In addition, it is highly likely that these audits will incur additional audit fees.

## Our requirements

To minimise the risk of a delayed audit or additional audit fees being incurred, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

In return, we will ensure that:

- the audit runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and weekly meetings during the audit
- we are available to discuss issues with you prior to and during your preparation of the financial statements.

# Independence & non-audit services

DRAFT

## Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 and PSAA's Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

## Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. The following other services were identified.

Service	£	Threats	Safeguards
<b>Audit related</b>			
Certification of Housing capital receipts grant	TBC	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work, while yet to be confirmed is likely to be relatively small in comparison to the total fee for the audit of £145,860 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Grant certification of Housing Benefit Subsidy Claim	14,128	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence when compared to the total fee for the audit of £145,860 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Teachers Pension Return	4,200	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence when compared to the total fee for the audit of £145,860 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
<b>Non-audit related</b>			
None	-	-	-

# Fees

DRAFT

For the purposes of completeness we set out the audit fees charged in respect of the Authority and its subsidiaries

## Audit Fees

	Proposed fee	2017/18
Council Audit	145,860	189,428
Audit of subsidiary company Wolverhampton Homes Limited	TBC*	27,000
Audit of subsidiary company Yoo Recruit Limited (not consolidated on grounds of materiality)	TBC*	13,000
Audit of subsidiary company City of Wolverhampton Housing Company Limited (not consolidated on grounds of materiality)	TBC*	12,000
Total audit fees (excluding VAT)	<b>£257,556</b>	<b>£257,556</b>

- The fees listed are the amounts that were charged for the audit in respect of the year ending 31 March 2018 as this is the most recent audit to date. The audit of these companies have yet to take place in respect of the year ending 31 March 2019 and as the audit plans have not yet been issued, the fees are yet to be confirmed.

The amounts detailed above and on the previous page are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the group's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit and Risk Committee. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit. None of the services provided are subject to contingent fees.

DRAFT

Page 37



© 2018 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

This page is intentionally left blank

CITY OF  
WOLVERHAMPTON  
COUNCIL

# Audit and Risk Committee

10 December 2018

<b>Report title</b>	Strategic Risk Register and Strategic Assurance Map	
<b>Accountable director</b>	Claire Nye, Finance	
<b>Originating service</b>	Audit	
<b>Accountable employee(s)</b>	Peter Farrow Tel Email	Head of Audit 01902 550417 Peter.Farrow@wolverhampton.gov.uk
<b>Report to be/has been considered by</b>	Corporate Leadership Team	13 November 2018

---

## Recommendations for noting:

The Audit and Risk Committee is asked to note:

1. The latest summary of the Council's strategic risk register as at Appendix 1.
2. The inclusion of risk 35 – Brexit.
3. The increase in the risk score for risk 4 – Medium Term Financial Strategy (MTFS), as a result of future uncertainties and increasing pressures surrounding the MTFS.
4. The decrease in the scores for the following risks:
  - a. Risk 3 – Information Governance due to the progress made by the Council in this area since the introduction of GDPR in May 2018.
  - b. Risk 30 – Civic Halls, as a result of the revised programme management and governance structure that is now in place.
  - c. Risk 33 – Governance of Major Capital Projects and Programmes, due to the changes that have been implemented following the publication of the lessons learnt reports presented to Committee in July 2018.
  - d. Risk 34 – Wolverhampton Interchange Programme (Train Station), as the project has now moved into the delivery phase.

5. The changes to target dates for the reduction of the following risks:
  - a. Risk 25 – Payment Card Industry Data Security Standard
  - b. Risk 28 – Health and Safety.
  
6. The main sources of assurance available to the Council against its strategic risks at Appendix 2.

## 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 September 2018. Since this time, we have worked with 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 directorate, programme, project or partnership risk registers in line with the Council's corporate risk management framework.
- 2.4 A summary of the strategic risk register is included at Appendix 1 of this report which sets out the status of the risks as at November 2018. 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 2 provides a summary of the Council's strategic assurance map which follows the three lines of defence model (shown below). The assurance map details where the Committee can gain assurance against the strategic risks. This too is a live document and is updated alongside the monitoring and reviewing of the strategic risk register.

### The three lines of defence model:

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

## 3.0 Progress, options, discussion

- 3.1 The strategic risk register will be updated as required and presented at approximately quarterly intervals to the Committee. The Committee also takes the opportunity to 'call in' individual risks for further review from time to time. At the last meeting, the Committee held detailed discussions with regards to risk 30 - Civic Halls, the Civic Halls Programme Director is attending the meeting to present a separate report on the Civic Halls.

3.2 The Committee also raised an issue with regards to funding for maintained Nursery schools, whilst it has been decided not to include this issue on the Strategic Risk Register further information has been provided at Appendix 3 and the Head of School Organisation is attending the meeting to answer any additional questions.

#### **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.  
[MH/28112018/M]

#### **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/27112018/Q]

#### **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.

#### **11.0 Health and Wellbeing implications**

11.1 There are no health and wellbeing implications arising from the recommendations made in this report.

**12.0 Schedule of background papers**

12.1 None

**13.0 Appendices**

13.1 Appendix 1 – Strategic Risk Register

13.2 Appendix 2 - Assurance Map.

13.3 Appendix 3 - Update of Maintained Nursery Schools

This page is intentionally left blank

# Appendix 1 – Strategic Risk Register

[NOT PROTECTIVELY MARKED]

## November 2018



## Profile of current strategic risks

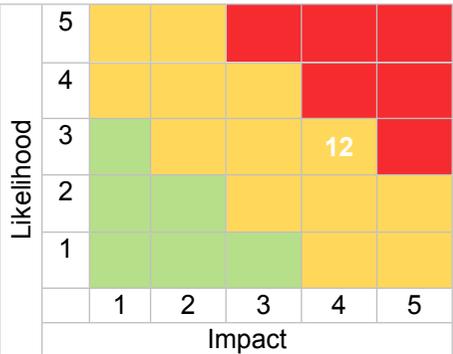
Red	4, 35
Amber	3, 7, 8, 9, 14, 15, 22, 23, 24, 25, 27, 28, 29, 30, 32, 33, 34

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

Risk ref	Risk title and description	Previous score (Aug 2018)	Direction of travel	Current score (Nov 2018)	Target score and date	Comment																																											
4 01/14	<p><b>Medium Term Financial Strategy</b></p> <p>If the Council does not manage the risks associated with the successful delivery of its medium term financial strategy (MTFS) including the continual review of the assumptions and projections of the strategy, the effective management of the key MTFS programmes and projects such as the transformation of Adults and Children's services then revenues may be exhausted, resulting in the potential loss of democratic control and the inability of the Council to deliver essential services and discharge its statutory duties.</p> <p>Risk owner: Claire Nye Cabinet Member: Cllr Louise Miles</p> <table border="1"> <tr> <td rowspan="6">Likelihood</td> <td>5</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>4</td> <td></td> <td></td> <td></td> <td>16</td> <td></td> </tr> <tr> <td>3</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>2</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>1</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td colspan="5">Impact</td> </tr> </table>	Likelihood	5						4				16		3						2						1							1	2	3	4	5		Impact					12 Amber		16 Red	12* Amber On-going	<p>Due to future uncertainty and increasing pressures surrounding the MTFS this risk has been assessed as red for the first time since February 2016. The Draft Budget and MTFS 2019 – 2020 was reported to Cabinet on 17 October 2018. The report detailed the following matters:</p> <ul style="list-style-type: none"> <li>The updated projected deficit assumes the achievement of existing budget reduction and income generation proposals amounting to £28.3 million over the two-year period from 2018 - 2019 to 2019 - 2020.</li> <li>There continues to be a considerable amount of uncertainty with regards to future funding streams for local authorities particularly regarding 2020 - 2021 onwards. The Comprehensive Spending Review 2020, the Fair Funding Review and potential pressures arising as a result of new responsibilities will all impact upon the Council's budget.</li> <li>The Council's General Fund Balance remains at £10 million; the minimum balance as determined in the Council's approved Reserves and Balances policy.</li> <li>Due to the uncertainty the Council currently faces, it is difficult to establish a medium term financial strategy beyond 2019 - 2020. It is projected that the medium-term budget challenge could be in the region of £40 – 50 million over the next five years. This continues to be the most significant financial challenge that the Council have faced. Service areas across the Council are continuing to develop budget efficiencies, service transformation and income generation proposals in order to meet the budget challenge.</li> <li>A high level five - year budget strategy is due to be developed by May 2019 and reported to Cabinet during July 2019.</li> </ul>
Likelihood	5																																																
	4					16																																											
	3																																																
	2																																																
	1																																																
		1	2	3	4	5																																											
	Impact																																																

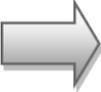
Risk ref	Risk title and description	Previous score (Aug 2018)	Direction of travel	Current score (Nov 2018)	Target score and date	Comment																																											
8 01/14	<p><b>Business Continuity Management (BCM)</b></p> <p>Failure to develop, exercise and review plans and capabilities that seek to maintain the continuity of critical functions in the event of an emergency that disrupts the delivery of Council services.</p> <p>Risk owner: John Denley Cabinet Member: Cllr Hazel Malcolm</p> <table border="1"> <tr> <td rowspan="6">Likelihood</td> <td>5</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>4</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>3</td> <td></td> <td></td> <td>12</td> <td></td> <td></td> </tr> <tr> <td>2</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>1</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td colspan="5">Impact</td> </tr> </table>	Likelihood	5						4						3			12			2						1							1	2	3	4	5		Impact					12 Amber		12 Amber	8 Amber March 2019	<p>As previously reported, at their meeting on 25 April 2018 Cabinet approved plans to transfer the overall day to day management and delivery of Council's Emergency Planning and Business Continuity management service to West Midlands Fire Service (WMFS) under a Collaboration Agreement. However, at the time of reporting a date for the transfer had not been agreed.</p> <p>Whilst work continues in preparation for the merger with WFMS day to day work is also ongoing, adequate arrangements are in place with regards to both Emergency Planning and Business Continuity prior to implementation of the new arrangements. Priority one service areas are in the process of reviewing and updating existing business continuity plans. All legal requirements are being met and the team are now starting to hit leading practise indicators for resilience.</p> <p>The Resilience Board have approved a three-year work plan detailing the aims and objectives of the Resilience Team for the period 2018 - 2021. Updates on progress against the plan will be provided to the Resilience Board on a quarterly basis. Examination of the plan identified that five aims have been established and are as follows:</p> <ul style="list-style-type: none"> <li>To ensure a smooth transitional period between City of Wolverhampton Council Resilience Team and WMFS Emergency Planning Team.</li> <li>To improve the council's ability to maintain delivery of critical services during a disruptive event.</li> <li>To embed the generic emergency planning structure through continued training, exercise and improvement to enhance the council's ability to co-ordinate the response to a spectrum of risks.</li> <li>To develop and maintain risk specific emergency plans, as identified through the National Risk Register, for the City of Wolverhampton.</li> <li>To improve the approach to multi-agency emergency planning and community resilience within the City of Wolverhampton.</li> </ul> <p>It has been decided that this risk will remain at 12 until new the arrangements are in place and become embedded.</p>
Likelihood	5																																																
	4																																																
	3				12																																												
	2																																																
	1																																																
		1	2	3	4	5																																											
	Impact																																																

Risk ref	Risk title and description	Previous score (Aug 2018)	Direction of travel	Current score (Nov 2018)	Target score and date	Comment																																											
9 01/14	<p><b>City Centre Regeneration</b></p> <p>If the City Centre Regeneration programme is not effectively managed in terms of project timings, costs and scope, then it will be unable to maximise opportunities including:</p> <ul style="list-style-type: none"> <li>the attraction of private sector investment</li> <li>the creation of space to accommodate new businesses and economic growth</li> <li>the enhancement and creation of visitor attractions</li> <li>the creation of well-paid employment</li> <li>retention of skilled workers</li> <li>the creation of residential opportunities</li> <li>a functioning city centre offer that serves the residents of the City</li> <li>a reduced demand on Council services</li> </ul> <p>Risk owner: Richard Lawernce 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>12</td> <td></td> <td></td> </tr> <tr> <td>2</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>1</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td colspan="5">Impact</td> </tr> </table>	Likelihood	5						4						3			12			2						1							1	2	3	4	5		Impact					12 Amber		12 Amber	12* Amber On-going	<p>Risks are being managed across the City Centre programme to address the potential for delayed delivery and cost overrun. With regards to key projects the following is noted:</p> <ul style="list-style-type: none"> <li>The i9 office development is now fully funded and marketing the building to potential occupiers has begun. The main contractor has been appointed, works are due to commence in February 2019.</li> <li>Implementation of Westside is challenging largely due to commercial negotiations with operators and their changed requirements which have been factored into the design of the overall scheme. The Leisure and Food and Beverage sectors nationally are in retrenchment which means operators are pushing for better terms to open in new schemes. Despite this, the developer reports strong commitment from leisure operators to be part of the scheme.</li> <li>Proposals to enhance key areas of public realm throughout the city as identified within the Connected Places Strategy delivery plan are progressing with Westside Link, Cleveland Boulevard and Springfield Link due for commencement in early 2019. These works will seek funding from the Local Enterprise Partnership off the back of outputs secured through the associated major developments.</li> <li>Advanced discussions are ongoing with a high-calibre developer with regards to bringing a comprehensive residential-led mixed use scheme to Canalside South. A joint study between the Council and Canal and River Trust (with funding support from the Homes England) has been completed which will result in a phased masterplan proposal with clear routes to delivery.</li> <li>A design for City Learning Quarter is ongoing to meet the needs of user groups. Enabling works around land acquisition is continuing. The delivery programme is challenging and options around a phased decant for the college are being appraised.</li> <li>Engagement with developers and investors continues across a range of sites. Feedback is very positive from investors who are becoming increasingly convinced that there is a developing momentum around the city centre.</li> </ul>
Likelihood	5																																																
	4																																																
	3				12																																												
	2																																																
	1																																																
		1	2	3	4	5																																											
	Impact																																																

Risk ref	Risk title and description	Previous score (Aug 2018)	Direction of travel	Current score (Nov 2018)	Target score and date	Comment
15 01/14	<p><b>Emergency Planning</b></p> <p>Failure to develop, exercise and review plans and capabilities for preventing, reducing, controlling or mitigating the effects of emergencies in both the response and recovery phases of a major incident. Failure to train sufficient numbers of staff to undertake the roles in our plans that assist our residents in emergencies and protect the council's reputation from damage. Failure to audit the emergency response plans and capabilities of third party organisations that deliver statutory services on behalf of the council.</p> <p>Risk owner: John Denley Cabinet Member: Cllr Hazel Malcom</p> 	12 Amber		12 Amber	8 Amber March 2019	For full details see risk 8 – Business Continuity above. As previously reported, at their meeting on 25 April 2018 Cabinet approved plans to transfer the overall day to day management and delivery of Council's Emergency Planning and Business Continuity management service to WMFS under a Collaboration Agreement. However, at the time of reporting a date for the transfer had not been agreed. It has been decided that the score for this risk will remain at 12 until the new arrangements are in place and become embedded.

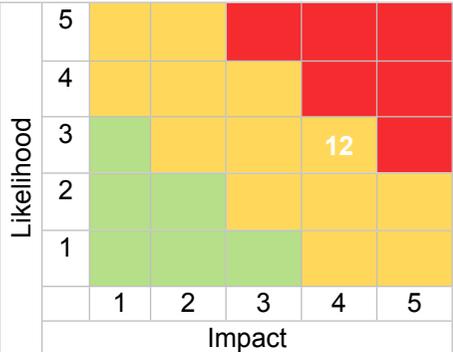
Risk ref	Risk title and description	Previous score (Aug 2018)	Direction of travel	Current score (Nov 2018)	Target score and date	Comment																																											
22 01/17	<p><b>Skills for Work and Economic Inclusion</b></p> <p>If the city residents do not have the appropriate skills 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: Meredith Teasdale Cabinet Member: Cllr Lynne Moran</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> </tr> </table>	Likelihood	5						4						3						2					10	1							1	2	3	4	5		Impact					10 Amber		10 Amber	10* Amber On-going	<p>Since last reported the following is noted;</p> <ul style="list-style-type: none"> <li>www.wolvesworkbox.com launched in June 2017 as the virtual front door to skills and employment support in the city. To date (November 2018) there have been over 265,000 unique visits and over 100 organisations promoting their offer. Over 3500 residents have signed up to receive information. Workbox continues to be developed with information about, English as a Second Language, Health and Work and Careers into Care.</li> <li>Wolves at Work is a joint partnership between DWP and the Council aimed at supporting 3000 residents into sustained employment over three years. There are 30 work coaches across the two organisations. It has so far exceeded its' targets and has to date supported 3,293 local people to gain employment – around 45 percent of which are aged 18 to 29. Wolves at Work is also targeting offenders and rough sleepers.</li> <li>IMPACT is a Black Country wide European Social Fund, Youth Employment Initiative project that has recently had funding extended until 2021. The project aims to support young people 16 to 29 who are not in employment, education and training (NEET). Over 1500 young people have been engaged to date with over 600 achieving positive outcomes i.e. into training or employment.</li> <li>Connexions supports young people who are 14 - 19, or with Special Educational Needs who are under 25 to access education, employment or training. 94.3 % of (academic age) 16 and 17 year olds in the City were in learning at the end of March 2018. This is measured as an average between January and March. This was a peak in performance, being the highest average percentage for the same period for 6 years.</li> <li>A new council Apprenticeships Programme has been developed to increase the number of apprenticeships in the Council and maximise Levy spend. Opportunities are available for employees to access training across a wide range of levels and areas. 170 employees are currently undertaking training to upskill. Information about apprenticeships is now included on Workbox showcasing case studies and how to get an apprenticeship in the city.</li> <li>The 5<sup>th</sup> annual Business Programme was held between 23 September – 3 October 2018 offering a range of events aimed at showcasing the city's business and investment profile whilst</li> </ul>
Likelihood	5																																																
	4																																																
	3																																																
	2						10																																										
	1																																																
		1	2	3	4	5																																											
	Impact																																																

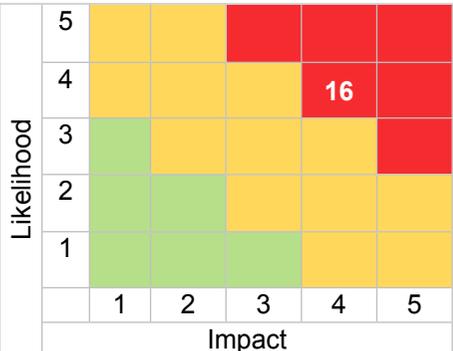
Risk ref	Risk title and description	Previous score (Aug 2018)	Direction of travel	Current score (Nov 2018)	Target score and date	Comment
Page 51						<p>providing dedicated activities to support businesses in the city in order to assist economic growth.</p> <ul style="list-style-type: none"> <li>• The annual jobs fair was held at the Molineux on 14 September 2018 with over 40 employers showcasing jobs available to City residents. Attendees also had the opportunity to find out about training opportunities available to them.</li> <li>• The City Council have announced a 12 - month partnership with Ebay, the Retail Revival Project aims to support more than 100 small firms in and around the City by helping them start up or expand their online presence.</li> <li>• The Council's Social Charter has now captured over 20 developments which are taking place on the city. The Charter puts in place a number of clear pathways for residents and young people in the city through employment, apprenticeships, pre - apprenticeships and school visit, as well as links to our local businesses</li> <li>• With regards to the recent concerns with national retail chains, the Council continues to maintain regular dialogue with key stores, in the city. The recent news about House of Fraser prompted a swift response and a support package was offered to employees, if needed.</li> </ul>

Risk ref	Risk title and description	Previous score (Aug 2018)	Direction of travel	Current score (Nov 2018)	Target score and date	Comment																																												
23 01/17	<p><b>Cyber Security</b></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: Gail Rider Cabinet Member: Cllr Val Gibson</p> <table border="1"> <tr> <td rowspan="6">Likelihood</td> <td>5</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>4</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>3</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>2</td> <td></td> <td></td> <td></td> <td></td> <td>10</td> </tr> <tr> <td>1</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td colspan="7">Impact</td> </tr> </table>	Likelihood	5						4						3						2					10	1							1	2	3	4	5	Impact							10 Amber		10 Amber	10* Amber Ongoing – Dependent on cyber world-wide cyber incidents	<p>The level of this risk remains at ten as there are no imminent threats to Local Government at present. 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-ups 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. Since last reported it is noted;</p> <ul style="list-style-type: none"> <li>• The Council’s firewalls were upgraded during January 2018.</li> <li>• The routine patching schedule continues to ensure protection against newly discovered threats and vulnerabilities.</li> <li>• The continued move to the cloud is being undertaken whilst ensuring minimal disruption to services. The move to the cloud is only undertaken when it is the right decision for the business, decisions to move are made on a case by case basis.</li> <li>• The Council’s Public Service Network certification was granted in August 2018. A Security Engineer has been tasked with ensuring that all minor outstanding items on the PSN action plan are resolved during the year resulting in a much-reduced audit next year.</li> <li>• An independent body, NTA Monitor undertook an internal and external health-check during February 2018, ICT are in the process of rectifying issues identified.</li> <li>• Due to a threat in November two factor authentication will be implemented across the authority on a conditional basis, which will result in additional security levels for authentication.</li> </ul> <p>Information Cyber-Security policies identify the good practices that need to be adopted by the Council. These, along with other Human Resource and Information Governance policies, are regularly reviewed and updated to ensure they are keeping pace and addressing potential threat opportunities. Employee awareness of potential threats and good working practices, through mandatory and associated training, continue to enhance the understanding of cyber security and, help to minimise the opportunities. ICT work closely with Information Governance to maintain relations and high levels of security.</p>
Likelihood	5																																																	
	4																																																	
	3																																																	
	2						10																																											
	1																																																	
		1	2	3	4	5																																												
Impact																																																		

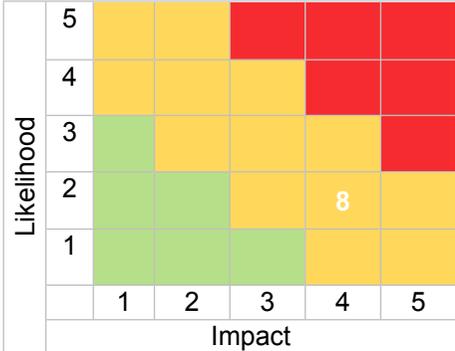
Risk ref	Risk title and description	Previous score (Aug 2018)	Direction of travel	Current score (Nov 2018)	Target score and date	Comment																																											
29 12/17	<p><b>Fire Safety – Public Buildings</b></p> <p>If the Council does not have in place appropriate systems to ensure compliance with the Regulatory Reform (Fire Safety) Order 2005 within public buildings (including schools) there is a risk of injury to members of the public and exposure to regulatory action, financial penalties and reputation damage to the Council.</p> <p>Risk owner: Andy Moran 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> </tr> </table>	Likelihood	5						4						3						2					10	1							1	2	3	4	5		Impact					10 Amber		10 Amber	5 Amber March 2019	<p>The Council is the Responsible Person for public buildings. The named Responsible Person is now the Director of Commercial Services.</p> <ul style="list-style-type: none"> <li>98% of public buildings currently have a fire risk assessment (FRA). Existing FRA's have been reviewed and new FRA's commissioned where required, 90% of corporate buildings and 55% of community schools have a suitable and updated FRA.</li> <li>100% of corporate buildings and community schools will have a suitable, updated FRA by March 2019.</li> <li>FRA's identify actions required to improve fire safety, which are the responsibility of Corporate Landlord or the Site Duty-holder. However, Corporate Landlord retain oversight of all actions in order to ensure implementation.</li> <li>Corporate Landlord undertakes actions to both buildings and systems, for example maintaining and upgrading fire protection systems such as alarms and sprinklers. Sufficient resource(s) are required in terms of specialist staff to arrange works and funding to undertake the works. A fire safety expert is required in-house to enable the Council to fulfil its statutory duties, however recruitment to this post to date has been unsuccessful.</li> <li>There is also a funding gap to undertake the required fire safety works, Corporate Landlord are looking at proposals to address this.</li> <li>The role of Site Duty-Holder was launched in June 2018. Corporate Landlord will support Site Duty-Holders in fulfilling their responsibilities, for example by arranging training for 500 fire marshals, in conjunction with Workforce Development. Corporate Landlord will develop online fire log books during 2018 and will undertake six monthly site audits to ensure that Site Duty-Holders are undertaking required actions.</li> <li>Corporate Landlord has implemented liaison arrangements for I10, I11 and will also implement arrangements for other buildings in multiple occupation.</li> <li>There is an elevated level of fire risk at the former Dudley Road School site, which is leased to Blakenhall Action Community Forum (BACF). Whilst until recently scheduled for closure, the future of this site is again under review.</li> </ul>
Likelihood	5																																																
	4																																																
	3																																																
	2						10																																										
	1																																																
		1	2	3	4	5																																											
	Impact																																																

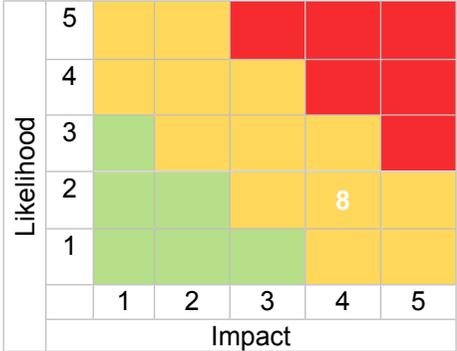
Risk ref	Risk title and description	Previous score (Aug 2018)	Direction of travel	Current score (Nov 2018)	Target score and date	Comment
						<ul style="list-style-type: none"> <li>It is noted that whilst Corporate Landlord manages fire risk actions and regular ongoing checks for corporate buildings, community schools have delegated responsibilities. Schools are requested to provide a fire log return half-termly and updated copies of their FRA action plans to demonstrate that regular fire safety checks are being undertaken, along with training and review of emergency arrangements. Returns from schools are in the process of being reviewed and any outstanding returns will be escalated via the Head of School Organisation.</li> <li>Annual visits to schools are undertaken to assess fire safety arrangements.</li> <li>Work is underway to ensure that Building Schools for the Future (BSF) schools are fire safety compliant.</li> </ul>

Risk ref	Risk title and description	Previous score (Aug 2018)	Direction of travel	Current score (Nov 2018)	Target score and date	Comment
30 01/18	<p><b>Civic Halls</b></p> <p>There is a significant reputational and financial risk to the Council and to the City's wider visitor economy if the revised Civic Halls refurbishment programme is not effectively managed in terms of project timings, costs and scope.</p> <p>Risk owner: Ged Lucas Cabinet Member: Cllr John Reynolds</p> 	16 Red	↓	12 Amber	10* Amber Ongoing	A separate report regarding the Civic Halls is being presented to Committee by the Programme Director – Civic Halls.

Risk ref	Risk title and description	Previous score (Aug 2018)	Direction of travel	Current score (Nov 2018)	Target score and date	Comment																																													
35 11/18	<p><b>Brexit</b></p> <p>There is a risk that the implications of Brexit, particularly a no-deal Brexit could have a negative impact on the Council and the wider City.</p> <p>Risk owner: Jennifer Brake Cabinet Member: Cllr Roger Lawrence</p>  <table border="1" data-bbox="219 555 672 906"> <tr> <td rowspan="5">Likelihood</td> <td>5</td> <td>Yellow</td> <td>Yellow</td> <td>Red</td> <td>Red</td> <td>Red</td> </tr> <tr> <td>4</td> <td>Yellow</td> <td>Yellow</td> <td>Yellow</td> <td>16</td> <td>Red</td> </tr> <tr> <td>3</td> <td>Green</td> <td>Yellow</td> <td>Yellow</td> <td>Yellow</td> <td>Red</td> </tr> <tr> <td>2</td> <td>Green</td> <td>Green</td> <td>Yellow</td> <td>Yellow</td> <td>Yellow</td> </tr> <tr> <td>1</td> <td>Green</td> <td>Green</td> <td>Green</td> <td>Yellow</td> <td>Yellow</td> </tr> <tr> <td></td> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td></td> <td colspan="5">Impact</td> </tr> </table>	Likelihood	5	Yellow	Yellow	Red	Red	Red	4	Yellow	Yellow	Yellow	16	Red	3	Green	Yellow	Yellow	Yellow	Red	2	Green	Green	Yellow	Yellow	Yellow	1	Green	Green	Green	Yellow	Yellow			1	2	3	4	5			Impact					N/A	N/A	16 Red	12 Amber* Ongoing dependant on external political factors	<p>Due to current levels of political uncertainty surrounding Brexit and the possibility of a no-deal Brexit this risk has been assessed as red. It is envisaged that the level of risk will vary significantly between now and the 29 March 2019, when the UK are scheduled to leave the European Union.</p> <p>Work to prepare for Brexit (both with and without a deal) is underway, brief details are outlined below:</p> <ul style="list-style-type: none"> <li>Continual monitoring of the ongoing political situation to identify and prepare for potential impacts across the Council and within City of Wolverhampton. This includes ensuring that appropriate arrangements are in place in the event of a snap general election or referendum.</li> <li>A number of workstreams have been established to identify impacts on businesses and regeneration within the City and review where and how the Council can provide appropriate support.</li> <li>Regional work alongside partners such as the Black Country Local Economic Partnership (LEP) and West Midlands Combined Authority (WMCA) is ongoing, regular updates are provided to the City Board.</li> <li>The Council are awaiting the results of the Government's consultation into the UK's Shared Prosperity Fund which will replace some of the funding currently received from the EU. Work is ongoing to identify how this fund will be distributed and to ensure the Council are in a position to comply with the governance arrangements surrounding the new fund.</li> <li>A review of procurement activities is being undertaken to identify trends and increasing costs.</li> <li>Work is ongoing to ensure that the Council is in a position to respond to incidents that may occur in the event of a no-deal.</li> <li>Appropriate communication packages (both internal and external) will be developed when more information with regards to the impact of Brexit is available.</li> </ul> <p>Regular updates on progress and details of the work being undertaken in preparation for Brexit are provided to the Strategic Executive Board (SEB).</p>
Likelihood	5		Yellow	Yellow	Red	Red	Red																																												
	4		Yellow	Yellow	Yellow	16	Red																																												
	3		Green	Yellow	Yellow	Yellow	Red																																												
	2		Green	Green	Yellow	Yellow	Yellow																																												
	1	Green	Green	Green	Yellow	Yellow																																													
		1	2	3	4	5																																													
		Impact																																																	

- The following are the medium and low (assessed at less than 10) strategic risks that the Council faces in delivering its corporate priorities.

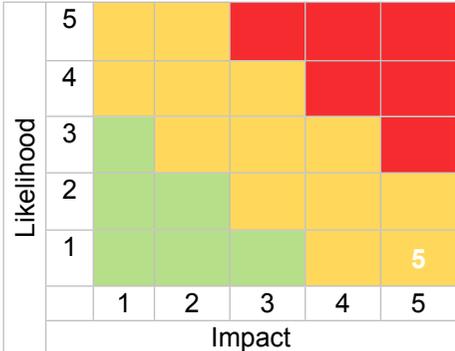
Risk ref	Risk title and description	Previous score (Aug 2018)	Direction of travel	Current score (Nov 2018)	Target score and date
3 01/14	<p><b>Information Governance (IG)</b></p> <p>If the Council does not put in place appropriate policies, procedures and technologies to ensure:</p> <ul style="list-style-type: none"> <li>that the handling and protection of its data is undertaken in a secure manner and consistent with both the provisions of the Data Protection Act 1998 and the General Data Protection Regulation (GDPR) which came into force during May 2018;</li> <li>compliance with the Freedom of Information Act and Environmental Information Regulations;</li> </ul> <p>then it may be subject to regulatory action, financial penalties, reputational damage and the loss of confidential information.</p> <p>Risk owner: Kevin O' Keefe Cabinet Member: Cllr Val Gibson</p> 	12 Amber		8 Amber	4 Amber Nov 2019

Risk ref	Risk title and description	Previous score (Aug 2018)	Direction of travel	Current score (Nov 2018)	Target score and date
7 01/14	<p><b>Safeguarding</b></p> <p>If the Council's safeguarding procedures and quality assurance processes are not consistently and effectively implemented then it will fail to safeguard children and vulnerable adults and lead to reputational damage.</p> <p>Risk owner: Emma Bennett Cabinet Member: Cllr Sandra Samuels OBE and Cllr Paul Sweet</p> 	8 Amber		8 Amber	8 Amber On-going

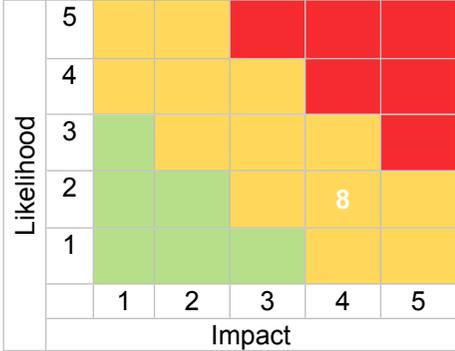
Risk ref	Risk title and description	Previous score (Aug 2018)	Direction of travel	Current score (Nov 2018)	Target score and date																																										
14 01/14	<p><b>School Improvement</b></p> <p>If the Council does not provide effective support, challenge and appropriate intervention to raise standards in maintained 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: Meredith Teasdale Cabinet Member: Cllr Lynne Moran</p> <div data-bbox="253 560 705 911" data-label="Figure"> <table border="1" data-bbox="253 560 705 911"> <tr><td>5</td><td>Yellow</td><td>Yellow</td><td>Red</td><td>Red</td><td>Red</td></tr> <tr><td>4</td><td>Yellow</td><td>Yellow</td><td>Yellow</td><td>Red</td><td>Red</td></tr> <tr><td>3</td><td>Green</td><td>Yellow</td><td>Yellow</td><td>Yellow</td><td>Red</td></tr> <tr><td>2</td><td>Green</td><td>Green</td><td>Yellow</td><td>Yellow</td><td>Yellow</td></tr> <tr><td>1</td><td>Green</td><td>Green</td><td>Green</td><td>4</td><td>Yellow</td></tr> <tr><td></td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr> <tr><td></td><td colspan="5">Impact</td></tr> </table> </div> <p>*In accordance with the Schools Causing Concern Guidance – February 2018, the Council attend regular meetings with the Regional School Commission and notify them of any concerns surrounding Academies.</p>	5	Yellow	Yellow	Red	Red	Red	4	Yellow	Yellow	Yellow	Red	Red	3	Green	Yellow	Yellow	Yellow	Red	2	Green	Green	Yellow	Yellow	Yellow	1	Green	Green	Green	4	Yellow		1	2	3	4	5		Impact					4 Amber		4 Amber	4 Amber Target achieved 95% maintained schools @ good or above
5	Yellow	Yellow	Red	Red	Red																																										
4	Yellow	Yellow	Yellow	Red	Red																																										
3	Green	Yellow	Yellow	Yellow	Red																																										
2	Green	Green	Yellow	Yellow	Yellow																																										
1	Green	Green	Green	4	Yellow																																										
	1	2	3	4	5																																										
	Impact																																														

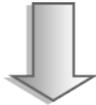
Risk ref	Risk title and description	Previous score (Aug 2018)	Direction of travel	Current score (Nov 2018)	Target score and date																																																								
24 01/17	<p><b>Maximising Benefits from West Midlands Combined Authority</b></p> <p>If the Council does not put in place 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: Tim Johnson Cabinet Member: Cllr Roger Lawrence</p> <table border="1"> <tr> <td rowspan="6">Likelihood</td> <td>5</td> <td></td> <td></td> <td></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> <td></td> <td></td> <td></td> </tr> <tr> <td>3</td> <td></td> <td></td> <td></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> <td></td> <td></td> <td></td> </tr> <tr> <td>1</td> <td></td> <td></td> <td></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> <td colspan="4">Impact</td> </tr> </table>	Likelihood	5									4									3									2			6						1										1	2	3	4	5	Impact				6 Amber		6 Amber	3 Green April 2019
Likelihood	5																																																												
	4																																																												
	3																																																												
	2				6																																																								
	1																																																												
		1	2	3	4	5	Impact																																																						

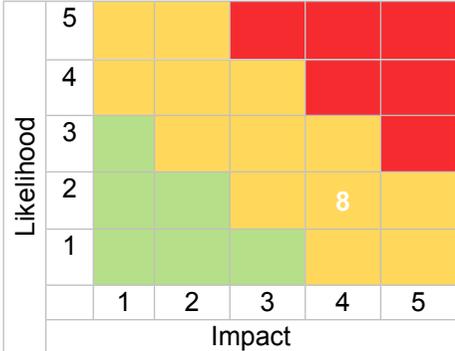
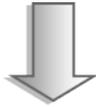
Risk ref	Risk title and description	Previous score (Aug 2018)	Direction of travel	Current score (Nov 2018)	Target score and date																																										
25 03/17	<p><b>Payment Card Industry Data Security Standard</b></p> <p>If the Council does not put in place appropriate systems, procedures 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: Claire Nye Cabinet Member: Cllr Louise Miles</p> <div data-bbox="250 576 705 927" style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <table border="1"> <tr><td>5</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>4</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>3</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>2</td><td></td><td></td><td></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" style="text-align: center;">Impact</td></tr> </table> </div>	5						4						3						2				8		1							1	2	3	4	5		Impact					8 Amber		8 Amber	4 Amber May 2019
5																																															
4																																															
3																																															
2				8																																											
1																																															
	1	2	3	4	5																																										
	Impact																																														

Risk ref	Risk title and description	Previous score (Aug 2018)	Direction of travel	Current score (Nov 2018)	Target score and date
27 06/17	<p><b>Safety concerns around the City's tower blocks</b></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: Kate Martin Cabinet Member: Cllr Peter Bilson</p> 	5 Amber		5 Amber	5 Amber Target achieved

Risk ref	Risk title and description	Previous score (Aug 2018)	Direction of travel	Current score (Nov 2018)	Target score and date																																										
28 10/17	<p><b>Health and Safety</b></p> <p>Through failure to use safe working methods the Council may be exposed to regulatory action, financial penalties and reputational damage.</p> <p>Risk owner: Claire Nye Cabinet Member: Cllr Val Gibson</p> <div data-bbox="250 517 707 868" style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <table border="1"> <tr><td>5</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>4</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>3</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>2</td><td></td><td></td><td></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" style="text-align: center;">Impact</td></tr> </table> </div>	5						4						3						2				8		1							1	2	3	4	5		Impact					8 Amber		8 Amber	4 Amber  To fall in conjunction with other Health and Safety associated risks.
5																																															
4																																															
3																																															
2				8																																											
1																																															
	1	2	3	4	5																																										
	Impact																																														

Risk ref	Risk title and description	Previous score (Aug 2018)	Direction of travel	Current score (Nov 2018)	Target score and date
32 06/18	<p><b>Waste Management Services</b></p> <p>If the Council does not manage the changes to Waste Service Delivery effectively there is a risk that savings targets will not be delivered, and reputational damage may be incurred due to issues with waste collections.</p> <p>Risk owner: Tim Johnson Cabinet Member: Cllr Steve Evans</p> 	8 Amber		8 Amber	4 Amber Upon full implementation of all the changes to waste management services

Risk ref	Risk title and description	Previous score (Aug 2018)	Direction of travel	Current score (Nov 2018)	Target score and date																																																								
33 06/18	<p><b>Governance of Major Capital Projects and Programmes</b></p> <p>The Council will fail to maximise opportunities and incur significant reputational and financial risks if major capital projects are not effectively managed, monitored and reviewed, in terms of project timescales, achievement of milestones and costs.</p> <p>Risk owner: Kevin O'Keefe 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> <td></td> <td></td> <td></td> </tr> <tr> <td>4</td> <td></td> <td></td> <td></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> <td></td> <td></td> <td></td> </tr> <tr> <td>2</td> <td></td> <td></td> <td></td> <td>8</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>1</td> <td></td> <td></td> <td></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> <td colspan="4">Impact</td> </tr> </table>	Likelihood	5									4									3									2				8					1										1	2	3	4	5	Impact				12 Amber		8 Amber	4 Amber June 2019
Likelihood	5																																																												
	4																																																												
	3																																																												
	2					8																																																							
	1																																																												
		1	2	3	4	5	Impact																																																						

Risk ref	Risk title and description	Previous score (Aug 2018)	Direction of travel	Current score (Nov 2018)	Target score and date
34 06/18	<p><b>Wolverhampton Interchange Programme (Train Station)</b></p> <p>There is a significant reputational and financial risk to the Council and to the City's wider visitor economy if the Interchange programme and specifically the train station is not effectively managed in terms of project timings, costs and scope.</p> <p>Risk owner: Tim Johnson Cabinet Member: Cllr John Reynolds</p> 	12 Amber		8 Amber	4 Amber June 2019

\* 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 – November 2018

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
3	<p><b>Information Governance (IG)</b></p> <p>If the Council does not put in place appropriate policies, procedures and technologies to ensure:</p> <ul style="list-style-type: none"> <li>that the handling and protection of its data is undertaken in a secure manner and consistent with both the provisions of the Data Protection Act 1998 and the General Data Protection Regulation (GDPR) which came into force during May 2018;</li> <li>compliance with the Freedom of Information Act and Environmental Information Regulations;</li> </ul> <p>then it may be subject to regulatory action, financial penalties, reputational damage and the loss of confidential information.</p>	8 Amber	<p>Internal audit review 2016/2017 – Freedom of Information Requests (Substantial Assurance)</p> <p>Internal audit review 2016/2017 – Information Governance (Satisfactory assurance)</p> <p>Internal audit Health-Check 2018/2019 – GDPR (Satisfactory assurance)</p>	<p>Information risk register and reports to Information Governance Board</p> <p>Performance reports to Cabinet, Scrutiny Board and Strategic Executive Board (SEB)</p> <p>Reporting to the Information Governance Board</p> <p>Performance indicators reported to Cabinet (Performance Management) Panel- Number of data breaches</p> <p>Performance indicator - % of Freedom of Information (FOI) requests met within timescales</p> <p>Performance indicator- % of Subject Access Requests (SAR) met within timescales</p> <p>Records Management Programme updates in Verto</p>	<p>Senior Information Risk Officer Annual Report</p> <p>Controls Assurance Statements</p>	<p>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.</p>

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	<p><b>Medium Term Financial Strategy</b></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 such as the transformation of Adults and Children's services then revenues may be exhausted, resulting in the potential loss of democratic control and the inability of the Council to deliver essential services and discharge its statutory duties.</p>	<p>16 Red</p>	<p>PricewaterhouseCoopers (PwC) report: Report to those charged with governance (ISA 260) September 2016</p> <p>Assumptions of the Medium Term Financial Strategy (MTFS)</p> <p>Local Government Association (LGA) Finance Peer review- June 2016</p> <p>Audit and Risk Committee review of risk – December 2016</p> <p>Internal audit review Budgetary Control – 2016/2017 (Satisfactory assurance)</p> <p>Performance indicator- number of Looked After Children (LAC) per 10,000 population</p> <p>Financial Decision Making Audit Services Review</p> <p>Birmingham City Council – Wolverhampton Adult Social Care Peer Challenge, March 2016</p> <p>Follow up – Wolverhampton Adult Social Care Peer Challenge, April 2017</p> <p>Grant Thornton – Review Significant Risks (2016/2017 Audit Findings Report) – Risk sufficiently managed</p> <p>LGA Finance Peer review follow up – September 2017</p> <p>Internal audit review Main Accounting – 2017/2018 (Satisfactory assurance)</p>	<p>MTFS risk register</p> <p>Reports to Budget Working Party</p> <p>Reports to Cabinet</p> <p>Scrutiny reviews of budget strategy</p> <p>Outcome of Local Government Finance Peer Review Report – Report to 3C Scrutiny Board 14 September 2016</p> <p>Scrutiny review, 3C Scrutiny Board - Update on the implementation on the Local Government Finance Peer Review Report 15 March 2017</p> <p>Resources panel reviews</p> <p>Care panel reviews of placement costs</p>	<p>Management accounts</p> <p>Reports to LAC Budget Monitoring Group (every two months)</p> <p>Controls Assurance Statements</p>	<p>Ongoing internal and external reviews will continue to provide assurances over the successful delivery of the MTFs and the achievement of efficiency savings.</p>
7	<p><b>Safeguarding</b></p> <p>If the Council's safeguarding procedures and quality assurance processes are not consistently and effectively implemented then it will fail to safeguard children and vulnerable adults and lead to reputational damage.</p>	<p>8 Amber</p>	<p>S.11 (Safeguarding self-Assessment) Audit 2016/17</p> <p>Internal audit review 2016/17 – Multi Agency Safeguarding Hub (MASH) (satisfactory assurance)</p> <p>Children's Services Ofsted Inspection January / February 2017 (Requires Improvement Rating)</p> <p>Audit and Risk Committee review of LAC risk – September 2015</p> <p>Internal audit review 2015/2016 – External Placements (substantial assurance)</p> <p>Children's Services Ofsted Inspection January / February 2017 (Good Rating)</p> <p>Grant Thornton – Review Significant Risks (2016/2017 Audit Findings Report) - Risk sufficiently managed</p> <p>Ofsted Inspection Sept / Oct 2018</p> <p><a href="#">Independent review of Safeguarding Boards</a></p>	<p>Annual reports from adults and children's local safeguarding boards</p> <p>'Our Story' report to Cabinet Member for Children and Families</p> <p>National and local Wolverhampton performance indicators in relation to social care</p> <p>Self- audits confirmation by schools of s175 compliance</p> <p>Annual Reports from: IRO Service, Local Authority Designated Officer, Foster Home Reviewing Officer</p> <p>Safeguarding Adults Board Annual Review – Report to Adult and Safer City Scrutiny Panel 31 January 2017</p>	<p>Children's Services self- assessment December 2015</p> <p>Adults safeguarding self- assessment and action plan – June 2016</p> <p>Quality Assurance Framework and assessments</p> <p>Controls Assurance Statement</p> <p>Wolverhampton safeguarding Children's Board (WSCB) Self- Assessment against Ofsted Descriptors</p>	<p>Regular updates to the both the Children's and Adult's Board(s) and People management teams with regards to the implementation of recommendations made by Ofsted will provide further assurance.</p>

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
8	<p><b>Business Continuity Management</b></p> <p>Failure to develop, exercise and review plans and capabilities that seek to maintain the continuity of critical functions in the event of an emergency that disrupts the delivery of Council services.</p>	12 Amber	Internal audit review 2015/2016 – Business continuity and resilience management (satisfactory assurance) Audit and Risk Committee review of risk – July 2016	Reports from Wolverhampton Resilience Board to Strategic Executive Board (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.
9	<p><b>City Centre Regeneration</b></p> <p>If the city centre regeneration programme is not effectively managed in terms of project timings, costs and scope, then it will be unable to maximise opportunities including:</p> <ul style="list-style-type: none"> <li>• creation of well-paid employment</li> <li>• retention of skilled workers</li> <li>• sector and economic growth</li> <li>• increased prosperity and</li> <li>• reduced demand on council services</li> </ul>	12 Amber	Internal audit review 2015/2016- City centre development (Satisfactory assurance) External advice - Equib	Programme and project risk registers / risk monitoring through Verto Monthly reporting to the City Centre Regeneration Programme Board Stronger City Economy Scrutiny Panel Review 2016/2017 – Regeneration programmes Reviews by the Project Assurance Group (PAG)	Reports to Programme Board from project managers Controls Assurance Statement	Regular update reports to Programme Board(s) and Cabinet continue to provide assurance on the management of this risk.
14 Page 69	<p><b>School Improvement</b></p> <p>If the Council does not provide effective support, challenge and appropriate intervention to raise standards in schools, then the Council and these schools are at risk of underperforming, receiving inadequate Ofsted judgements and a potential loss of control and influence.</p>	4 Amber	Ofsted inspections 2016/2017, 2017/2018 and 2018/2019 to date. School internal audit reviews 016/2017, 2017/2018 and 2018/2019 to date. Audit and Risk Committee review of risk – February 2017 Internal audit review 2016/2017 – 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- 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 Financial Value Statements (SFVS)	The Ofsted inspections and annual report(s) will continue to be the primary source of assurance for 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
15	<p><b>Emergency Planning</b></p> <p>Failure to develop, exercise and review plans and capabilities for preventing, reducing, controlling or mitigating the effects of emergencies in both the response and recovery phases of 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>	12 Amber	Audit and Risk Committee review of risk – July 2017	<p>Reports to Wolverhampton Resilience Board (WRB)</p> <p>Regular reports from WRB to SEB and C3 Scrutiny Panel</p>	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.
22	<p><b>Skills for Work and Economic Inclusion</b></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>	10 Amber	<p>Reports to the Black Country Local Enterprise Partnership and City Board</p> <p>National performance indicators e.g. % residents unemployed, child deprivation, skills profile, etc.</p> <p>Skills and Employment Board</p> <p>Audit and Risk Committee review of risk – September 2016</p> <p>Black Country performance management framework</p> <p>Grant Thornton – Review Significant Risks (2016/2017 Audit Findings Report) - Risk sufficiently managed</p>	<p>Stronger City Economy Scrutiny Panel Review – Investment and Funding July 2016</p> <p>Report to SEB – City Board – Monthly unemployment briefings</p> <p>Performance indicator - % of residents with no qualification</p> <p>Performance indicator - number of work experience/ volunteering/ apprenticeships opportunities provided</p> <p>Monthly unemployment briefings</p> <p>Scrutiny Skills and Employment Update – Report to Stronger City Economy Scrutiny Panel – 20 September 2016</p> <p>Skills and Employment Update(s) regularly presented to Stronger City Scrutiny Panel</p>	<p>Reports to the Wolverhampton Skills and Employment Board growth board</p> <p>Inclusion board</p> <p>Controls Assurance Statement</p>	<p>National indicators will demonstrate the effectiveness of the measures in place to manage this long-term risk.</p> <p>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.</p>
23	<p><b>Cyber Security</b></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>	10 Amber	<p>Annual Public Service Network (PSN) certification</p> <p>Independent testing of cyber security technical defences</p> <p>Use of 3<sup>rd</sup> party software to stimulate email phishing attacks</p> <p>Audit and Risk Committee review of risk – July 2017</p> <p>Internal audit review - ICTS Strategic Planning</p>	<p>Information risk register and reports to Information Governance Board</p> <p>Reports to SEB and Cabinet (Performance Management ) Panel</p>	<p>Regular maintenance and review of technical defence's i.e. fire walls and virus software.</p> <p>Senior Information Risk Officer Annual Report</p> <p>Appointment of Chief Cyber Security Officer</p> <p>Controls Assurance Statements</p>	Independent testing of the Council's cyber security defences will continue to provide assurance.

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
24	<p><b>Maximising Benefits form West Midlands Combined Authority</b></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>	6 Amber	<p>SEP monitoring via WMCA SEP Board and Black Country LEP.</p> <p>WMCA Assurance framework</p> <p>Reports to WMCA Board and various Committees</p> <p>City of Wolverhampton Council providing the internal audit service for WMCA</p> <p>Grant Thornton – Review Significant Risks (2016/2017 Audit Findings Report) - Risk sufficiently managed</p>	<p>Regular reports to SEB</p> <p>Representation on WMCA Boards and Committee's including Audit Risk and Assurance Committee and Overview and Scrutiny Committee.</p> <p>Update on the West Midlands Combined Authority – Report to Scrutiny Board 17 January 2017</p>	<p>Appointment of Business Support Officer</p> <p>Controls Assurance Statement</p>	<p>Council representation on key WMCA Boards and Committees will continue to provide assurance.</p>
25	<p><b>Payment Card Industry Data Security Standard</b></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 and which may result in regulatory action, financial penalties and reputational damage.</p>	8 Amber	<p>Advice provided by the Payment Card Industry</p>	<p>Progress reporting to the Hub Management / Customer Services Management Teams</p> <p>Compliance with contract procedure rule / liaison with Corporate Procurement</p>	<p>Controls Assurance Statement</p>	<p>The implementation of a 3<sup>rd</sup> party solution to take and process payment details on behalf of the Council will ensure compliance with the Payment Card Industry standard and transfer the risk of fraud to the 3<sup>rd</sup> party.</p>
27	<p><b>Safety concerns around the City's tower blocks</b></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>	5 Amber	<p>Independent testing by a Government approved laboratory – confirming that tower-blocks have passed fire safety tests.</p> <p>Review of emergency access to tower-blocks by the Fire-Service</p> <p>Audit and Risk Committee review of risk – July 2017</p>	<p>Regular reporting of fire safety issues to weekly fire safety meetings</p> <p>Reports from fire safety meetings to Senior Officers / SEB</p> <p>Reports to Scrutiny Scoping Group – Fire Safety in tower-blocks</p>	<p>Daily fire safety checks</p> <p>Implementation of Fire Risk Assessments (Type 4 FRS's)</p> <p>Continuing compliance with Fire Regulatory (Fire Safety) Reform Order 2005</p> <p>On-going consultation with residents</p>	<p>Joint work with Wolverhampton Homes, the Fire Service and specialist contractors is on-going to review fire safety and provide assurance to residents.</p>
28	<p><b>Health and Safety</b></p> <p>Through failure to use safe working methods the Council may be exposed to regulatory action, financial penalties and reputational damage.</p>	8 Amber	<p>Key Performance Indicators:</p> <ul style="list-style-type: none"> <li>Completed Health and Safety audits</li> <li>Compliance with RIDDOR reporting</li> </ul>	<p>Bi-weekly Health and Safety Meetings Strategic Director Place</p> <p>Senior management briefings and presentations, including reports to Wolverhampton Homes Board</p> <p>Approval of the Health and Safety Plan 2017-19</p>	<p>Regular Health and Safety audits in accordance with audit schedule.</p>	<p>The number of reported incidents will continue to provide assurance in this area.</p> <p>In addition, approval of the Health and Safety plan 2017-2019 and monitoring of targets set out within the plan will provide assurance that controls are in place.</p>
29	<p><b>Fire Safety – Public Buildings</b></p> <p>If the Council does not have in place appropriate systems to ensure compliance with the Regulatory Reform (Fire Safety) Order 2005 within public buildings (including schools) there is a risk of injury to members of the public and exposure to regulatory action, financial penalties and reputation damage to the Council.</p>	10 Amber	<p>External inspections by the Fire-Service</p>	<p>Scrutiny review -Fire Safety</p> <p>Monitoring of Fire Risk Assessments by Corporate Landlord</p>	<p>Completion of Fire Risk Assessments</p> <p>Development of online fire logs.</p> <p>Regular Health and Safety audits in accordance with schedule</p> <p>Appointment of Site Duty-Holders.</p>	<p>Work is on-going to ensure that sufficient systems and processes are in place to comply with regulations and public safety.</p>

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
30	<b>Civic Halls</b> There is a significant reputational and financial risk to the Council and to the City's wider visitor economy if the revised Civic Halls refurbishment programme is not effectively managed in terms of project timings, costs and scope.	12 Amber	Audit Services Lessons Learnt Review – 2017/2018	Ongoing risk assessment / risk register within Verto. Risk workshops PAG reviews and monitoring Reports to Member Reference Group	Establishment of new governance and project management structure.	Regular update reports to Programme Board(s), Cabinet and on-going risk assessments will provide assurance on the management of this risk.
32	<b>Waste Management Services</b> If the Council does not manage the changes to Waste Service Delivery effectively there is a risk that savings targets will not be delivered, and reputational damage may be incurred due to issues with waste collections.	8 Amber	Internal Audit Review – Waste Services and Future Contract Arrangements	Programme and project risk registers / risk monitoring through Verto PAG reviews and monitoring Performance and progress reports to Cabinet, and Strategic Executive Board (SEB) Reports to Member Reference Group Scrutiny review – Changes to Waste Management Services	Establishment of project management structure Project Manager Appointment Lead officer – Waste	Regular update reports to Programme Board(s), Cabinet and on-going risk assessments will provide assurance on the management of this risk.
33	<b>Major Capital Projects and Programmes</b> The Council will fail to maximise opportunities and incur significant reputational and financial risks if major capital projects are not effectively managed, monitored and reviewed, in terms of project timescales, achievement of milestones and costs.	8 Amber	Audit services Lessons Learnt Reports – 2017/2018 Audit and Risk Committee monitoring of lessons learnt action plans Independent project gateway reviews Equip – Independent / external project and risk assurance	Programme and project risk registers / risk monitoring through Verto PAG reviews and monitoring Performance and progress reports to Cabinet, and Strategic Executive Board (SEB) Reports to Member Reference Group	Project Management Methodology Controls Assurance Statements	The Audit and Risk Committee will monitor the implementation of all recommendations within the Lessons Leant Action Plan to ensure that improvements are put in place and adhered to.
34	<b>Wolverhampton Interchange Programme (Train Station)</b> There is a significant reputational and financial risk to the Council and to the City's wider visitor economy if the Interchange programme and specifically the train station is not effectively managed in terms of project timings, costs and scope.	8 Amber	Audit services Lessons Learnt Reports – 2017/2018 Audit and Risk Committee monitoring of lessons learnt action plans Independent project gateway reviews Equip – Independent / external project and risk assurance	Programme and project risk registers / risk monitoring through Verto PAG reviews and monitoring Performance sand progress reports to Cabinet, and Strategic Executive Board (SEB) Reports to Member Reference Group	Project Management Methodology Controls Assurance Statements	Regular update reports to Programme Board(s), Cabinet and on-going risk assessments will provide assurance on the management of this risk.
35	<b>Brexit</b> There is a risk that the implications of Brexit, particularly a no-deal Brexit could have a negative impact on the Council and the wider City.	16 Red	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.			Regular updates to SEB and Executive Committee as well as joint working with regional partners will provide assurance on the management of this risk.

### Update on Maintained Nursery Schools

Following a question raised at the last committee meeting on funding for maintained Nursery schools (currently there are seven maintained Nursery schools within Wolverhampton), this note provides a summary of the financial position:

- Maintained Nursery schools are funded via the Early Years Block of the Dedicated Schools Grant. Under the Early Years National Funding Formula, Nursery schools receive a flat rate of funding per pupil hour with an adjustment for deprivation. Additional supplementary funding is also paid to maintained Nursery schools in recognition of the additional costs of providing a school provision over and above those associated with private and voluntary providers.
- The Department for Education introduced a National Funding Formula for Early Years in 2017 – 2018, via the School's Forum, the Council decided to be early adopters of the formula, implementing it in its first year.
- The initial budget for Early Years was based on the previous three terms data and adjustments were made for termly intake amendments. Guidance provided by the Department for Education enabled Local Authorities to match 2016 - 2017 levels of funding. In 2018 - 2019 funding was distributed using an hourly rate.
- Current indicators are that the same level of funding will be in place for 2019 - 2020. However, there are no guarantees with regards to levels of funding and the availability of supplementary funding for maintained Nursery schools after 2020.
- All schools, including maintained Nursery schools are required to have three-year budget plans in place, therefore schools are required to make reasonable assumptions regarding budgets from 2020 onwards and make financial decisions on this basis.
- Details with regards to future funding levels for maintained Nursery schools are expected as part of the Governments Comprehensive spending review.
- The Council does not have any control over supplementary funding for maintained Nursery schools. However, it does recognise the extra costs faced by maintained Nursery schools which as stated above include staffing, employment of specialised teachers and building maintenance.
- During 2017 the Council appointed an Early Years Advisor whose role is to support maintained Nursery schools and help them to identify and maximise the income available to them.
- The Cabinet Member for Education and Skills has written to all Nursery school Headteachers and Chairs of Governors and requested that funding information is shared with parents and MP's to stimulate a campaign to Government, who ultimately control funding levels.

In summary the Council has considered the issue of funding for maintained Nursery schools and decided that no new risks require inclusion on the Strategic Risk Register at this time. However, a risk has been included on the relevant departmental risk register. The Council will continue to monitor the situation and any new risks or changes to the assessment of current risks as a result of this issue will be reported to future Audit and Risk Committee meetings.

This page is intentionally left blank

<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Audit and Risk Committee</b> 10 December 2018
--	---

<b>Report title</b>	Capital Projects Lessons Learnt – Progress Update	
<b>Accountable director</b>	Claire Nye, Director of Finance	
<b>Originating service</b>	Audit	
<b>Accountable employee(s)</b>	Peter Farrow Tel Email	Head of Audit 01902 554460 <a href="mailto:peter.farrow@wolverhampton.gov.uk">peter.farrow@wolverhampton.gov.uk</a>
<b>Report to be/has been considered by</b>		

---

**Recommendation for noting:**

The Audit and Risk Committee is asked to note:

1. The progress made in implementing the lessons learnt recommendations in respect of the Civic Halls Restoration programme that was originally reported to the Council's Audit and Risk Committee on 25 June 2018.

## **1.0 Purpose**

- 1.1 That the Audit and Risk Committee note the contents of this report.
- 1.2 The report provides an update on the progress made in implementing the lessons learnt recommendations specifically in respect of the Civic Halls Restoration programme. This report was presented as part of three capital projects that were reported to the Audit and Risk Committee on 25 June 2018. At this meeting it was agreed that regular updates would be provided to the Committee in terms of the progress made in implementing the recommendations.
- 1.3 An update report on the progress made in implementing the recommendations in all three reports was presented to the Audit and Risk Committee on 17 September 2018. At this meeting the Committee raised a number of questions specifically in request of the Civic Halls Restoration programme. At this meeting it was agreed that the Programme Director (Darren Baker) would attend the next meeting to provide the Audit and Risk Committee with an update on the progress made in implementing the recommendations made in the lessons learnt report. It was also agreed that a site visit of the Civic Halls would be arranged for members of the Audit and Risk Committee.

## **2.0 Background**

- 2.1 The Council's former Managing Director commissioned Audit Services to undertake a lessons learnt review for three capital projects, which included the Markets Relocation, Interchange Project (Train Station), and Civic Halls Refurbishment.
- 2.2 As a learning organisation the Council is committed to being open and transparent about what it can learn and improve in the future. Therefore, the former Managing Director took the decision to present all three reports to the Council's Audit and Risk Committee on 25 June 2018.
- 2.3 As a result of all three reports being presented, the Council's Audit and Risk Committee requested that regular updates were provided on the progress made in implementing the recommendations in the reports

## **3.0 Progress update on the Civic Halls Restoration Programme**

- 3.1 Following the previous meeting on 17 September 2018 members of the Audit and Risk Committee were invited on a tour of the Civic Halls on 6 November 2018 to observe the work completed to date and appreciate the complexities of the restoration.
- 3.2 Following the three lessons learnt reports the governance around projects and programmes was strengthened through the establishment of a Members Reference Group. This forum allows Councillors to keep apprised of all major capital projects and programmes as well as giving them the opportunity raise any questions, or seek clarification, on their delivery. This view was supported by the Council's Strategic

Executive Board and therefore the programme's risk was reduced from red to amber in the Council's Strategic Risk Register.

- 3.3 The focus of the Audit and Risk Committee is on the implementation of the wider project control recommendations arising from the lessons learnt reports control rather than the financial monitoring and delivery of the actual programme.
- 3.4 Based on a highlight report that was recently reported to the Council's Members Reference Group the following progress has been made in respect of the Civic Halls Restoration Programme:
- The risk surrounding the delivery of the programme has reduced from red to amber based on the fact there is now a plan in place to address the issues around the budget, programme delivery, design philosophy, and the procurement strategy.
  - There is continuing work in the clearance of asbestos, which will allow the construction contractors to commence work once a detailed design has been signed off.
  - Stabilisation of the programme's financial position, which will still be subject to continuous review.
  - Completion of a risk workshop which was delivered and facilitated by a specialist consultant.
  - Listed Building Consent granted for the removal of the ceilings in the Civic and Wulfrun Halls and the removal of the Organ loft and pipes. This was further supported by a decision by the Programme's Board to approve the removal of the organ and associated pipes.
  - Successful delivery of the darts event that was relocated to Aldersley Leisure Village.
- 3.5 The programme is currently awaiting the detailed design from scheme's architects in order that approval of the scheme's design can be approved in time to allow the commencement of phase two in March 2019.
- 3.6 At the previous meeting on 17 September 2018 the Committee also requested an update on the action to be taken against contractors/advisors, which were specific recommendations contained within the original lessons learnt report. Based on information provided by the Director of Commercial Services legal action was not being pursued against the original asbestos consultants and removal contractors as they were not afforded the opportunity to return on site to address the issues raised with them. However, legal action is still being explored in respect of the Council's previous Property Services Strategic Partner for the part recovery of costs. Due to the commercial sensitivities around these discussions no further information can be provided at present.
- 3.7 Audit Services continue to monitor and track the progress made in implementing the report's recommendations. In addition, to the lessons learnt recommendations made in the three reports, the following monitoring takes place:

- Strategic Executive Board receives regular updates on the progress made in implementing the lessons learnt recommendations and also receives regular updates on the progress of all the Council's major projects and programmes;
- The Council's Project Assurance Group regularly reviews the Council's projects and programmes;
- Councillor updates are provided by a designated Member Reference Group, which has cross party representation; and
- Additional training has been provided for Senior Responsible Officers, which is supported by the requirement to sign an accountable letter which clearly sets out their roles and responsibilities in overseeing the project or programme.

#### **4.0 Financial implications**

- 4.1 There are no direct financial implications arising from the recommendations in this report.  
[MH/28112018/V]

#### **5.0 Legal implications**

- 5.1 There are no legal implications arising from the recommendations in this report.  
[TS/28112018/W]

#### **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 The report outlines the absolute necessity of ensuring that qualified and competent people and organisations are employed and/or deployed onto large capital programmes.

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

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

#### **10.0 Health & well-being implications**

- 10.1 There are no health and well-being implications arising from the recommendations in this report.

#### **11.0 Schedule of background papers**

- 11.1 None.

<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<h1>Audit and Risk Committee</h1> <p>10 December 2018</p>
--	---

<b>Report title</b>	Annual Governance Statement – Action Plan Update	
<b>Accountable director</b>	Claire Nye, Finance	
<b>Originating service</b>	Audit Services	
<b>Accountable employee(s)</b>	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
<b>Report to be/has been considered by</b>	Corporate Leadership Team	27 November 2018

---

**Recommendation for noting:**

The Audit and Risk Committee is asked to note:

1. The progress made in addressing the key improvements areas identified in the 2017-2018 Annual Governance Statement action plan.

## **1.0 Purpose**

- 1.1 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.
- 1.2 The 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 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. Following this exercise a list of key improvement areas were identified.

## **2.0 Background**

- 2.1 Appendix 1 of this report has an action plan listing the key areas for improvement that were identified at the time of the compilation of the Annual Governance statement, and updates the Committee on the actions that have been taken so far, towards their implementation.

## **3.0 Progress, options, discussion, etc.**

- 3.1 A further update on progress made against the actions identified in the 2017-2018 Annual Governance Statement will be reported to the Committee at the year-end as part of the 2018-2019 Annual Governance Statement.

## **4.0 Financial implications**

- 4.1 The Annual Governance Statement and delivery of the action plan forms part of the processes in place to ensure the proper and effective use of resources.  
[MH/28112018/B]

## **5.0 Legal implications**

- 5.1 There are no legal implications arising from this report.  
[TS/29112018/D]

## **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 Health and Wellbeing Implications**

10.1 There are no health and wellbeing implications arising from the recommendation in this report.

## **11.0 Schedule of background papers**

11.1 2017-2018 Annual Governance Statement

## **12.0 Appendices**

12.1 Appendix 1 - Action Plan

This report is PUBLIC  
[NOT PROTECTIVELY MARKED]

2017-2018 - Key areas and actions for implementation	Responsibility and expected implementation date	Update at 30 September 2018
<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 £19.5 million by 2019-2020.</p> <p>Page 83</p>	<p>Director of Finance July 2018</p>	<p>On 17 October 2018, Cabinet approved that:</p> <ul style="list-style-type: none"> <li>• Budget Reduction and Income Generation proposals amounting to £695,000 in 2019-2020 proceed to formal consultation and scrutiny stages of the budget process</li> <li>• That Financial Transactions and Base Budget Revisions totalling a net reduction of £4.7 million in 2019-2020 be incorporated into the 2019-2020 draft budget</li> </ul> <p>Cabinet also approved a number of changes to items in the Medium Term Financial Strategy. As a result of the recommendations Cabinet also approved that further options are explored between October 2018 and January 2019 to address the updated projected budget deficit of in the region of £6.0 million for 2019-2020 based on the Council's high-level strategy.</p>
<p><i>Procurement, Contract Management and Monitoring</i></p> <p>Following the establishment of the contract monitoring team, contract management training is being rolled out across service teams and being tailored to their specific requirements.</p>	<p>Director of Commercial Services March 2019</p>	<p>The Commercial Team has held a number of internal contract training sessions. In addition, collaboration is taking place between Procurement and Commercial to establish external training for selected officers within the authority. Support is also provided as required to officers.</p>

### *Combined Authority*

The devolution deal 2 agreed in November 2017 covers a number of areas where the Government has committed to support the West Midlands as it develops its Local Industrial Strategy to drive regional economic growth. The deal sets out a number of initiatives on public service reform, ways in which the West Midlands could have more control of financing its activities, new arrangements for the adult skills budget and agreed governance changes, including a commitment to integrate the West Midlands Fire and Rescue Service into the Combined Authority, whereby a public consultation has been completed and will be submitted to the Secretary of State alongside the draft Scheme. A delivery plan for the devolution deal has been developed and work is underway to plan delivery impact within Wolverhampton.

The devolution deal for the adults skills budget is also progressing. The Adult Education Budget (AEB) grant funds activity in Further Education (FE) Colleges, Local Authority Adult and Community Learning services and at a much smaller scale through contracts with private training providers. Key Features include implementing a governance structure that ensures the Combined Authority is engaged with the Department so that there is an understanding of how post 16 policy aligns to AEB allocations and helping to achieve objectives for adult funding.

In March 2018, the Chancellor announced in the Government's Spring Statement, a Housing Deal for the Combined Authority, of £350 million of new Government funding to support the delivery of new

Managing Director  
Ongoing programme of work

### **Transport**

#### **Transforming Cities Funding (TCF)**

- As part of the TCF, the West Midlands Combined Authority will receive capital funding of £250 million from the national fund total of £1.7 billion.
- Funding will be provided over four years to 2021/22, and will be a single grant to the West Midlands.
- The Black Country is the main beneficiary from the Transforming Cities Funding. In addition to the £207m already allocated to the Wednesbury to Brierley Hill Metro Extension, the Black Country received £25.43m of the remaining £43m.
- This will benefit schemes including highways development (A4123, A454 and A449), Birchley Island, Dudley interchange and the Cycling Programme.

### **Skills & Productivity**

Adult Education Budget:

- In June 2018, the WMCA Board agreed the West Midlands Regional Skills Plan which sets out how WMCA will work with local partners and providers to better deploy AEB to meet the needs of residents and businesses.
- The WMCA's AEB allocation for 2019/20 will be confirmed by the Department for Education (DfE) in January 2019, and will be based on actual delivery to West Midlands residents in 2017/18.

### **Housing & Land**

Housing First

- WMCA had been awarded £9.6m for the delivery of Housing First for the period 2018-21.

homes in the West Midlands. The funding will deliver infrastructure to support the development of priority sites including in and around Wolverhampton.

Following discussions with Birmingham City Council, it has been agreed from a governance perspective that the transport plan, operations and infrastructure delivery for the Commonwealth games will be led by Transport for West Midlands with Birmingham City Council leading on infrastructure delivery. There are a number of named funded schemes in the bid, including the completion of the Metro in Wolverhampton city centre.

- Constituent Authorities had agreed to deliver 225 housing units per year, for three years, in order to conduct the pilot.

### **Cohesion & Integration – PSR**

#### West Midlands 5G

- The WMCA has successfully bid for regional 5G test bed status as part of the Government's Urban Connected Cities programme, which is a DCMS-led programme to accelerate the deployment of 5G next-generation mobile connectivity in the UK.
- The proposal is for the Black Country to have a test bed focussed on Industry 4.0.

### **Economic Growth**

#### Town Centres Programme

- Bilston has been agreed as one of the first wave centres agreed at the Housing & Delivery Board on 25 October.
- First wave centres will benefit from WMCA resources in terms of funding and staff resource and act as a test bed for interventions.

#### Cultural Development Fund

- Cultural Development fund bid, managed by Arts Council England has been submitted by CWC and partners including the University of Wolverhampton.
- If this bid is successful it will complement WMCA's Regional Skills Plan ambition to increase digital skills to support the growth of the creative tech businesses.

### **Environment**

#### Air Quality

		<ul style="list-style-type: none"> <li>• Some air quality powers conferred in original devolution agreement. Devo 2 gives the WMCA the same legal powers as the local authorities on air quality</li> <li>• Air Quality is linked to the smart city programme, and planned investment in connectivity infrastructure such as 'smart streetlights' that can help support this.</li> </ul>
<p><i>Corporate Landlord</i></p> <p>A draft Strategic Asset Plan has been produced and is to be finalised by the end of June 2018. The Disposal Programme for 2018-2019 and 2019-2020 has been identified and the delivery of the programme is in progress. Focal 365 has been implemented, data migration and cleansing is in progress and the system is being utilised.</p>	<p>Director of Commercial Services</p> <p>March 2019</p>	<p>The Strategic Asset Plan was approved at Cabinet in October 2018 and has been published on the Council's internet site.</p> <p>The disposal programme continues to be delivered and to date £1.18 million has been achieved with a further £8.9 million to be achieved during 2018-2019.</p> <p>Focal 365 is due to be launched initially across Corporate Landlord by the end of November 2018.</p>
<p><i>Cyber Security</i></p> <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 will 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> <p>Preparation for the next PSN Certification has begun, the certification is due in June. Prior to this internal and external health checks will be undertaken to identify any vulnerabilities which will then be addressed prior to the renewal of the certification.</p>	<p>Director of Commercial Services</p> <p>March 2019</p>	<p>Regular maintenance and updates of the Council's cyber security technical defences continues to address any identified vulnerabilities.</p> <p>Rigour around system and data backups continues with regular practice restores to non-production environments.</p> <p>PSN certification has been gained again for 2018-2019 and best practices regarding people, process and technology perspectives will continue to be applied to ensure compliance during 2019-2020.</p> <p>Independent security practitioners will continue to be commissioned to check the robustness of the Council's cyber defences and to advise on methods/actions to strengthen them where appropriate.</p> <p>Employee awareness of potential threats and good working practices, through mandatory and associated training will continue in order to enhance the understanding of cyber</p>

<p>An independent body will be commissioned to undertake a health-check review, once completed any recommendations arising from this will be actioned.</p> <p>Information Security and Cyber-Security policies will continue to be regularly reviewed and updated to ensure they are keeping pace and addressing potential threat opportunities.</p> <p>Employee awareness of potential threats and good working practices, through mandatory and associated training will continue in order to enhance the understanding of cyber security and good working practices, helping to minimise the opportunities.</p>		<p>security and good working practices, helping to minimise the opportunities</p>
<p><i>Project Governance including the Civic Halls</i></p> <p>In January 2018, the Council approved a further £23.7 million for a new scheme for the Civic Halls on the basis of a revised business case to address significant building fabric, structural and management issues following detailed technical surveys and reviews that were undertaken in 2017. Additional works include a substantial number of items not included in the original scheme such as a new electrical and engineering system, major structural work, including a new roof and the latest safety and security measures.</p> <p>A new governance and project management structure is being put in place, commensurate with the scale and complexity of this scheme, including the appointment of a more experienced Project Manager and a specialist in risk management. The new project</p>	<p>Director of Commercial Services March 2019</p>	<p>The new governance structure and project management structure for the Civic Halls has now been fully implemented and is helping to driving delivery of the project. The mechanisms of the Civic Halls new governance structure have also been implemented into other construction projects (Refer to the Internal Audit Report - Lessons Learnt).</p> <p>The Project and Works team have worked closely with the Programme team to develop a construction project assurance process The RIBA gateway process has been incorporated into the Council's reporting Verto system. This has aligned the transparency of the Verto reporting mechanism with the construction projects gateways.</p> <p>The output of the alignment will drive the transparent, consistent reporting of each individual construction project at each gateway. This will ensure that projects do not pass through gateways without full review and scrutiny.</p>

<p>includes a range of work-streams alongside the main design and construction works.</p> <p>Also, Audit Services have recently undertaken a lessons learned review in order to prevent similar issues with future projects. Once this report has been finalised, the recommendations arising from it will be implemented in accordance the agreed timescales.</p> <p>This framework will also be adopted for all future projects of this size, while for smaller projects the Council is introducing a local approach to project assurance which will encompass a series of gateway reviews.</p>		
<p><i>General Data Protection Regulations</i></p> <p>The Council is putting into place appropriate policies, procedures and technologies to ensure that the handling and protection of its data is undertaken in a secure manner and consistent with both the provisions of the current Data Protection Act 1998, the new Data Protection Bill (which will become the Data Protection Act 2018) and the General Data Protection Regulation (GDPR) which comes into force during May 2018, and a work programme has been developed.</p>	<p>Director of Commercial Services March 2019</p>	<p>Procurement have now contacted all suppliers and are developing a plan to ensure current contracts are varied to accommodate the new legislation, however this is still in progress due to this being a very large task.</p> <p>All standard contractual documentation has appropriate clauses to encompass GDPR, bespoke contracts also include GDPR compliant clauses.</p> <p>A new process has been established whereby any new contract has a GDPR Supplier Self-Assessment document issued at tender stage which is then considered by Information Governance to ensure compliance. No contract can be awarded without this document being approved by Information Governance.</p> <p>A systems audit is also underway to ensure all cloud and on-premise systems meet the requirements of GDPR.</p>
<p><i>Arm's Length Management Organisation Housing Partnership - Residential Landlord Services</i></p> <p>New Service Level Agreements and management arrangements are being put in place for the delivery</p>	<p>Service Director – Housing March 2019</p>	<p>Actions Complete:</p> <ul style="list-style-type: none"> <li>• Cabinet approved refreshed ALMO Management Agreement in September 2018</li> </ul>

<p>of Homelessness Prevention Services/Housing Option Services, Disabled Facilities Grants, Affordable Warmth and Home Improvement Agency Services with Wolverhampton Homes, following the 'transfer' of these services in December 2017. A legal review of the ALMO Management Agreement commenced in February 2018 and will be presented to Cabinet in July 2018 making any necessary recommendations to amend Management Agreement monitoring and/ governance and/or legal operating arrangements.</p>		<ul style="list-style-type: none"> <li>• ALMO Company Board approved refreshed Board Governance and Membership and ALMO Management Agreement in September 2018 (AGM)</li> <li>• SLA for Homelessness Prevention between CWC and WH in place from June 2018. Service Performance now being reported to Cabinet Performance Panel quarterly.</li> <li>• Cabinet approved a new Housing Assistance Policy (Grants) in September 2018.</li> </ul> <p>Next Steps:</p> <ul style="list-style-type: none"> <li>• SLA for Private Housing / Home Improvement Services by 31 March 2019.</li> </ul>
<p><i>Tenant Management Organisations - Residential Landlord Services</i></p> <p>An employee 'desk top' review commenced in February 2018 of these partnerships. Further to this review, an audit schedule has been agreed for 2018-2019 for all four TMOs operating in the City. Management Agents have been notified of the forthcoming audits commencing in May 2018. A number of TMO 'Modular Management Agreements' are not currently in place. New Key Performance Indicators (KPIs) for Landlord Services (including Health and Safety) monitoring are to be reported from Quarter 1 in 2018-2019. TMO operational performance and KPIs continue to be reported to the Cabinet Performance Panel.</p> <p>Dovecotes TMO has been placed under a performance improvement arrangement (via a Performance Improvement Plan agreed with Dovecotes TMO Board in March 2018), for six</p>	<p>Service Director – Housing March 2019</p>	<p>Actions Complete:</p> <ul style="list-style-type: none"> <li>• Audit of TMO for Bushbury – September 2018. Improvement Action Plan now in place, 'Better Homes' Legal Agreement engrossed, Tenant Vote completed.</li> <li>• Audit of TMO for Dovecotes – October 2018. Improvement Action Plan now in place.</li> <li>• Recruitment of Service Support Manager and Client Manager for TMOs complete</li> </ul> <p>Next Steps:</p> <ul style="list-style-type: none"> <li>• Audit of TMO for Springfield – commenced</li> <li>• Audit of TMO for New Park Village – commenced</li> <li>• Modular Management Agreements for all TMOs in place for 31 March 2019</li> </ul>

<p>months due to concerns around governance and performance. An outcome of a Housing Ombudsman Inquiry was also pending at March 2018.</p> <p>Bushbury Estate Management Board (TMO) continues its Application and Business Case to the Secretary of State and Minister of Housing , Communities and Local Government to enact the Right to Transfer of approximately 830 council freehold homes to a Preferred Transfer Partner by April 2019. The City continues in its duty to co-operate in the Right to Transfer legislative process.</p>		
<p><i>Residential Site Management Agreement</i></p> <p>A review of the existing arrangements for Residential Site Management commenced in March 2018. A draft Management Agreement has been produced, but was not engrossed as at March 2018. It is anticipated a new interim Management Arrangement will be put in place by the end of Quarter 1 in 2018-2019, whilst a longer-term review of management options is undertaken in consultation with partners, residents and Wolverhampton Homes.</p>	<p>Service Director – Housing March 2019</p>	<p>Actions Complete:</p> <ul style="list-style-type: none"> <li>• Legal Review of SLA for Residential Site Management complete</li> <li>• WH to take on Client role for contract agreed by Housing Board in Oct 2018.</li> </ul> <p>Next Steps:</p> <ul style="list-style-type: none"> <li>• Consultation with residents and Site Management Agent (Gypsy &amp; Traveller Council)</li> <li>• SLA in place between CWC and G&amp;TC by 31 March 2019.</li> </ul>
<p><i>Housing Policies</i></p> <p><b>City Housing Allocations Policy</b> – Cabinet received a report in April 2018 to ensure the City Housing Allocations Policy with Amendments meets the new requirements of the new Homelessness Reduction Act 2018. Landlord Management Agents will be</p>	<p>Service Director – Housing March 2019</p>	<p>Actions Complete:</p> <ul style="list-style-type: none"> <li>• Cabinet agreed new Private Housing Assistance Policy in September 2018</li> <li>• Cabinet agreed refreshed Right to Buy Housing Policy in July 2018.</li> </ul>

required to operate in accordance with the Amended Housing Allocation Policy. Operational measures have been put in place with the ALMO (Wolverhampton Homes) to ensure operational compliance from 1 April 2018. A further Review (including formal consultation) of the Allocations Policy, including an Equality Impact Assessment is planned by Quarter 3 | 2018-2019

**Private Housing Assistance Policy** – A new Private Housing Assistance Policy is being developed to ensure continued compliance with the Regulatory Reform (Housing Assistance) England and Wales Order 2002, Housing, Grants and Construction and Regeneration Act 1996 and the Housing Act 2004.

**Housing Right to Buy Policy** – A report to Cabinet making recommendations to revise four elements of the Right to Buy Policy is to be presented to Cabinet by June 2018 to ensure continued compliance with Housing Act 1985

**Housing Enforcement / Illegal Evictions** – There is currently no City Policy or resources in place to administer legal requirements under Protection from Eviction Act 1977 and Housing Act 1980. A proposal to resource and develop a new service offer is to be developed. The option of an interim resource arrangement with another Local Authority will also be considered .

**Prevention of Homelessness Strategy** – A draft Homelessness Strategy is being consulted upon in readiness for Members consideration in June 2018.

- Cabinet agreed a new Homelessness Prevention Strategy 2018 - 23

#### Next Steps

- Review of City Allocations Policy – to commence
- Produce and consult upon Homelessness Prevention Strategy Action Plan 2018 – 23
- New Service Model for Housing Enforcement / Illegal Evictions

This would meet the obligations of the Homelessness Act 2002 and Code of Guidances.

<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Audit and Risk Committee</b> 10 December 2018
--	---

<b>Report title</b>	Internal Audit Update – Quarter 2	
<b>Accountable director</b>	Claire Nye, Finance	
<b>Accountable employee(s)</b>	Peter Farrow Tel Email	Head of Audit 01902 554460 <a href="mailto:peter.farrow@wolverhampton.gov.uk">peter.farrow@wolverhampton.gov.uk</a>
<b>Report to be/has been considered by</b>	Not applicable	

---

**Recommendation for noting:**

The Audit and Risk Committee is asked to note:

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

## **1.0 Purpose**

- 1.1 The purpose of this report is to update the Committee on the progress made against the 2018 - 2019 internal audit plan and to provide information on recent work that has been completed.

## **2.0 Background**

- 2.1 The internal audit update report as at 30 September 2018 (quarter two) contains details of the matters arising from audit work undertaken so far this year. The information included in the report will feed into, and inform, the overall opinion in our annual internal audit report issued at the year end. It also updates the Committee on various other activities associated with the internal audit service.

## **3.0 Progress, options, discussion, etc.**

- 3.1 Quarterly internal audit update reports will continue to be presented to the

## **4.0 Financial implications**

- 4.1 There are no financial implications arising from the recommendations in this report.  
[MH/28112018/C]

## **5.0 Legal implications**

- 5.1 There are no legal implications arising from the recommendations in this report.  
[TS29112018/T]

## **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.

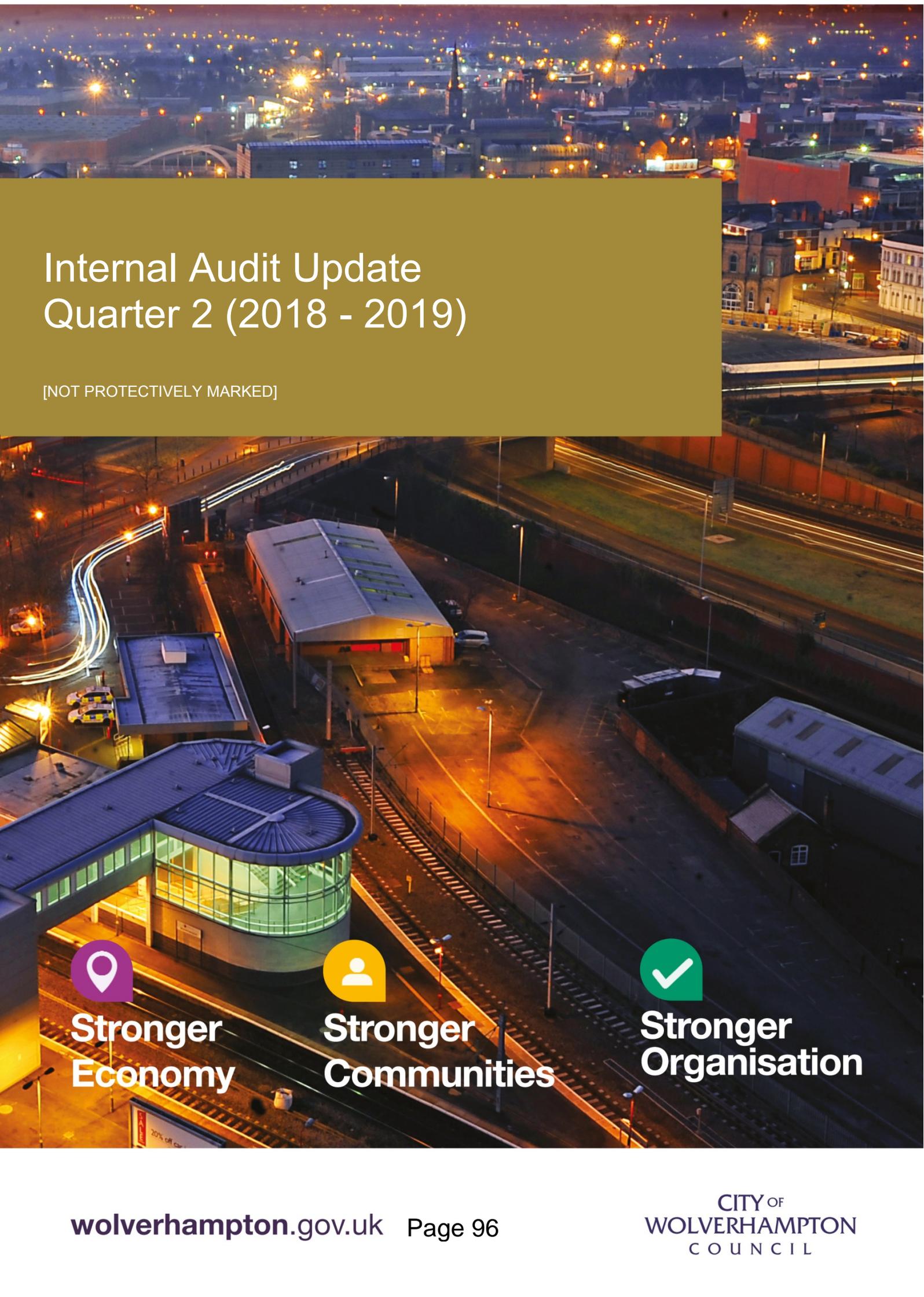
## **9.0 Corporate landlord implications**

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

**10.0 Health and Wellbeing Implications**

10.1 There are no health and wellbeing implications arising from the recommendation in this report.

**11.0 Schedule of background papers - None**



# Internal Audit Update Quarter 2 (2018 - 2019)

[NOT PROTECTIVELY MARKED]



**Stronger  
Economy**



**Stronger  
Communities**



**Stronger  
Organisation**

## 1 Introduction

The purpose of this report is to bring the Audit and Risk Committee up to date with the progress made against the delivery of the 2018 - 2019 internal audit plan.

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

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

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

### Year on year comparison

19 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	2018/2019 (@ Q2)	2017/2018	2016/2017
Substantial	9	17	19
Satisfactory	10	21	10
Limited	-	9	8

## 2 Summary of audit reviews completed

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

Auditable area	AAN Rating	Recommendations					Level of assurance
		Red	Amber	Green	Total	Number accepted	
Fixed Assets	High	-	-	2	2	2	Substantial
Main Accounting (Budgetary Control & General Ledger)	High	-	-	5	5	5	Satisfactory
Compliance with GDPR Requirements	Medium	-	7	6	13	13	Satisfactory
Senior Officer Remuneration	N/A	-	-	-	-	-	N/A
Direct Payments	High	-	4	2	6	6	Satisfactory
Ashmore Park Nursery School	Medium	-	1	-	1	1	Substantial
Springdale Junior School	Medium	-	1	4	5	5	Substantial
St. Anthony's RC Primary School	Medium	-	1	4	5	5	Substantial
West Park Primary School	Medium	-	3	6	9	9	Substantial
Westacres Primary School	Medium	-	2	4	6	6	Substantial
<b>Reported this quarter for the first time:</b>							
Colton Hills Secondary School	Medium	-	7	5	12	12	Satisfactory
Dovecotes Primary School	Medium	-	2	3	5	5	Substantial
Windsor Nursery School	Medium	-	-	2	2	2	Substantial
Christ Church Infants School	Medium	-	5	3	8	8	Satisfactory
Oak Meadow Primary School	Medium	-	3	2	5	5	Substantial
Strategic Stakeholder Relationship Management	High	-	3	-	3	3	Satisfactory
City Development Project Pipeline	High	-	5	-	5	5	Satisfactory

Auditable area	AAN Rating	Recommendations					Level of assurance
		Red	Amber	Green	Total	Number accepted	
Deprivation of Liberties	Medium	-	2	2	4	4	Satisfactory
Foster Care – Framework Agreement	High	-	-	-	-	-	N/A – Briefing Note
Carbon Reduction Credits Scheme	Medium	-	1	-	1	1	Satisfactory
Complaints and Compliments Procedure	Medium	-	6	3	9	9	Satisfactory
Transport Grant Certifications	Medium	-	-	-	-	-	N/A

**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.

Page 99

Please note a significant amount of time was spent during quarter one in finalising the three capital project lessons learnt reports that were presented to the Council’s Audit and Risk Committee on 25 June 2018. The issues arising from these reviews has led to additional support being provided to the respective programmes/projects and representation on the respective Boards.

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

Project/Programme	Was this in the original plan?	Audit Service's Role
Equal Pay	Yes	A member of the audit team is embedded in the project to provide advice on project governance and management of 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	Yes	A member of the team sits on the Council's Information Governance Board in the capacity of providing advice and support.
Commercial Business Improvement Programme (formerly Digital Transformation Programme)	Yes	A member of the team takes part in the programme in a project assurance capacity. During the lifecycle of the programme on-going advice is provided on the governance of the programme and the management of associated risks.
Pay Strategy	Yes	A member of the team sits on the Council's Pay Strategy Board. The purpose of the board is to ensure that all requests in respect pay and grading is approved in accordance with the Council's Collective Agreement for NJC employees.
Project Assurance Group	Yes	A member of the team is involved in this group. The purpose of the group is to ensure that all of the Council's projects and programmes, recorded through the Verto system, are reviewed and scrutinised.
WV Active Improvement Programme	Yes	A member of the team is represented on the programme board. During the lifecycle of the programme on-going advice is provided on the governance of the programme and the management of associated risks.
Delivering Independent Travel Programme	New	A member of the team sits on the Programme Board as Independent Programme Lead. During the lifecycle of the programme on-going advice is provided on the governance, risk management and, programme and project management arrangements.
Schools Fire Safety Working Group	New	A member of the team sits on the Board in the capacity of providing advice and support. The programme's main objective is to rectify the specification of fire doors in newly built PFI schools.

Page 100

Business Support Programme Board	New	A member of the team sits on the Board in the capacity of providing advice and support. The programme's main objective is the centralisation of administration within the Council.
City Learning Quarter Programme	New	Audit Services have been invited to provide an assurance role for the programme. This is a major capital investment project which has a reputational risk to the Council.

#### 4 *Counter Fraud Activities*

The Audit Service’s team 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.

#### 5 *Audit reviews underway*

There were a number of other reviews underway as at 30 September 2018 and these will be reported upon in later update reports.

#### 6 *Any key issues arising from our work completed in Quarter 2*

There were no limited reports issued during quarter two. However, the following reports may be of interest to the Audit and Risk Committee.

### **Deprivation of Liberties**

The Deprivation of Liberty Safeguards (DoLS), allows restraint and restrictions to be used in hospitals and care homes, but only if they are in a person’s best interests. To deprive a person of their liberty, care homes and hospitals must request standard authorisation from a local authority. Since the introduction of DoLS there has been an increase in annual referrals from 49 in 2009-2010 to 1079 in 2017-2018. At the time of audit 460 referrals had been received in 2018-2019.

A satisfactory opinion was given as action was being taken to address the issue of outstanding referrals. At the time of the review Procurement were notifying two companies that they had been awarded the contract to undertake up to 600 best interest assessments for the financial year. In addition to the best interest assessments contract, a framework for procuring doctors to undertake additional assessments was out to tender at the time of the review. This, together with the reduction of the renewal assessment process, would allow for future referrals to be completed with the required timescale.

### **Complaints and Compliments Procedure**

The management of the complaints and compliments now falls under the Council’s Customer Services Team. The table below illustrates the number of stage one and stage two complaints received over the previous two financial years:

Financial Year	Stage 1 Complaint	Stage 2 Escalated Complaints
2017-2018	259	29
2018-2019 (as at 31 July 2018)	151	10

In addition to the above figures 334 compliments were received and logged between 6 July 2017 and 16 July 2018.

Our audit identified issues around the formal approval of the procedure, the decision-making process around vexatious complainants, inconsistent approaches to stage one and two complaints, and the accuracy around performance monitoring. At the time of the review the

details of the report’s findings and recommendations were discussed with the Head of Customer Services. Actions were put in place to address the recommendations in the report.

7 *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.

8 *Amendments to the Audit Plan*

Audit Area	Audits on the Original Plan	Audits added or removed up to Quarter 2	Revised number of audits
Corporate	8	-	8
Key Financial Systems	12	-	12
People	15	(2)	13
Education	23	(1)	22
Place	12	(1)	11
Housing	5		5
<b>Total</b>	<b>75</b>	<b>(4)</b>	<b>71</b>

The audit plan is re-profiled throughout the year as and when the risk profile of the Council changes, and in order to react to emerging issues and specific management requests. At the end of this quarter there were four audits deferred in the plan in order to accommodate the additional unplanned work that has arose throughout the year to date. These audits were as follows:

- Family Drugs and Alcohol Court
- Transformation Programme (Supporting Life Choices)
- St. Albans Primary School
- Corporate Landlord Delivery Model

This page is intentionally left blank

<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<h1>Audit and Risk Committee</h1> <p>10 December 2018</p>
--	---

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

---

**Recommendation for noting:**

The Audit and Risk Committee is asked to note:

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

## **1.0 Purpose**

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

## **2.0 Background**

- 2.1 The 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 Ministry of Housing, Communities and Local Government.

## **3.0 Progress, options, discussion, etc.**

- 3.1 At the last meeting of the Audit and Risk Committee in September 2018, 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.  
[MH/28112018/B]

## **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/29112018/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 this report.

## **10.0 Health and Wellbeing Implications**

10.1 There are no health and wellbeing implications arising from the recommendation in this report.

## **11.0 Schedule of background papers**

11.1 None.

## **12.0 Appendices**

12.1 Appendix 1 - Counter Fraud Plan Update

12.2 Appendix 2 - Fraud Risk Register as at December 2018

12.3 Appendix 3 - CIPFA Fraud and Corruption Tracker - Summary Report 2018

12.3 Appendix 4 - National Fraud Initiative Report – 1 April 2016 to 31 March 2018

# Audit Services Counter Fraud Report @ December 2018



## 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.

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

## 3 *Counter Fraud Update*

### *Counter Fraud Plan*

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

### *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. This financial year there have been four alerts issued by NAFN, which either involved suppliers used by the Council or are applicable to all Councils. The appropriate sections of the Council have been alerted and it was confirmed that there was no impact at Wolverhampton. The most common alerts related to Bank Mandate fraud and cyber fraud including ransomware.

### *CIPFA's Annual Fraud and Corruption Tracker Report 2018*

During June 2018 the Council's Counter Fraud Unit submitted the completed annual fraud and error survey response to the Chartered Institute of Public Finance Accountants (CIPFA's). The information contained in the survey was used to produce the National Fraud and Corruption Tracker report (Appendix 3). The report identified that in 2017-2018, an estimated 80,000 fraud cases worth £302m were detected or prevented by local authorities. Housing scams amounted to the highest value fraud type with 4,733 totalling £216.1m. Council tax fraud, such as falsely claiming the single occupancy discount, was the most common fraud type with 57,894 cases detected with

a total value of £26.3m. Business rates fraud has grown to become the fourth largest area at risk of fraud at £10.4m.

The report highlights a number of emerging risks. There were 737 Adult Social Care cases worth £6.7m of which 334 were personal budget fraud cases totalling £3.2m. The number of fraud cases involving Right to Buy was 1,518 with an estimated value of £92.0m.

Procurement fraud, such as overcharging and falsely billing for goods and services, is seen as one of the greatest areas of fraud risk but is identified as complex and difficult to detect. The value of reported cases was £5.2m.

CIPFA recommend that local authorities work together to share information and explore innovative ways to use data, particularly in the areas of Procurement and Adult Social Care fraud. The Council has already identified these issues in the Fraud Risk Register (Appendix 2) with Personal Budgets, Housing Tenancy and Council Tax identified as red risks. The Counter Fraud Plan (Appendix 1) provides more details of the initiatives planned to address these issues and to encourage the sharing of data with other local authorities.

The key survey results for Wolverhampton were:

#### *Comparison of the last two Surveys*

Type of fraud and/or error	2015/2016		2016/2017	
	Cases	Value	Cases	Value £
<b>Tenancy sub-letting</b> (Wolverhampton Homes) – Illegal subletting of properties	14	*£252,000	16	*£288,000
<b>Other tenancy fraud</b> (Wolverhampton Homes) – fraudulent application, succession, abandonment or non-occupation	20	*£360,000	9	*£162,000
<b>Right to buy</b> (Wolverhampton Homes)	3	£144,000	1	£65,000
<b>Council tax discount</b> – single person discount as a result of fraud or error	535	£158,000	1,029	£306,000
<b>Payroll</b> – claiming for excessive hours	4	£10,000	2	£6,000

\* Based on the NFA average cost of £18,000 to house a family for a year.

Action is taken to attempt to recover the value of the fraud and/or error where appropriate.

#### *Cabinet Office – National Fraud Initiative Report 2018*

The Cabinet Office has published its report, which identifies progress made with the National Fraud Initiative (NFI) exercise (Appendix 4). The report identifies that around £300 million of potential fraud and error was prevented and detected for the period 1 April 2016 to 31 March 2018. The key areas for detecting fraud are Tenancy, including Housing Waiting Lists, Council Tax, including Single Person Discount and Pension frauds.

The NFI continue to target existing and new areas of fraud risk, for example, a pilot Business Rates exercise has recently been conducted. The Cabinet Office will continue to develop the NFI by embracing new technology and seeking to embed NFI into the internal controls of organisations. Extensions to the legislative powers of the NFI exercise will also be pursued.

#### *National Fraud Initiative – in operation*

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.

As reported previously the current exercise commenced in January 2017 and is now concluding. A total of 13,613 matches were released of which the Cabinet Office had identified 4,583 as recommended matches. The Cabinet Office expects all the recommended matches to be investigated as a minimum. 4,565 matches have been processed, 86 are being investigated. Five frauds have been investigated and 454 errors identified.

Details of the progress made will be brought before the Committee as it becomes known. Examples of the results up to December 2018 and as reported previously to the Committee, are shown below:

Description	Previous value (£)
Housing benefit claimants to student loans	19,781
Housing benefits claimants to pensions	11
Housing benefits claimants to DWP Deceased	73
Council Tax Reduction Scheme to DWP Deceased	3,537
Duplicate records by amount and creditor reference	100,148
Duplicate records by invoice number and amount but different creditor reference and name	1,800
<b>Total</b>	<b>125,350</b>

#### *National Fraud Initiative Exercise 2018/19*

The next NFI data matching exercise commenced during October 2018 with the submission of data sets from across the Council. The Council's data will be matched with data submitted by 1,200 other bodies, including local and central government and the Department of Works and Pensions. The results of the matches will be available for investigation at the end of January 2019.

#### *National Fraud Initiative Business Rates Pilot*

The Council has volunteered to take part in an NFI pilot exercise where Business Rates information from other Council's is matched and the results investigated. Experience gained from the pilot will be used, by NFI, to develop the matching exercise. The outcomes will be reported to future meetings of this committee.

#### *BBC One's Council House Crackdown*

Wolverhampton Homes and the work they do in tackling social housing fraud across the City was featured in a recent series of the BBC One programme 'Council House Crackdown' which aired in the morning on BBC One. Three cases were featured during the series. The officers featured in the programmes are now members of the Council's Counter Fraud Unit.

#### *Partnership Working*

The partnership arrangement with Sandwell Metropolitan Borough Council, is continuing with the Fraud Team at Sandwell assisting in the implementation of the Council's Counter Fraud Plan, including carrying out investigations. 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 October 2018 discussions were held on the Bribery Act, Anti-Money Laundering, Direct Payment Fraud and Banking Fraud.

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 Spring 2019
	Work with Workforce Development to develop and promote fraud training.	Fraud seminars and surgeries promoted through City People  On-going use of online training package
	Establish measures for assessing the level of employee fraud awareness.	Spring 2019
	Hold fraud surgeries to enable staff to report areas of suspected fraud.	Fraud surgeries planned for Spring 2019
	Use various forms of media to promote fraud awareness across the Council including City People, the intranet and the internet.	Fraud seminars and surgeries will be promoted through City People
	Work closely with Wolverhampton Homes and seek opportunities to promote joint fraud awareness.	On-going
Work with national, regional and local networks to identify current fraud risks and initiatives.	Maintain membership of the National Anti-Fraud Network (NAFN).	On-going
	Participate in the Cabinet Office's National Fraud Initiative (NFI) data matching exercises. Acting as key contact for the Council, the West Midlands Pension Scheme and Wolverhampton Homes.	On-going. Latest exercise commenced October 2018
	Complete the annual CIPFA fraud survey.	CIPFA Survey completed June 2018
	Investigate opportunities to develop the use of NFI real time and near real time data matching.	Used for additional Single Person Discount data match
	Participate in CIPFA's technical information service.	On-going
	Maintain membership of the Midlands Fraud Group.	On-going – last meeting October 2018 next meeting Spring 2019
	Attend external fraud seminars and courses.	NAFN Counter Fraud Summit October 2018  Midland Fraud Forum Conference – February 2018

Issue	Action	Timescale
Assess the counter fraud strategy against best practice	Complete national fraud self-assessments, for example:	
	<ul style="list-style-type: none"> <li>• New CIPFA Code of Practice</li> </ul>	June 2015 (the last time required)
	<ul style="list-style-type: none"> <li>• CIPFA Counter Fraud Tracker Survey</li> </ul>	Annually
	<ul style="list-style-type: none"> <li>• The former Department for Communities and Local Government – ten actions to tackle fraud against the Council.</li> </ul>	On-going
	<ul style="list-style-type: none"> <li>• Consideration of fraud resilience toolkit</li> </ul>	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.	November 2017 - Wolverhampton Homes Tenancy Fraud Team transfer to Council's Counter Fraud Unit
Work with external organisations to share knowledge about frauds?	Establish formal joint working relationships with external bodies, for example Police, Health Service and Immigration Enforcement.	On-going
Participate in external initiatives and address requests for information	Implement industry best practice as identified in reports produced by external bodies, for example; Cipfa's Annual Fraud Tracker Survey and the National Fraud Initiative report.	Annual/on-going
	Encourage Service Areas to participate in initiatives to identify cases of fraud.	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

Issue	Action	Timescale
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 2018
	Where appropriate take sanctions against the perpetrators of fraud either internally in conjunction with Human Resources and Legal Services or externally by the Police.	On-going
Ensure responsibility for counter fraud activities is included in Partnership agreements with external bodies.	Embed responsibility for counter fraud activities in partnership agreements with the Council's strategic partners.	On-going
	Partnership agreements to include the Council's rights of access to conduct fraud investigations.	On-going
Provide the opportunity for employees and members of the public to report suspected fraud.	Manage and promote the Whistleblowing Hotline and record all reported allegations of fraud.	City People article – planned for Spring 2019
	Promote and hold fraud surgeries that provide the opportunity for staff to discuss any potentially fraudulent activity at the Council.	Fraud surgeries planned for Spring 2019
	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 @ December 2018

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

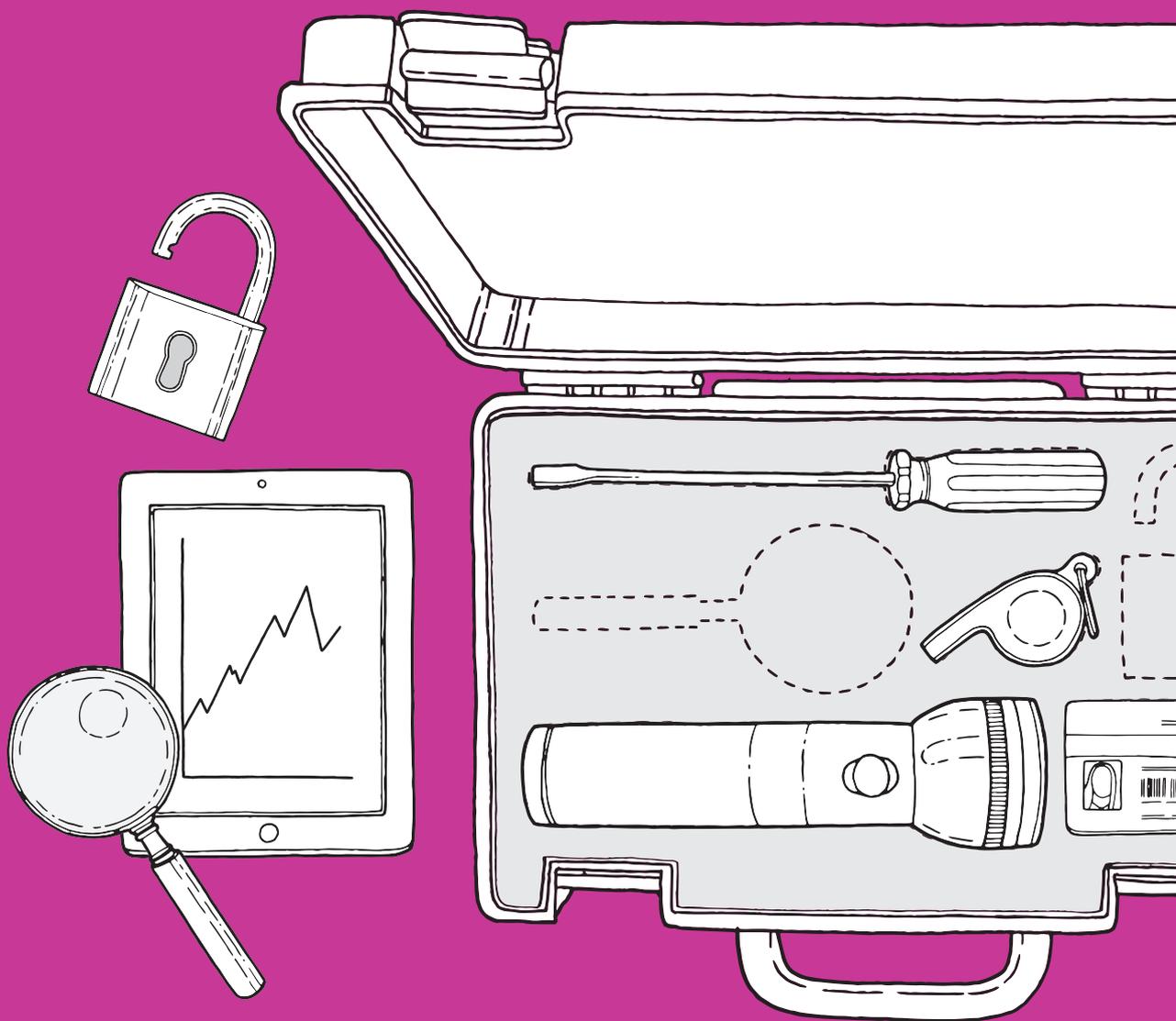
This report is PUBLIC  
[NOT PROTECTIVELY MARKED]

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

This page is intentionally left blank

# fraud and corruption tracker

Summary Report 2018



# Contents

<b>3</b>	Foreword
<b>5</b>	Introduction
<b>6</b>	Executive summary
<b>8</b>	Main types of fraud <ul style="list-style-type: none"><li>– Council tax</li><li>– Housing and tenancy</li><li>– Disabled parking (Blue Badge)</li><li>– Business rates</li></ul>
<b>11</b>	Other types of fraud <ul style="list-style-type: none"><li>– Adult social care</li><li>– Insurance</li><li>– Procurement</li><li>– Welfare assistance and no recourse to public funds</li><li>– Economic and voluntary sector support (grant fraud) and debt</li><li>– Payroll, expenses, recruitment and pension</li><li>– Manipulation of data (financial or non-financial) and mandate fraud</li></ul>
<b>14</b>	Serious and organised crime
<b>14</b>	Whistleblowing
<b>15</b>	Resources and structure
<b>15</b>	Sanctions
<b>16</b>	Fighting Fraud and Corruption Locally
<b>17</b>	CIPFA recommends
<b>18</b>	Appendix 1: Fraud types and estimated value/volume
<b>19</b>	Appendix 2: Methodology
<b>20</b>	Appendix 3: Glossary

## Foreword

As guardians of public resources, it is the obligation of every public sector organisation in the UK to fight fraud and corruption. Taking effective measures in counter fraud amounts to much more than simply saving money, as illegitimate activities can undermine the public trust, the very social licence, which is essential to the ability of organisations to operate effectively.

The CIPFA Fraud and Corruption Tracker (CFaCT) survey aims to help organisations, and the public at large, better understand the volume and type of fraudulent activity in the UK and the actions which are being taken to combat it.

With support from the National Audit Office (NAO), the National Crime Agency (NCA) and the Local Government Association (LGA), these insights reflect the current concerns of fraud practitioners from local authorities in a bid to create a focus on trends and emerging risks.

Key findings this year, such as the continued perception of procurement as the area at most susceptible to fraud, and the growing cost of business rates fraud, should help councils allocate resources appropriately to counter such activity.

For this reason, the 2018 CFaCT survey should be essential reading for all local authorities as part of their ongoing risk management activity. It provides a clear picture of the fraud landscape today for elected members, the executive and the professionals responsible for countering fraud, helping their organisations benchmark their activities against counterparts in the wider public sector.

When councils take effective counter fraud measures they are rebuilding public trust, and ensuring our increasingly scarce funds are being used effectively to deliver services.

### **Rob Whiteman**

Chief Executive, CIPFA

The survey was supported by:



## The CIPFA Counter Fraud Centre

The CIPFA Counter Fraud Centre (CCFC), launched in July 2014, was created to fill the gap in the UK counter fraud arena following the closure of the National Fraud Authority (NFA) and the Audit Commission. Building on CIPFA's 130-year history of championing excellence in public finance management, we offer training and a range of products and services to help organisations detect, prevent and recover fraud losses.

We lead on the national counter fraud and anti-corruption strategy for local government, Fighting Fraud and Corruption Locally, and were named in the government's Anti-Corruption Plan (2014) as having a key role to play in combatting corruption, both within the UK and abroad.



## Acknowledgements

CIPFA would like to thank all the organisations that completed the survey along with those that helped by distributing the survey or contributing case studies/best practices, including:

- Local Government Association
- Solace
- Home Office
- The Fighting Fraud and Corruption Locally board
- Salford City Council
- Sandwell Council

## Introduction

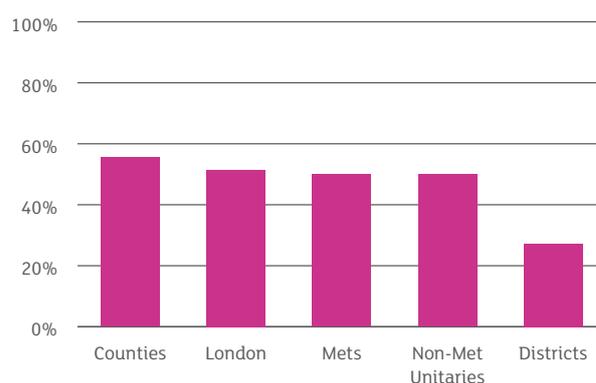
CIPFA recognises that each pound lost to fraud represents a loss to the public purse and reduces the ability of the public sector to provide services to people who need them. According to the Annual Fraud Indicator 2013, which provides the last set of government sanctioned estimates, fraud costs the public sector at least £20.6bn annually and of this total, £2.1bn is specifically in local government.

Fraud continues to pose a major financial threat to local authorities and working with partners such as the LGA and Home Office, we are seeing an emerging picture of resilience and innovation within a sector that is aware of the difficulties it faces and is finding solutions to the challenges.

In May 2018, CIPFA conducted its fourth annual CFaCT survey, drawing on the experiences of practitioners and the support and expertise of key stakeholders to show the changing shape of the fraud landscape. This survey aims to create a national picture of the amount, and types of fraud carried out against local authorities.

The results were received from local authorities in all regions in the UK, allowing CIPFA to estimate the total figures for fraud across England, Scotland, Wales and Northern Ireland.

### Response rate



This report highlights the following:

- the types of fraud identified in the 2017/18 CFaCT survey
- the value of fraud prevented and detected in 2017/18
- how to improve the public sector budget through counter fraud and prevention activities
- how the fraud and corruption landscape is changing including emerging risks and threats.

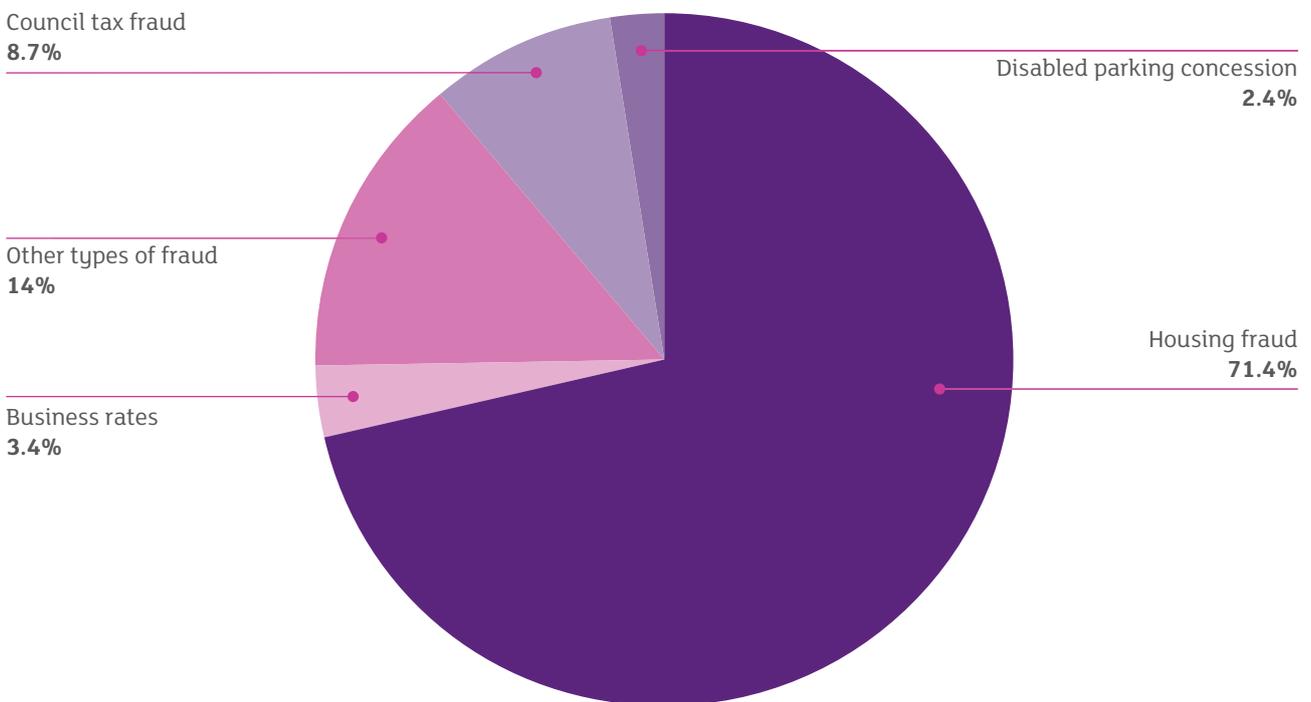
## Executive summary

CIPFA has estimated that for local authorities in the UK, the total value of fraud detected or prevented in 2017/18 is £302m, which is less than the £336m estimated in 2016/17. The average value per fraud has also reduced from £4,500 in 2016/17 to £3,600 in 2017/18.

Respondents report that approximately 80,000 frauds had been detected or prevented in 2017/18, which is a slight increase from just over 75,000 frauds in 2016/17. The number of serious and organised crime cases, however, has doubled since 2016/17. This increase may

suggest that fraud attacks are becoming more complex and sophisticated due to fraud teams becoming more effective at prevention. Alternatively, fraud teams may have developed a more effective approach for detecting or preventing such frauds.

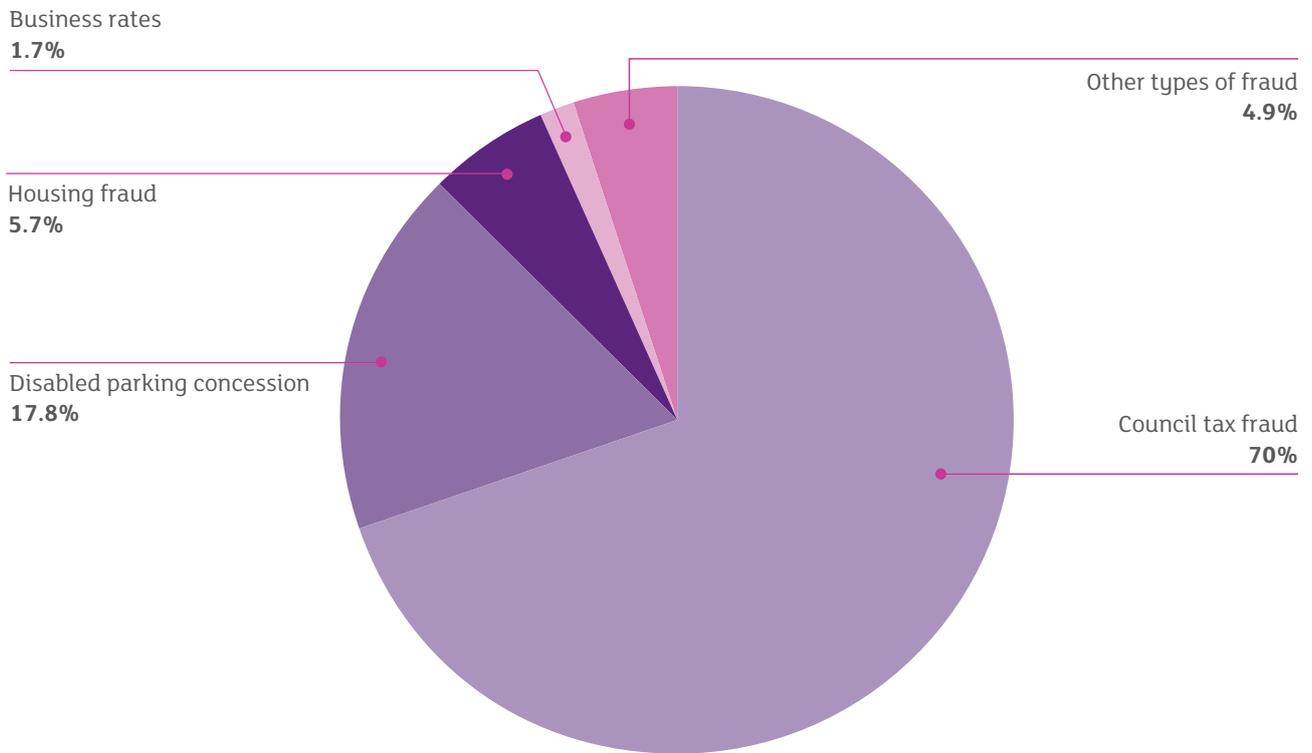
### Estimated value of fraud detected/prevented



### The largest growing area is business rate fraud



### Detected fraud by estimated volume



For 2017/18, it has been highlighted that the three greatest areas of perceived fraud risk are procurement, council tax single person discount (SPD) and adult social care.

The largest growing area is business rates fraud, with an estimated £10.4m lost in 2017/18 compared to £4.3m in 2016/17. This is followed by disabled parking concession (Blue Badge) which has increased by £3m to an estimated value of £7.3m for cases prevented/detected in 2017/18.

Two thirds of identified frauds related to council tax fraud (66%), with a value of £9.8m, while the highest

value detected/prevented from investigations was housing fraud, totalling £97.4m.

None of the respondents reported any issues with needing greater public support for tackling fraud, but some agreed that there needs to be an increased priority given within councils to tackling fraud.

Historically, it is shown that the more effective and efficient authorities are at detecting and preventing fraud, the more they will discover. This means that even if the levels of detection and prevention have increased, this is more likely due to a greater emphasis towards battling fraud rather than weak controls.

## Main types of fraud

The 2017/18 CFaCT survey indicates that there are four main types of fraud (by volume) that affect local authorities:

1. council tax
2. housing
3. disabled parking (Blue Badge)
4. business rates.

### Council tax

Council tax fraud has consistently been the largest reported issue over the last four years. As the revenue forms part of the income for local authorities, there is a clear correlation between council tax fraud and a reduction in the available budget.

It has traditionally been an area of high volume/low unit value, and this year's results reflect that trend. Council tax fraud represents the highest number of fraud cases reported by local authorities (66%), however, the total value of the fraud, estimated at £26.3m in 2017/18, accounts for only 8.7% of the value of all detected fraud.

The number of detected/prevented cases in the area of council tax SPD has reduced from 2016/17 levels, but we see a rise in the number of incidents and value in council tax reduction (CTR) and other forms of council tax fraud.

#### Estimated council tax fraud

	2016/17		2017/18	
	Volume	Value	Volume	Value
SPD	50,136	£19.5m	46,278	£15.8m
CTR	6,326	£4.8m	8,759	£6.1m
Other	674	£1.1m	2,857	£4.5m
<b>Total</b>	<b>57,136</b>	<b>£25.5m</b>	<b>57,894</b>	<b>£26.3m</b>



Council tax fraud represents the highest number of fraud cases reported, but only 8.7% of the detected value.



## Housing and tenancy fraud

Housing is expensive in many parts of the country, particularly in the South East of England, and therefore a low number of cases produces a high value in terms of fraud. However, councils record the income lost to housing fraud using different valuations, ranging from a notional cost of replacing a property set by the National Fraud Initiative (NFI) to the average cost for keeping a family in bed and breakfast accommodation for a year.

The difference in approach can lead to substantial differences. For example, two years ago, the NFI increased its standard notional figure to include other elements, and this increased the figure to £93,000, which is substantially larger than the previous figure of £18,000. This means that authorities may be using differing notional figures to calculate their average valuation of loss, which in turn leads to variations.

As housing has become increasingly expensive, the value of right to buy fraud is evidently higher than the other types of housing fraud. The value of this type of fraud is higher in London than in other parts of the country, with an estimated average of £72,000 per case compared to the rest of the UK combined, which has an estimated total of £50,000 per case.

However, the overall value and value of right to buy fraud has continued to decline – see table below.

### Estimated housing fraud

Type of fraud	2016/17		2017/18	
	Volume	Value	Volume	Value
Right to buy	1,284	£111.6m	1,518	£92.0m
Illegal sublet	1,829	£78.5m	1,051	£55.8m
Other*	2,825	£73.3m	2,164	£68.3m
<b>Total</b>	<b>5,938</b>	<b>£263.4m</b>	<b>4,733</b>	<b>£216.1m</b>

\*Other includes tenancy fraud that are neither right to buy nor illegal sublet, and may include succession and false applications.

### Disability Faculty Grant and housing fraud

Ms C used her disabled child as a means of requesting money from the local authority to fit a downstairs bathroom in their home. This request was rejected but Ms C appealed and the matter was taken to court where it was revealed that she owned multiple properties and was actually living in a different county, where she was also claiming disability benefits. The appeal was denied and Ms C was instructed to pay over £16,000 in court costs within half a year.

Since 2016/2017, right to buy value has decreased by

# 18%

# £216m

the estimated total value loss from housing fraud investigated during 2017/18

## Disabled parking (Blue Badge)

Fraud from the misuse of the Blue Badge scheme has increased for the first time since CIPFA began running the survey, with the number of cases rising by over 1,000 between 2016/17 and 2017/18. The survey also indicates that 49% of Blue Badge fraud cases in 2017/18 were reported by counties.

There is no standard way to calculate the value of this type of fraud and some authorities, for example in London, place a higher value on the loss than others and invest more in counter fraud resource.

The cost of parking in London results in a higher value to case ratio, which is shown in the average value per case reported – £2,150 in comparison to counties who had an average of £449 per case.

In the event that a Blue Badge misuse is identified, the offender is often prosecuted and fined (which is paid to the court). Costs are awarded to the prosecuting authority but these may not meet the full cost of the investigation and prosecution, resulting in a loss of funds. This potential loss could explain why authorities do not focus as much attention on this type of fraud.

Blue Badge fraud is often an indicator of other benefit-related frauds, such as concessionary travel or claims against deceased individuals by care homes for adult social care.

# 49%

of Blue Badge fraud cases in 2017/18 were reported by counties

The average value per case reported is:

# £2,150

in London

# £449

in counties

## Business rates

Business rates are a key cost for those who have to pay the tax and is the largest growing risk area in 2017/18; district councils have identified this as their fourth biggest fraud risk area for 2017/18 after housing fraud, council tax and procurement.

Business rates fraud represented 0.9% of the total number of frauds reported in 2016/17, with an estimated

value of £7m. In 2017/18, this increased to 1.7%, with an estimated value of £10.4m.

The rise in the number and value of fraud detected/prevented since 2016/17 could be as a result of more authorities participating in business rates data matching activities, uncovering more cases of fraud that had previously gone unnoticed.

### Data matching uncovers business rates fraud

The fraud team at Salford City Council undertook a business rates data matching exercise with GeoPlace. They used geographical mapping and other datasets to identify businesses that were not on the ratings list and were hard to find. The results identified seven potential business and the cases were sent to the Valuation Office Agency. Of the three returned to date, one attracted small business rate relief and rates on the other two were backdated to 2015, generating a bill of £90,000.

## Other types of fraud

Fraud covers a substantial number of areas and within organisations these can vary in importance. This part of the report looks at specific areas of fraud that did not appear as major types of fraud within the national picture but are important to individual organisations. These include the following fraud types:

- adult social care
- insurance
- procurement
- no recourse to public funds/welfare assistance
- payroll, recruitment, expenses and pension
- economic and voluntary sector support and debt
- mandate fraud and manipulation of data.

### Adult social care

The estimated value of adult social care fraud cases has increased by 21%, despite a fall in the average value per case – £9,000 in 2017/18 compared to £12,500 in 2016/17. This is a product of the significant rise in the number of frauds within adult social care which are not related to personal budgets. In recent years, many local authorities have funded training and introduced robust controls to mitigate the risk of fraud within personal budgets, which has resulted in a reduction of the estimated value per case to under £9,800 in 2017/18 compared to over £10,000 in 2016/17.

This year's survey also highlights a decline in the number of adult social care insider fraud cases, with 2% of cases involving an authority employee, compared to 5% last year.

#### Estimated adult social care fraud

Type of fraud	2016/17		2017/18	
	Volume	Value	Volume	Value
Personal budget	264	£2.7m	334	£3.2m
Other	182	£2.8m	403	£3.5m
<b>Total</b>	<b>446</b>	<b>£5.5m</b>	<b>737</b>	<b>£6.7m</b>
<b>Average value per fraud</b>		<b>£12,462</b>		<b>£9,123</b>

## Insurance fraud

The number of insurance frauds investigated has decreased to 117 with an average value of over £12,000, which explains the significant decline also in the total value of fraud detected/prevented. The total estimated value of loss in 2017/18 is £3.5m compared to £5.1m in 2016/17.

Respondents who identified insurance fraud also reported two confirmed serious and organised crime cases and two insider fraud cases.

Considerable work has been done in the area of insurance fraud, and insurance companies are working with organisations to develop new ways to identify fraud and abuse within the system, which seems to be effective given the steady decline in volume and value of cases reported.

The Insurance Fraud Bureau was one of the first to use a data analytical tool to identify fraud loss through multiple data sources in the insurance sector. This best practice is now being applied to local government, for example by the London Counter Fraud Hub, which is being delivered by CIPFA.

## Procurement fraud

In last year's survey procurement was seen as one of the greatest areas of fraud risk and this remains the same for 2017/18.

Procurement fraud takes place in a constantly changing environment and can occur anywhere throughout the procurement cycle. There can be significant difficulties in measuring the value of procurement fraud since it is seldom the total value of the contract but an element of the contract involved. The value of the loss, especially post award, can be as hard to measure but equally significant.

In 2016/17, there was an estimated 197 prevented or detected procurement frauds with an estimated value of £6.2m, which has now decreased to 142 estimated fraudulent cases with an estimated value of £5.2m. Twenty-five percent of reported cases were insider fraud and a further 20% were serious and organised crime.

## Estimated procurement fraud

2016/17		2017/18	
Volume	Value	Volume	Value
197	£6.2m	142	£5.2m

CIPFA is working with the Ministry of Housing, Communities and Local Government (MHCLG) in an effort to understand more about procurement fraud and how we can develop more solutions in this area.

The [Fighting Fraud and Corruption Locally Strategy 2016 to 2019 \(FFCL\)](#) recommends that local authorities have a procurement fraud map and use it to define the stages at which procurement fraud can happen. This enables authorities to highlight low, medium and high potential risks and inform risk awareness training for the future.

The Competition and Markets Authority has produced a [free online tool](#) that studies the data fed in against bidder behaviour and price patterns, allowing the public sector to identify areas of higher risk within procurement. It then flags areas where there could be potential fraud and which should be investigated.

## Welfare assistance and no recourse to public funds

In 2016/17 the estimated number of fraud cases related to welfare assistance was 74, increasing to an estimated 109 in 2017/18.

The number of cases in no recourse to public funding cases has reduced to an estimated 334 in 2017/18. The value of the average fraud has more than halved, falling to an estimated £11,500 in 2017/18 from £28,100 in 2016/17. This is reflected by the overall decrease in total value of the fraud to an estimated £4.3m.

## Economic and voluntary sector (grant fraud) and debt

As funds become more limited for this type of support, it is even more important for fraud teams to be aware of the risks within this area.

In the 2016/17 survey, there were 17 actual cases of grant fraud reported, which increased to 24 cases with an average estimated loss of £14,000 per case for 2017/18.

Debt had 38 reported cases in 2017/18 valued at over £150,000, with one case of insider fraud.

## Payroll, expenses, recruitment and pension

If we combine all the estimated results for these four areas, the total value of the fraud loss is an estimated £2.1m.

Measuring the cost of these frauds can be quite difficult as they carry implications that include reputational damage, the costs of further recruitment and investigations into the motives behind the fraud. As a result, some organisations could be less likely to investigate or report investigations in these areas.

Payroll has the highest volume and value of fraud out of these four areas for 2017/18, and 51% of the cases investigated or prevented were reported as insider fraud.

Recruitment fraud has the second highest estimated average per case of £9,400. This is quite an interesting area for fraud practitioners given their work is often not recorded as a monetary value as the application is refused or withdrawn. So, it is more likely the figure represents the estimated cases of fraud that were prevented in 2017/18.

### Estimated fraud

Type	2016/17		2017/18	
	Volume	Value	Volume	Value
Payroll	248	£1.0m	167	£1.01m
Expenses	75	£0.1m	34	£0.03m
Recruitment	46	£0.2m	52	£0.49m
Pension	228	£0.8m	164	£0.57m
<b>Total</b>	<b>597</b>	<b>£2.1m</b>	<b>417</b>	<b>£2.10m</b>

## Manipulation of data (financial or non-financial) and mandate fraud

CIPFA estimates that across the UK there have been 23 cases of manipulation of data fraud, which is less than half of the estimated cases in 2016/17.

There were 257 estimated cases of mandate fraud in 2017/18 compared to 325 estimated cases detected or prevented in 2016/17.

These areas of fraudulent activity are on the decline and advice from organisations such as Action Fraud is useful.



## Serious and organised crime

The survey question on serious and organised crime was requested by the Home Office and was included in the 2017/18 survey in order to help establish how it is being tackled by local authorities.

Organised crime often involves complicated and large-scale fraudulent activities which cross more than one boundary, such as payroll, mandate fraud, insurance claims, business rates and procurement. These activities demand considerable resources to investigate and require organisations to co-operate in order to successfully bring criminals to justice.

The 2017/18 survey identified 56 cases of serious and organised crime which was over double the figures reported in 2016/17 – 93% of these cases were reported by respondents from metropolitan unitaries. This shows that in the bigger conurbations, there is higher serious and organised crime activity (as one would expect) which is why some of the emerging counter fraud hubs are using predictive analytics to detect organised crime.

The responses indicate that organisations share a great deal of data both internally and externally – 34% share with the police and 16% share with similar organisations (peers). In addition, of the organisations that responded, 47% identified serious and organised crime risks within their organisation's risk register.

# 93%

the percentage of respondents who share data externally



Key data sharing partners are the police and other similar organisations.



---

## Whistleblowing

This year, 74% of respondents said that they annually reviewed their whistleblowing arrangements in line with PAS 1998:2008 Whistleblowing Arrangements Code of Practice.

Of those questioned, 87% confirmed that staff and the public had access to a helpdesk and 71% said that the helpline conformed to the BS PAS 1998:2008. Respondents reported a total of 560 whistleblowing

cases, made in line with BS PAS 1998:2008; representing disclosures in all areas, not just with regard to suspected fraudulent behaviour.

## Resources and structure

Fraud teams are detecting and preventing more frauds despite reductions in their resources. It is therefore unsurprising to see 14% of respondents have a shared services structure; this approach has gained popularity in some areas as a method of allowing smaller organisations to provide a service that is both resilient and cost effective.

We have also seen a rise in authorities who have a dedicated counter fraud team – from 35% in 2016/17 to 51% in 2017/18. It is worth noting that there may be a potential bias in this figure as those who have a dedicated counter fraud team are more likely and able to return data for the CFaCT survey.

For organisations that do not go down the shared service route, the 2017/18 survey showed no growth in staff resources until 2020. This position would appear to be a

change from 2016 when some respondents had hoped to increase their staff numbers.

The number of available in-house qualified financial investigators has dipped slightly from 34% in 2016/17 to 31% in 2017/18. In addition, the percentage of authorities that do not have a qualified financial investigator increased from 35% in 2016/17 to 41% in 2017/18, which continues to show that resources for fraud are stretched.

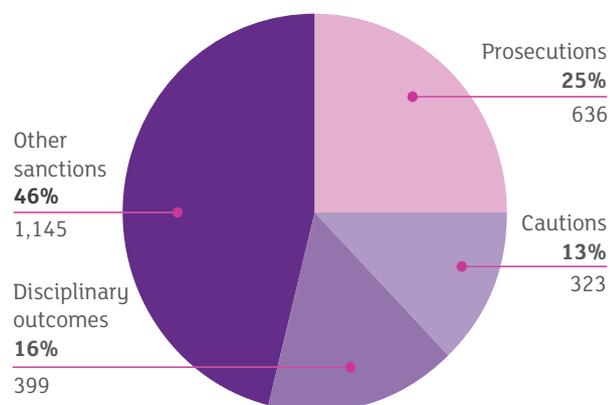
---

## Sanctions

Below are some of the key findings regarding sanctions:

- 636 prosecutions were completed in 2017/18 and of these, 15 were involved in insider fraud and 14 of those were found guilty
- the number of cautions increased from 9% in 2016/17 to 13% in 2017/18
- the percentage of other sanctions dropped from 53% in 2016/17 to 46% in 2017/18.

### Outcome of sanctions



# Fighting Fraud and Corruption Locally

The Fighting Fraud and Corruption Locally Strategy 2016–2019 (FFCL Strategy) was developed by local authorities and counter fraud experts and is the definitive guide for local authority leaders, chief executives, finance directors and all those with governance responsibilities.

The FFCL Strategy is available for councils to use freely so that everyone can benefit from shared good practice and is aimed at local authority leaders. It provides advice on how to lead and communicate counter fraud and corruption activity for the greatest impact, as well as covering resource management and investment in counter fraud operations.

The FFCL Board put forward specific questions to be included in the CFaCT survey to help measure the effectiveness of the initiatives in the FFCL Strategy and the responses are reflected in the diagrams below. The more confident respondents are about how fraud is dealt with in their organisation, the higher they marked the statement; the lower scores are towards the centre of the diagram.

## Counter fraud controls by country



Over the past four years the same three issues have arisen when we have asked the question: *what are the three most significant issues that need to be addressed to effectively tackle the risk of fraud and corruption at your organisation?* These are:

- capacity
- effective fraud risk management
- better data sharing.

The FFCL’s 34 point checklist covers each one of these areas and provides a comprehensive framework that can be used to address them. It can be downloaded from the [CIPFA website](#).

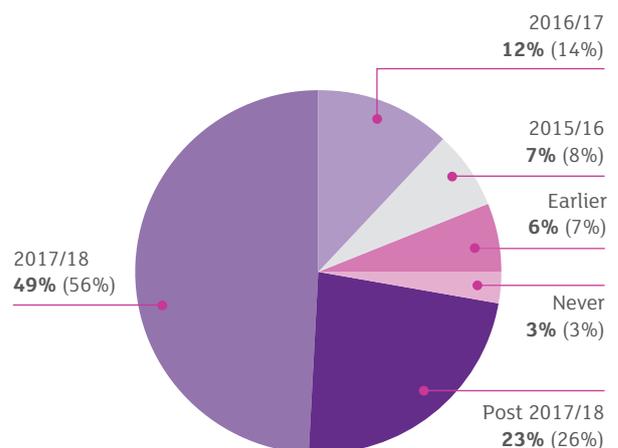
The FFCL Strategy recommends that:

*There is an annual fraud plan which is agreed by committee and reflects resources mapped to risks and arrangements for reporting outcomes. This plan covers all areas of the local authority’s business and includes activities undertaken by contractors and third parties or voluntary sector activities.*

By producing a plan and resources that is agreed by the leadership team, management are able to see gaps in capacity and identify areas of risk which enables them to make effective strategic decisions.

Last year, 10% of respondents did not know when their counter fraud and corruption plan was last approved, and this year this has dropped slightly to 9%. Of those who responded to the survey, 56% agreed their counter fraud and corruption plan was approved within the last 12 months, and 21% stated that their plan would be approved post 2017/18.

## When did you last have your counter fraud and corruption plan approved?



## CIPFA Recommends

- Public sector organisations need to remain vigilant and determined in identifying and preventing fraud in their procurement processes. Our survey showed this to be one of the prime risk areas and practitioners believe this fraud to be widely underreported.
- Effective practices on detecting and preventing adult social care fraud should be shared and adopted across the sector. Data matching is being used by some authorities with positive results.
- All organisations should ensure that they have a strong counter-fraud leadership at the heart of the senior decision-making teams. Fraud teams and practitioners should be supported in presenting business cases to resource their work effectively.
- Public sector organisations should continue to maximise opportunities to share data and to explore innovative use of data, including sharing with law enforcement.
- The importance of the work of the fraud team should be built into both internal and external communication plans. Councils can improve their budget position and reputations by having a zero-tolerance approach.



## Appendix 1: Fraud types and estimated value/volume

The table below shows the types of frauds reported in the survey and the estimated volume and value during 2017/18.

Types of fraud	Fraud cases	% of the total	Value	% of the total value	Average
Council tax	57,894	70.0%	£26.3m	8.72%	£455
Disabled parking concession	14,714	17.8%	£7.3m	2.43%	£499
Housing	4,722	5.7%	£215.7m	71.43%	£45,677
Business rates	1,373	1.7%	£10.4m	3.45%	£7,580
Other fraud	1,165	1.4%	£10.9m	3.61%	£9,355
Adult social care	737	0.9%	£6.7m	2.23%	£9,124
No recourse to public funds	378	0.5%	£4.3m	1.43%	£11,445
Schools frauds (excl. transport)	285	0.3%	£0.7m	0.24%	£2,537
Insurance claims	281	0.3%	£3.5m	1.15%	£12,317
Mandate fraud	257	0.3%	£6.6m	2.18%	£25,618
Payroll	167	0.2%	£1.0m	0.33%	£6,030
Pensions	164	0.2%	£0.6m	0.19%	£3,492
Procurement	142	0.2%	£5.2m	1.71%	£36,422
Welfare assistance	109	0.1%	£0.0m	0.01%	£337
Debt	91	0.1%	£0.4m	0.12%	£3,948
Children social care	59	0.1%	£0.9m	0.31%	£15,800
Economic and voluntary sector support	57	0.1%	£0.8m	0.26%	£13,467
Recruitment	52	0.1%	£0.5m	0.16%	£9,510
Expenses	34	0.0%	£0.2m	0.01%	£867
School transport	30	0.0%	£0.1m	0.04%	£3,857
Manipulation of data	23	0.0%	N/A	N/A	N/A
Investments	2	0.0%	£0.0m	–	–

## Appendix 2: Methodology

This year's results are based on responses from 144 local authorities. An estimated total volume and value of fraud has been calculated for all local authorities in England, Wales, Scotland and Northern Ireland. Missing values are calculated according to the size of the authority. For each type of fraud, an appropriate universal measure of size has been selected such as local authority housing stock for housing frauds.

From the responses, the number of cases per each unit of the measure is calculated and used to estimate the missing values. Then, for each missing authority, the estimated number of cases is multiplied by the average value per case provided by respondents to give an estimated total value. As an illustration, if the number of

housing frauds per house is 0.01 and a missing authority has 1,000 houses in its housing stock, we estimate the number of frauds as 10. If the average value per case is £100,000 then the total estimated value of fraud for that authority is £1m.

## Appendix 3: Glossary

### Adult social care fraud

Adult social care fraud can happen in a number of ways but the increase in personal budgets gives a greater opportunity for misuse.

Investigations cover cases where:

- direct payments were not being used to pay for the care of the vulnerable adult
- care workers were claiming money for time they had not worked or were spending the allocated budget inappropriately.

### Blue Badge fraud

The Blue Badge is a Europe-wide scheme allowing holders of the permit to parking concessions which are locally administered and are issued to those with disabilities in order that they can park nearer to their destination.

Blue Badge fraud covers abuse of the scheme, including the use of someone else's Blue Badge, or continuing to use or apply for a Blue Badge after a person's death.

### Business rates fraud

Business rates fraud is not a transparent landscape for the fraud investigator, with legislation making it difficult to separate between evasion and avoidance. Business rates fraud covers any fraud associated with the evasion of paying business rates including, but not limited to, falsely claiming relief and exemptions where not entitled.

### Cautions

Cautions relate to a verbal warning given in circumstances where there is enough evidence to prosecute, but it is felt that it is not in the public interest to do so in that instance.

### Council tax fraud

Council tax is the tax levied on domestic properties and collected by district and unitary authorities in England and Wales and levying authorities in Scotland.

Council tax fraud is split into three sections.

- **council tax single person discount (SPD)** – where a person claims to live in a single-person household when more than one person lives there
- **council tax reduction (CTR) support** – where the council tax payer claims incorrectly against household income
- **other types of council tax fraud** – eg claims for exemptions or discounts to which the council tax payer has no entitlement.

### Debt fraud

Debt fraud includes fraudulently avoiding a payment of debt to an organisation, excluding council tax discount.

### Disciplinary outcomes

Disciplinary outcomes relate to the number of instances where as a result of an investigation by a fraud team, disciplinary action is undertaken, or where a subject resigns during the disciplinary process.

### Economic and voluntary sector (grant fraud)

This type of fraud relates to the false application or payment of grants or financial support to any person and any type of agency or organisation.

### Housing fraud

Fraud within housing takes a number of forms, including sub-letting for profit, providing false information to gain a tenancy, wrongful tenancy assignment and succession, failing to use the property as the principle home, abandonment, or right to buy.

### **Insurance fraud**

This fraud includes any insurance claim that is proved to be false, made against the organisation or the organisation's insurers.

### **Mandate fraud**

Action Fraud states that: "mandate fraud is when someone gets you to change a direct debit, standing order or bank transfer mandate, by purporting to be an organisation you make regular payments to, for example a subscription or membership organisation or your business supplier".

### **Manipulation of data fraud**

The most common frauds within the manipulation of data relate to employees changing data in order to indicate better performance than actually occurred and staff removing data from the organisation. It also includes individuals using their position to change and manipulate data fraudulently or in assisting or providing access to a family member or friend.

### **No recourse to public funds fraud**

No recourse to public funds prevents any person with that restriction from accessing certain public funds. A person who claims public funds despite such a condition is committing a criminal offence.

### **Organised crime**

The Home Office defines organised crime as "including drug trafficking, human trafficking and organised illegal immigration, high value fraud and other financial crimes, counterfeiting, organised acquisitive crime and cyber crime".

### **Procurement fraud**

This includes any fraud associated with the false procurement of goods and services for an organisation by an internal or external person(s) or organisations in the 'purchase to pay' or post contract procedure, including contract monitoring.

### **Right to buy**

Right to buy is the scheme that allows tenants that have lived in their properties for a qualifying period the right to purchase the property at a discount.

### **Welfare assistance**

Organisations have a limited amount of money available for welfare assistance claims so the criteria for applications are becoming increasingly stringent. Awards are discretionary and may come as either a crisis payment or some form of support payment.

### **Whistleblowing**

Effective whistleblowing allows staff or the public to raise concerns about a crime, criminal offence, miscarriage of justice or dangers to health and safety in a structured and defined way. It can enable teams to uncover significant frauds that may otherwise have gone undiscovered. Organisations should therefore ensure that whistleblowing processes are reviewed regularly.



Registered office:

77 Mansell Street, London E1 8AN

T: +44 (0)20 7543 5600 F: +44 (0)20 7543 5700

[www.cipfa.org](http://www.cipfa.org)

The Chartered Institute of Public Finance and Accountancy.  
Registered with the Charity Commissioners of England and Wales No 231060





# National Fraud Initiative Report

1 April 2016 to 31 March 2018

# Foreword

The risk of fraud is a challenge that all organisations and individuals face. The public sector is no different. Fraud is a hidden crime, with those who commit fraud actively trying to avoid detection, so we must proactively look for it. The Government set out its commitment to do just this in the [Cross-Government Fraud Landscape Annual Report](#) published in September 2017.

The National Fraud Initiative, the Cabinet Office's data matching service, has enabled participating organisations to prevent and detect over £300 million fraud and error in the period April 2016 to March 2018. This is a record for the NFI in any reporting period since its creation in 1996, and brings cumulative outcomes to £1.69 billion. This is a signal of how seriously the government is taking the challenge that it set itself - to find and tackle fraud in the public sector and protect vital public services.

These record outcomes are due to the hard work of staff at the 1,200 public and private sector organisations that participate in the National Fraud Initiative. I applaud them all, but we will not be complacent. We all need to continue to challenge ourselves and our organisations to ensure we are all committed to look for this hidden crime and the proactively identify fraud and error.

As part of this report, the Cabinet Office is launching the NFI's strategy for the next four years. This will help ensure the NFI is best placed to continue supporting organisations. At the core of this strategy is the need for collaboration and innovation. The strategy seeks to ensure the NFI continues to provide users with flexible and sophisticated fraud prevention and detection tools that achieve results quickly and efficiently that the NFI is renowned for across the UK.

Through continued commitment to develop the National Fraud Initiative, and work with its users to enable them to get the most out of it, the Government is renewing its drive to seek out fraud in public services, and ensure that taxpayers' money is spent where citizens need it most.

**Chloe Smith**  
**Minister for the Constitution**

# National Fraud Initiative Report

1 April 2016 to 31 March 2018

Page 143



# NFI overview

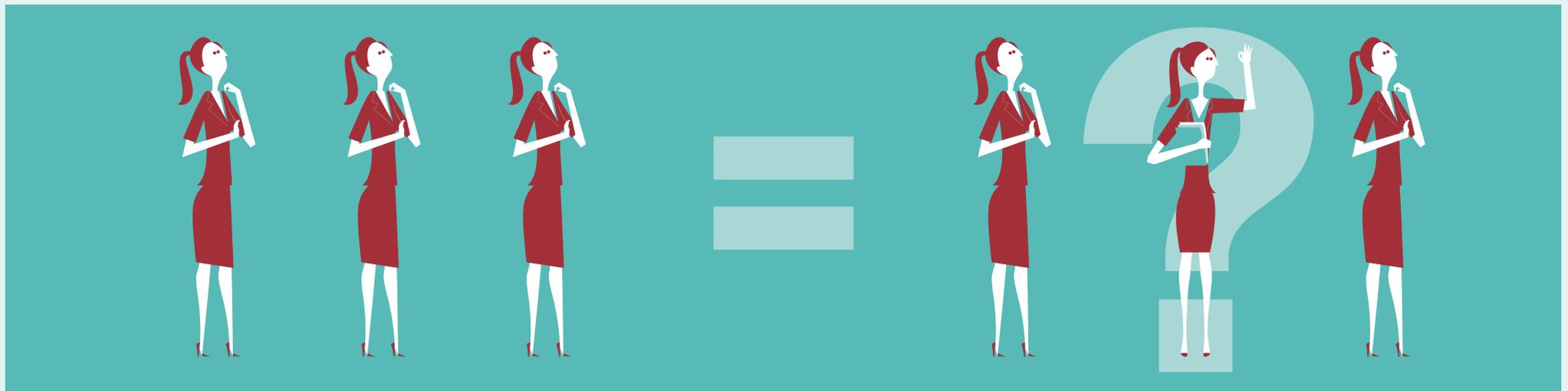
The National Fraud Initiative (NFI) is a data matching exercise conducted by the Cabinet Office to assist in the prevention and detection of fraud.

Data for the NFI is provided by some 1,200 participating organisations from the public and private sectors including government departments. The NFI works with public audit agencies in all parts of the UK.

Data matching involves comparing sets of data electronically, such as the payroll or benefit records of a body, against other records held by the same another body to see how far they match. The data is usually personal information. The data matching allows potentially fraudulent claims and payments to be identified. Where a match is found it may indicate that there is an inconsistency that requires further investigation. No assumption can be made as to whether there is fraud, error or other explanation until an investigation is carried out. All bodies participating in the Cabinet Office's

data matching exercises receive a report of matches that they should investigate, so as to detect instances of fraud, over- or under-payments, and other errors, to take remedial action and update their records accordingly.

The NFI is conducted using the data matching powers bestowed on the Minister for the Cabinet Office by Part 6 of the Local Audit and Accountability Act 2014 (the Act). It does not require the consent of the individuals concerned under current data protection legislation. There are certain public sector bodies that are required to provide data for the NFI on a mandatory basis. In addition, bodies can provide data to the Cabinet Office for matching on a voluntary basis under schedule 9, 3 of the Act.



# NFI products

## National

Data is collected from organisations across the UK for national fraud detection batch matching. Matches are accessed through a secure web application.

## AppCheck

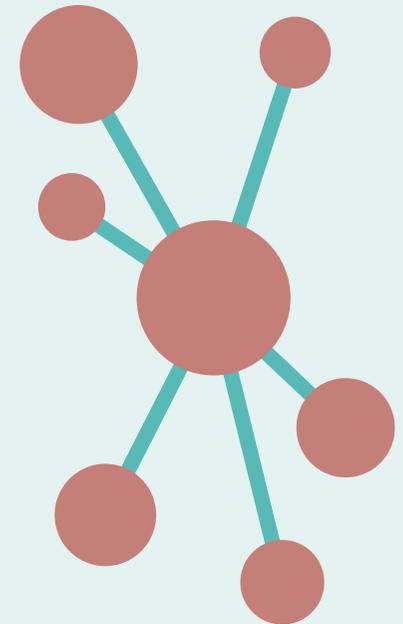
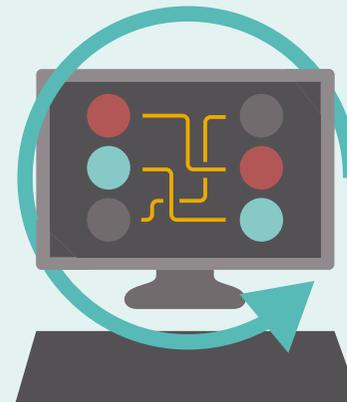
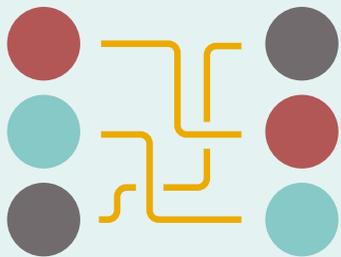
Fraud prevention tool that helps organisations to stop fraud at the point of application, thereby reducing administrative and future investigation costs.

## ReCheck

Flexible batch matching tool that allows an organisation to repeat national batch matching at a time to suit them.

## FraudHub

FraudHub enables groups of organisations to regularly screen more than one dataset with the aim of detecting errors in processing payments, or benefits and services.



# Cost of running the NFI

## Main Expenditure



### IT

Delivered under contract by an external supplier



### Staff

Cabinet Office NFI team has eight members of staff

outcome  
**£301.2m**

Page 146

Two years

cost  
**£2.7m**

fee  
**£2.8m\***

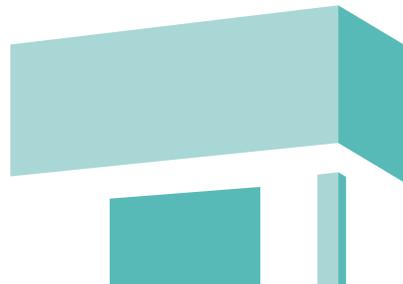
## Example Fees

London borough council

**£4,150**

Mid-sized council

**£2,200**



fee  
**£2.8m**

\*These fees have not been increased for 10 years

# Our strategy



## Our mission

To better protect the public services from fraud and error by helping to find and minimise loss.



## Our vision

To provide the best deal for the taxpayer by helping tackle fraud and error, through improved access to data and analytics techniques via sophisticated fraud prevention and detection solutions that achieve results quickly and efficiently.

Operating in a fastpaced, dynamic environment, we will work with customers and stakeholders across the public and private sector to provide capability to best allow them to prevent, disrupt, deter, discover and punish fraud and error.



## Our strategy identifies strengths and challenges

### Strengths:

- trusted brand
- track record for delivering outcomes efficiently
- delivers flexible solutions in response to emerging fraud risks
- matches across UK to detect and prevent fraud
- a record £301 million in most recent two-yearly exercise



### Challenges:

- counter fraud landscape moves at a fast-pace
- counter fraud strategies now focus more on fraud prevention, so customers are seeking faster solutions embedded into internal controls
- advanced technology has led to customers being offered a wide range of alternative solutions
- customers are less satisfied with a 'one size fits all' national approach
- the solutions need to be tailorable to meet local needs
- the data the NFI holds is a snapshot of a point in time and is only periodically refreshed

# Our strategy objectives

In response to the strengths and challenges, our objectives for the next four years will leave the NFI best placed to help deliver benefits to public sector bodies in their fight against fraud.



**1.** Better targeting existing and new fraud risks



**2.** Improving communication and engagement with users to better understand and meet customer need



**3.** Increasing both the volume and frequency of data that is used in, or accessed through, the NFI



**4.** Embracing new technologies and techniques to improve existing and develop new products



**5.** Securing the extension to legislative purposes to increase the usage and impact of the NFI

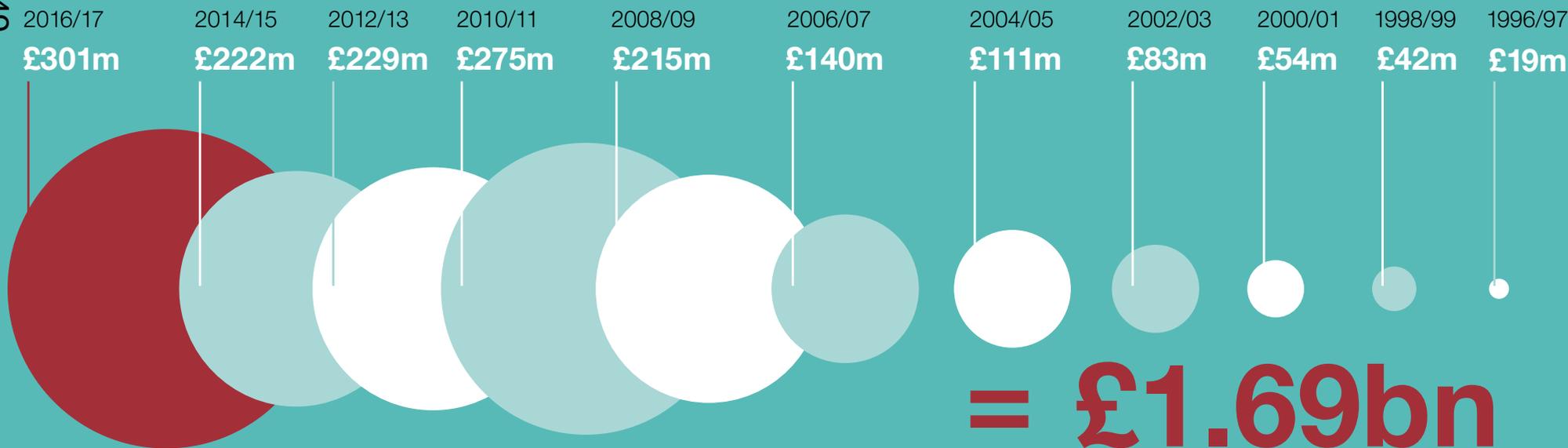
# Fraud, overpayments and errors identified and prevented

1 April 2016 to 31 March 2018



Page 149

## The UK broken down into years



Where applicable, amounts included in this report have been rounded to an integer, 0.5 and above were rounded up; under 0.5 rounded down.

# The headlines

The main categories of fraud identified by the NFI in England relate to:

**£144.8m**

of pension fraud  
and overpayments

**£32.6m**

of fraudulent, or wrongly  
received, council tax  
single person discount

**£24.9m**

of housing benefit fraud  
and overpayment



Page 150

The exercise also produced the following significant results in England:

**58**

social housing  
properties recovered

**7,601**

false applications were  
removed from housing  
waiting lists

**234,154**

concessionary travel  
passes were cancelled

**1,613**

cases of incorrect  
Council Tax reduction  
were identified

**31,223**

blue badges were  
revoked or withdrawn

**275**

cases where a council  
continued to make  
mistaken payment  
to private care homes  
for deceased persons

# NFI outcomes in England by risk area



## Pensions

£144.8m £85.1m



## Council Tax

£32.6m £37.4m



## Waiting lists

£25.5m £1.0m



## Housing benefits

£24.9m £39.2m



## Blue badges

£18.0m £13.2m



## Concessionary travel

£5.6m £2.2m



## Tenancy fraud

£5.5m £5.0m



## Council Tax Reduction Scheme

£2.8m -



## Residential care homes

£4.4m £3.5m



## Trade Creditors

£4.3m £4.5m



## Payroll

£4.0m £5.0m



## Right to Buy

£1.0m £0.3m



## State benefit

£0.9m -



## Personal budgets

£0.5m £0.5m



## Other

£0.3m £1.3m

## Total

£275.3m £198.2m

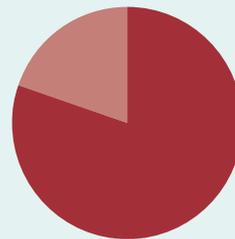
■ 2018 ■ 2016

# Recovery rate/impact of the NFI on the public finances

# £275.3m

the total amount of fraud, overpayments and errors identified and prevented by the NFI in England during the period 1 April 2016 to 31 March 2018.

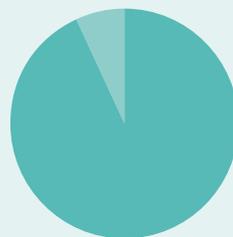
Actual fraud detected



**£9.9m**  
not recovered

**£40.9m**  
is being recovered

Estimated future losses to fraud



**£15.2m**  
not recovered

**£209.3m**  
is being recovered

**£40.9m +**  
**£209.3m =**

estimated prevented loss  
**£250.2m**

which is

**91%**

# Key messages for 2016 – 2018

## Pensions: £144.8 million

Individuals obtaining the pension payments of a dead person



- Pensions has seen a significant increase in outcomes to £144.8 million, an increase from £85.1 million in 2014/15.
- This can be attributed to an increase in the numbers of deceased person cases identified as well as work with large public sector pension schemes to improve the frequency and quality of outcomes reporting. Some bodies have also opted to undertake more regular matching through the NFI mortality screening service.
- The ratio of actual overpayments to estimated savings from preventing overpayments has changed since 2014/15, with actual overpayments £4 million lower than the previous exercise and future losses prevented up by £89 million.
- The increase in bodies undertaking more regular matching is a key factor in this, although improvements to deceased matching have also contributed, including:
  - reducing the time between data submission and match release, enabling incorrect pension payments to be identified and stopped more quickly
  - enhancing match reports to enable users to action the best quality matches more easily

Page 153

### Case study



#### Civil Service Pensions

The NFI continues to produce high-quality matches that enable public sector pension schemes to combat fraud and reduce error. For example, following investigation of pension matches to deceased records, Civil Service Pensions were able to identify overpayments in excess of £2 million.

As at 31 March 2018, £700,000 had already been recovered and work is in progress to recover the remaining amount.

# Key messages for 2016 – 2018

## Council Tax: £32.6 million

Individuals who did not qualify for the Council Tax single person discount because they were living with other countable adults



- Council Tax single person discount (SPD) matching is carried out annually.
- Over the last two annual exercises, the NFI match to tackle Council Tax SPD abuse has once again provided substantial returns for councils, although following the recent trend, these have fallen slightly.
- Council Tax outcomes from the 2016/17 exercise stand at £32.6 million (£37.4 million in 2014/15) and over 30,000 SPDs (37,825 in 2014/15) have been cancelled as a result.
- As part of our drive to continually enhance the NFI, we introduced two new data matches during 2016/17. We will undertake a full analysis of the outcomes from these two additional matches and also work closely with councils to fully understand the impact of whether or how they enable councils to more effectively target SPD fraud.
- The new matches are detailed below:
  - Following a successful pilot, we matched all SPD claims against a wider range of NFI datasets. To date, over 1,000 SPDs have been cancelled as a result of this report.
  - In response to survey feedback, we partnered with Equifax to launch an enhanced CTSPD service in December 2017, that combines both public and private sector data to give a comprehensive and robust view of the SPD claimants household composition. To date 13 councils have utilised this service.

# Key messages for 2016 – 2018

## Housing waiting lists: £25.5 million

Social housing waiting list applicants who were not entitled to social housing because they had misrepresented their circumstances



- Housing statistics show that there are 1.15 million households on local authority social housing waiting lists, so removing applicants who are not eligible for social housing will enable councils to allocate social housing to those in genuine need.
- In line with the NFI strategy to target more preventative data matching, a pilot data match was undertaken and the outcomes were reported in our November 2016 national report.
- The success of the pilot in helping councils to remove over 3,000 applicants from their housing waiting lists meant that this was rolled out as a core match for the 2016/17 exercise.
- As a result of this match, 7,601 applications for social housing have been removed by councils during 2016/17. Over half of these applications were cancelled by one council, suggesting that the impact of this match could be much greater. Going forward, we will work with councils on this as part of a wider review in to how NFI can better target social housing fraud.
- We apply an estimate of £3,240 per case for future losses prevented as a result of removing an applicant from council housing waiting list.

# Key messages for 2016 – 2018

## Housing benefit: £24.9 million

Individuals claiming housing benefit who failed to declare an income or change of circumstances



Page 156

- Housing benefit outcomes are £24.9 million, compared with the 14/15 figure of £39.2 million. A decline in overpayments was expected given a number of factors:
  - transition of housing benefit claimants over to Universal Credit (UC) HB claimants have reduced by almost 350,000 between the October 2014 and October 2016 data submissions;
  - completion of transfer of housing benefit investigation staff from local authorities to DWP under the Single Fraud Investigation Service (SFIS)
  - embedding of Department for Work and Pensions (DWP) / Her Majesty's Revenue and Customs (HMRC) Real Time Information (RTI) solution which compares Pay As You Earn (PAYE) and welfare benefits to identify overpayments
- Housing benefit overpayments identified through matching to student loans continues to generate the most outcomes. Over 1,300 cases were identified with an actual overpayment value of £6.7 million. This represents 37% of the total housing benefit overpayments.
- DWP and the NFI undertook a joint review of how the DWP utilise the NFI to identify any actions and learnings. The review initiated a repeat run of Housing benefit to student loans matching in autumn 2017 to capture data for students commencing their first year of study in September 2017, and to also refine the matching to better exclude false positives. Outcomes from this exercise continue to be reported by DWP, but indications are that the proportion of NFI matches being referred onwards for investigation have increased. For example, 40% of housing benefit to student loan matches referred to DWP compliance, an overpayment was identified.
- We continue to work closely with the DWP to ensure we maximise the benefits of the NFI, in line with the NFI strategic themes. Ongoing work includes undertaking pilot matching for UC and further adapting current matching to add additional insight, reduce false positives and improve prioritisation of matches.

### Case study



#### Mole Valley District Council

A housing benefit to student loans match identified a student who had failed to declare his student finance to Mole Valley District Council. Enquiries into the match revealed that not only had the student failed to declare a change in circumstance, but so too had his partner when she failed to declare her NHS bursary. The student accepted a caution from Mole Valley District Council as he had failed to promptly declare a change of circumstance, contrary to Regulation 8 of the Council.

Tax Reduction Schemes (Detection of Fraud and Enforcement (England) Regulations 2013. Mole Valley District Council is in the process of recovering just under £12,500.

# Key messages for 2016 – 2018

## Blue badges: £18 million

Potential misuse of blue badge parking passes belonging to someone who had died



- As at 31 March 2017 there were 2.38 million Blue badges in England, 887,000 of these were issued between 1 April 2016 and 31 March 2017. Fraudsters exploit the Blue Badge scheme by forging badges and stealing badges from cars. Abuse also occurs when badges remain in use, or are renewed by someone, after a badge holder has died. In England, there was a total of 1,131 individuals prosecuted in 2016/17. The majority of prosecutions (98%) in England were targeted at a non-badge holder using another persons' badge.<sup>1</sup>
- During this reporting period, the number of blue badges cancelled significantly increased to 31,223 from 23,063 in 2014/15. In 2016/17 the number of passes cancelled was 31,223. This increased from 23,063 in 2014/15. The estimated value of blue badges cancelled between reporting periods has also therefore increased from £13.2 million to £18 million, an increase of 36%.
- For the 2016/17 exercise we worked closely with the Blue Badge Improvement Service (BBIS) so they were able to submit data to the NFI on behalf of councils in England, Scotland and Wales.

# Key messages for 2016 – 2018

## Concessionary travel: £5.6 million

Potential misuse of concessionary travel passes belonging to someone who has died



- The number of concessionary passes updated, cancelled or hot-listed (stopping/deactivating the deceased matched cards) in 2016/17 as a result of an NFI match was 234,154, an increase from 97,064 in 2014/15. As a result, the estimated value of fraud losses prevented in the same reporting period more than doubled from £2.2 million in 2014/15 to £5.6 million in 2016/17.
- For the 2016/17 exercise we worked closely with a number of businesses administering the concessionary travel passes for multiple local authorities. This has contributed significantly to the increased impact.<sup>2</sup>
- The Department for Transport reported that in 2016/17 there were 9.8 million older and disabled concessionary travel passes in circulation, a decrease of 1.1% from 2015/16, the first decrease in three years.<sup>3</sup> Whilst we cannot directly link the higher number of passes cancelled, updated or hotlisted to the first decrease in the total number of concessionary travel passes in circulation seen over the last three years, it is worth noting.

<sup>2</sup> Department for Transport, [Concessionary travel Statistics 2016/17](#), Department for Transport, 14 December 2017

<sup>3</sup> Department for Transport, [Concessionary travel Statistics 2016/17](#), Department for Transport, 14 December 2017

# Key messages for 2016 – 2018

## Tenancy fraud: £5.5 million

Social housing tenants who were subletting, were not entitled to social housing because of their status in the UK, or had multiple tenancies unlawfully



- The [Annual Fraud Indicator](#) 2017 highlights that housing tenancy fraud costs local government £1.83 billion. This has increased from the £1.76 billion quoted in 2016.
- Despite social housing being a significant fraud risk for councils, we have only seen a small increase in the number of properties recovered by social landlords as a result of the NFI data matches. This was 58 in 2016/17 compared to 54 in 2014/15.
- Although each property recovered can be reallocated to those in genuine need, it is clear the NFI needs to do more to help councils fight social housing fraud.
- There were some improvements in 2016/17, specifically:
  - using the combined Council Tax and Electoral Register data to help identify an individual's current residence
  - the new social housing waiting list fraud data match that led to 7,601 applications for social housing being removed by councils during 2016/17
- Building on this we now intend to work closely with councils and key stakeholders to undertake a full review into how NFI can better target social housing fraud.

Page 159

Case study



### Royal Borough of Greenwich

An NFI housing tenancy to housing tenancy match showed two matching tenancies between two London boroughs. Investigations in the Royal Borough of Greenwich showed their tenant had used false identity documents to gain a one bedroom flat in May 2013; claimed housing benefit; used the same documents to gain employment as a waste operative in the borough four years earlier, in October 2009 (he was no longer in that employment at the time of the investigation). The Royal Borough of Greenwich evicted the tenant from the property in February 2017 and he was prosecuted and sentenced at Woolwich Crown Court on 4th October 2017 to 33 months imprisonment. In total the man had received in excess of £60,000 in employment and housing benefit payments.

### Portsmouth City Council

A housing tenants to housing benefit match identified a tenant in a property owned by Portsmouth City Council. The tenant had however been claiming housing benefit in excess of £150 per week for a different property in a nearby authority area since January 2016. The match revealed the tenant had let the property from Portsmouth City Council in February 2013, but investigations found the tenant's partner had been subletting the Portsmouth property for up to two years. The council sought a prosecution in October 2017 and the property was successfully recovered.

# Key messages for 2016 – 2018

## Residential care homes: £4.4 million

Payments to private care homes by the councils for the care of a resident where the resident had died



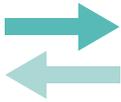
- The number of cases resulting in outcomes is similar to that recorded in the previous exercise. There were 275 cases in 2016/17 compared to 263 in 2014/15.
- However, the resulting outcomes (actual and estimated) have increased by 26% from £3.5 million to £4.4 million.
- Over a quarter of the financial outcomes recorded came from councils using the NFI ReCheck product to undertake more regular matching to target residential care home fraud and error.



# Key messages for 2016 – 2018

## Trade creditor payments: £4.3 million

Traders who intentionally or unintentionally submitted duplicate invoices for payment



Creditor payments matches continue to produce significant outcomes with over £4.3 million of wrongly paid duplicate invoices identified. Although this is a slight reduction from the previous exercise, the case study below provides an example of how valuable the matching can be.

### Case study

Page 161



#### **Suffolk County Council**

The NFI helped Suffolk County Council identify and recover duplicate invoice payments totalling £142,500, and £122,000 in overpayments to residential care providers for people who had died.

The council was also able to cancel 3,671 concessionary travel passes and 289 blue badges as the holders had died, but the council were not made aware until NFI highlighted them.

There was no cost to the taxpayer, but the council now plans to strengthen controls to reduce the number of errors in future.

# Key Messages for 2016 – 2018

## Payroll: £4 million

Employees working for one organisation while being on long-term sick leave at another or obtaining employment while not entitled to work in the UK



- Payroll outcomes for England 2016/17 total £4 million, compared with the 14/15 total of £5 million.
- The NFI released a new report that compares payroll to Companies House data, to identify potential undeclared interests that may give a financial advantage. This match highlighted where an employee's address appeared to have links to a company or its directors.
- As a result of the new match, 129 cases with undeclared interest were identified.
- This was a new dataset for 2016/17. Because of this success, we will continue to include this in future NFI exercises.

Page 162  
Case study



### Birmingham City Council

A Revenues Officer at Birmingham City Council appeared on a NFI match to CIFAS Known Fraud Data. An investigation revealed that the employee had concealed previous employment history, having resigned during a disciplinary investigation. This was not declared to Birmingham City Council when applying for his current job. It was discovered he hid his employment history on two further occasions when asked to make annual declarations as part of the council protocols. The employee was dismissed following a disciplinary hearing.

Birmingham City Council spokesperson said “This case would not have been found without the NFI match being undertaken”.

### Anonymous

A new match between payroll and Companies House data helped one council to review and introduce new measures for staff to declare any interests. This was after the NFI match revealed that one member of staff had had sight of tenders for services, which allowed her to give information to her husband, who was then able to undercut those prices. This was dealt with as a disciplinary matter and the individual left the authority.

# Key messages for 2016 – 2018

## Council Tax Reduction Scheme: £2.8 million

Individuals claiming Council Tax reduction who failed to declare an income or change of circumstances



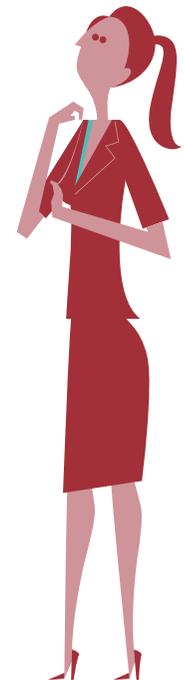
- Council Tax reduction is the discount given by local councils to those eligible for help with council tax bills.
- This was a new dataset for 2016/17 and we will continue to include this in future NFI exercises.
- An estimate of 21 weeks is applied to the weekly reduction in benefit recorded by participants for future losses prevented.
- 326 bodies received matches related to Council Tax reduction. Of these councils, just under half (48%) identified cases where individuals were incorrectly receiving a Council Tax reduction. In total, 1,613 cases where Council Tax reduction was in payment were identified as being incorrect.
- Overpayments identified from this data area were spread fairly evenly across councils that identified incorrect cases of Council Tax reduction. The average reported saving per case was £1,130 (excluding estimated forward savings).

Case study  
Page 163



### Durham County Council

A Council Tax reduction scheme (CTRS) to Pensions NFI match identified a recipient whose local authority pension had not been fully taken into account in their CTRS claim. As a result of the investigation, Durham County Council claimed back over £10,000.



# Further case studies

## Personal budgets

Individuals claiming a personal budget who failed to declare an income or change of circumstances or were deceased

### Case study



#### **Durham County Council**

Durham County Council identified a case from an NFI match where a recipient had failed to declare their NHS lump sum payment. An investigation was carried out and the authority put in place measures to recover over £5,000. People in receipt of personal budgets may be suffering from ill health and we recommend these matches are investigated with this in mind.



# Further case studies

## AppCheck

### Case study



#### City of London

The City Corporation Anti-Fraud Investigation Team, along with the Housing Allocations Team, are tasked with working across London to detect, prevent, and deter people from attempting to obtain social housing under false pretences.

As part of its commitment to supporting the NFI, and to help evolve its approach to fraud prevention, the City Corporation decided to deploy AppCheck on a trial basis to see if it could help to improve its ability to identify those applying, or who have obtained, social housing under false pretences.

The AppCheck system was easily assimilated into the teams' existing procedures and was able to provide an additional layer of intelligence to the verification process.

Following its successful trial in combating social housing tenancy application fraud, AppCheck has been rolled out across the City Corporation in areas such as HR, housing benefits and blue badge applications.

Chris Keesing, Anti-Fraud Manager within the City of London Corporation commented on the AppCheck trial:

*"The AppCheck solution was a great success and proved itself early on by allowing us to identify social housing application fraud that would have otherwise potentially not been detected. We are pleased that, owing to the success in this area, we have now been able to roll out AppCheck to other departments across the City Corporation to help us identify fraud in more front-line service areas."*

Page 165

### Case study



#### St Ledger Homes

St Leger Homes is an award-winning company which provides housing services across Doncaster in the social and private sectors. Created in 2005 by Doncaster Council and with government support, St Leger Homes is an Arm's-Length Management Organisation (ALMO) that provides quality council homes for local residents.

By using AppCheck, staff at St Leger Homes have a greater ability to prevent fraudulent or mistaken applicants from obtaining a tenancy and reduce the volume of referrals that are generated from historical claims or payments. Over 700 searches have been completed. Their move from a fraud detection to a fraud prevention investigations model has reduced their caseload, allowing the team's investigation capacity to be managed

much more effectively. This has also allowed a focus on areas that yield bigger benefits or cost savings. AppCheck is continually used by St Leger Homes to screen housing tenancy and Right to Buy applications.

Nicola Bouse, Customer Service Advisor for Central and Tenancy Fraud said: *"This is a valuable tool in the prevention of fraud and I would recommend it to anyone looking at potentially using it. It has helped clarify some situations that did on face value look suspicious. The information provided is clear and easy to understand and can point us in a direction we need to go if issues arise. AppCheck fits well with our existing checks and enhances the process."*

# Further case studies

## AppCheck

### Case study



#### London Borough of Hammersmith and Fulham

AppCheck allows frontline staff working in public sector organisations to check and verify the details of all new housing and benefit applications more effectively in real-time and reduces the risk of fraudulent applications.

As part of their anti-fraud strategy, the London Borough of Hammersmith and Fulham now use AppCheck to prevent fraud, or mistaken payments, from having an impact.

For example, AppCheck identified that a housing application they had received held conflicting information to that held within the NFI database. The applicant was clearly linked to an address in the neighboring borough of Ealing. After further investigation, involving tracking benefits paid over a 16-month period to the address in Ealing, the London Borough of Hammersmith and Fulham housing application was declined, saving £18,000.

Andrew Hyatt, Head of Fraud at the London Borough of Hammersmith and Fulham said:

*"AppCheck is an extremely good and affordable anti-fraud tool. The configuration allows investigators to verify applications against a number of datasets, from different organisations, that are held within the system. Since using [AppCheck] we've seen great savings and a reduction in the number of fraudulent applications entering our system."*

# NFI outcomes in England by risk area

Dataset	Example activity area	2018 £m (1 April 2016 – 31 March 2018)	2016 £m (1 April 2014 – 31 March 2016)
Housing benefits	Individuals claiming housing benefit who failed to declare an income or change of circumstances	24.9	39.2
Pensions	Individuals obtaining the pension payments of a dead person	144.8	85.1
Council Tax	Individuals who did not qualify for the council tax single person discount because they were living with other countable adults	32.6	37.4
Payroll	Employees working for one organisation while being on long-term sick leave at another or obtaining employment while not entitled to work in the UK	4.0	5.0
Trade creditors	Traders who intentionally or unintentionally submitted duplicate invoices for payment	4.3	4.5
Blue badges	Potential misuse of blue badge parking passes belonging to someone who has died	18.0	13.2
Concessionary travel	Potential misuse of concessionary travel passes belonging to someone who has died	5.6	2.2
Tenancy fraud	Social housing tenants who were subletting, were not entitled to social housing because of their status in the UK, or had multiple tenancies unlawfully	5.5	5.0
Right to Buy	Social housing tenants who were not entitled to right to buy because of their status in the UK, or had multiple tenancies unlawfully	1.0	0.3
Residential care homes	Payments to private care homes by a council for the care of a resident where the resident had died	4.4	3.5
Personal budgets	Individuals claiming a personal budget who failed to declare an income or change of circumstances or were deceased	0.5	0.5

# NFI outcomes in England by risk area

Dataset	Example activity area	2018 £m (1 April 2016 – 31 March 2018)	2016 £m (1 April 2014 – 31 March 2016)
Other	Other immigration outcomes linked to student loans and licences	0.3	1.3
Council Tax Reduction Scheme	Individuals claiming Council Tax reduction who failed to declare an income or change of circumstances	2.8	-
State benefit	Individuals claiming state benefits who failed to declare an income or change of circumstances	0.9	-
Waiting lists	Social housing waiting list applicants who were not entitled to social housing because of their status in the UK	25.5	1.0
<b>Total</b>		<b>275.3</b>	<b>198.2</b>

# Key results in England

	Number of cases 2018	Number of cases 2016
<b>Pensions</b>		
Pension payments stopped	3,763	3,592
<b>Council Tax single person discount</b>		
Council Tax single person discount claims stopped	30,343	37,825
<b>Social housing/Right to Buy</b>		
Properties recovered	58	54
Right to Buy wrongly awarded	4	4
Applicants removed from a housing waiting list	7,601	726
<b>Housing benefit fraud, error and overpayments relating to:</b>		
Local government employees	798	1,417
Central government pensioners	353	922
Individuals receiving a local government pension	298	876
Students	1,361	1,944
NHS employees	313	516

# Key results in England

	Number of cases 2018	Number of cases 2016
Other	743	864
Immigration	61	67
Blue badges cancelled	31,223	23,063
Concessionary travel passes cancelled	234,154	97,064
<b>Social care</b>		
Residents in private care homes	275	263
Personal budgets	163	113
<b>Payroll</b>		
Total employees dismissed or resigned	53	109
<b>Creditor payments</b>		
Duplicate creditor payments	884	3,488
Council Tax Reduction Scheme	1,613	0
<b>Total</b>	<b>314,061</b>	<b>172,907</b>

# Report calculations – England only

Data match	Fraud detected (£ million)	Estimated (£ million)	Total (£ million)	Basis of calculation of estimated outcomes
Pensions	7.4	137.4	144.8	Annual pension multiplied by the number of years until the pensioner would have reached the age of 85
Council Tax SPD	11.7	20.8	32.6	Annual value of council tax single person discount multiplied by two years
Housing benefits	18.2	6.7	24.9	Weekly benefit reduction multiplied by 21 weeks
Housing waiting list	0.0	25.5	25.5	£3,240 per applicant removed from the waiting list, based on annual estimated cost of temporary accommodation and the likelihood that future losses would occur due to waiting list fraud
Blue badges	0.0	18.0	18.0	£575 per blue badge cancelled to reflect lost parking and congestion charge revenue
Payroll	3.1	0.9	4.0	£5,000 per case (£12,000 for immigration cases) and £50,000 for a removal from the UK)
Tenancy fraud	0.0	5.5	5.5	£93,000 per property recovered based on average four year fraudulent tenancy - this includes temporary accommodation for genuine applicants; legal costs to recover property; re-let cost; and rent foregone during the void period between tenancies. £53,000 per property recovered in Northern Ireland
Trade creditors	4.3	0.0	4.3	Not applicable
Private residential care homes	2.5	1.9	4.4	£7,000 per case based on average weekly cost of residential care multiplied by 13 weeks

# Report calculations – England only

Data match	Fraud detected (£ million)	Estimated (£ million)	Total (£ million)	Basis of calculation of estimated outcomes
Right to Buy	0.1	0.9	1.0	<p>£65,000 per application withdrawn based on average house prices and the minimum right to buy discount available</p> <p>This estimate has the following regional variations:</p> <p>London: £104,000 per application withdrawn to reflect the maximum value of Right to Buy discount available for London properties</p> <p>Northern Ireland: £31,000 per application withdrawn based on average house prices and minimum right to buy discounts in Northern Ireland</p>
Concessionary travel	0.0	5.6	5.6	Number of passes cancelled multiplied by £24, based on the cost of reimbursement to bus operators for journeys made under the concessionary pass scheme
Personal budgets	0.4	0.1	0.5	Monthly reduction in personal budget payment multiplied by 3 months
Other immigration	0.2	0.1	0.3	£50,000 for a removal from the UK
Council Tax reduction	1.8	0.9	2.8	Weekly change in council tax discount multiplied by 21 weeks
State benefits	0.9	0.0	0.9	Weekly benefit reduction multiplied by 21 weeks
<b>Total</b>	<b>50.8</b>	<b>224.5</b>	<b>275.3</b>	

# NFI survey 2017

We conducted a survey in July 2017 that focused on: customer satisfaction; the NFI products; web application functionality; and the future strategy and direction of the NFI. We received over 580 responses and this feedback has helped us to shape our vision and objectives for 2018 to 2022.

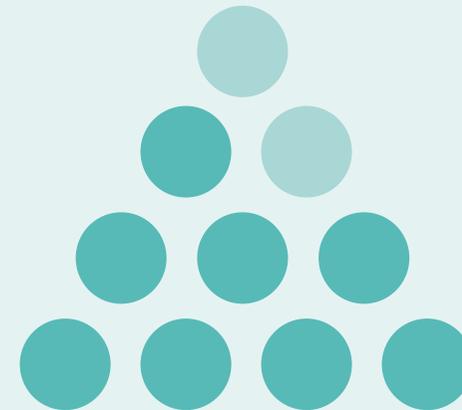
**The NFI helps participants to prevent and detect fraud:**



**71%**

somewhat agree, agree, or strongly agree that NFI helps business

**The NFI should be mandatory so it is as effective as possible:**

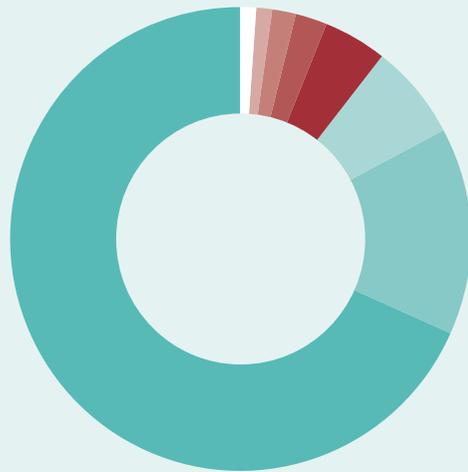


**80%**

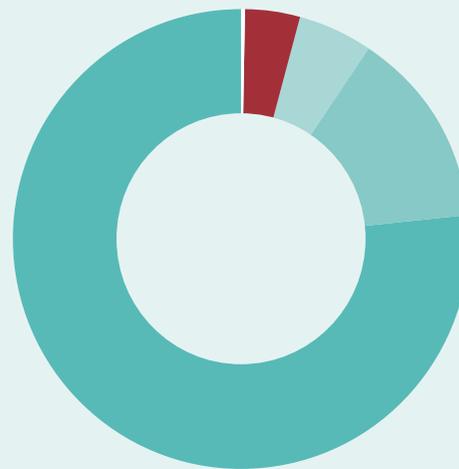
agree with mandation (65% agree or strongly agree, 15% somewhat agree)

# Participant profile

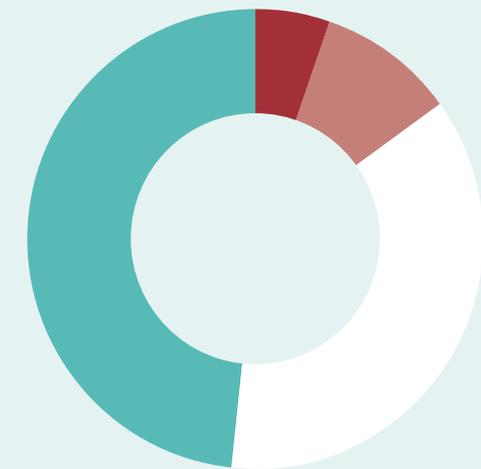
## Your organisation is in which of the following sectors?



## Where is your organisation based?



## What level of user are you?



<span style="color: #008080;">●</span> Local government	68.14%	400
<span style="color: #00A09A;">●</span> NHS	14.48%	85
<span style="color: #00C0B0;">●</span> Central government	6.64%	39
<span style="color: #800000;">●</span> Other	4.43%	26
<span style="color: #A52A2A;">●</span> Police	2.21%	13
<span style="color: #C0504D;">●</span> Fire and Rescue Authority	1.70%	10
<span style="color: #D2691E;">●</span> Housing Association	1.19%	7
<span style="color: #FFFFFF;">●</span> Private sector	1.19%	7

<span style="color: #008080;">●</span> England	76.79%	450
<span style="color: #00A09A;">●</span> Scotland	14.16%	83
<span style="color: #00C0B0;">●</span> Northern Ireland	4.10%	24
<span style="color: #800000;">●</span> Wales	5.12%	30
<span style="color: #FFFFFF;">●</span> Other	0.34%	2

<span style="color: #008080;">●</span> User	48.08%	275
<span style="color: #FFFFFF;">●</span> Key contact	36.89%	211
<span style="color: #A52A2A;">●</span> Senior responsible officer	9.62%	55
<span style="color: #800000;">●</span> Don't know	5.42%	31

# Strengths



The website is easy to use and data is easy to retrieve and review.



The NFI technology allows you to detect matches that may not otherwise have been highlighted.



There is a wide variety of informative guidance available, alongside helpful and knowledgeable staff.



The NFI tool allows you to identify and correct errors and mismatched information.

## You told us:

“AppCheck has been very useful when used in conjunction with other searches. It has highlighted repeated clerical errors and helped improve processes and procedures.”

“The matches raise the possibility for fraud and error, of which we might not otherwise be aware.”

“The fact that it is mandatory [for local authorities] to take part ensures good participation and access to national datasets that are unavailable at a local level.”

# Strengths



“We operate a shared counter-fraud service covering three local authorities. The NFI web app provides accurate, clear and concise data that can be manipulated easily to target our investigative resources in a risk-based and cost effective manner. Some matches have identified issues with internal procedures and have led to improvements being implemented. The exercise regularly provides a starting point for criminal investigations and realises significant savings to the public purse.”

Preston City Council, Lancaster City Council and Fylde Borough Council

“The 2016/17 NFI exercise has supplemented the routine data matching that we undertake. The matches undertaken by NFI to external data sources has helped in the identification of fraud and error which would otherwise be difficult to detect. The Housing Benefit to Student Loans report has been one of the most lucrative matches, helping us to identify in excess of £117k of overpayments. The results has also been helpful in identifying and correcting discrepancies.”

Birmingham City Council



“The Companies House NFI reports were very useful to us. They prompted us to carry out checks to make sure there were no conflicts of interest and helped us cross check against our own annual declarations. We were also able to make sure the staff who now work for us, but have been suppliers in the past, had correctly completed their annual declaration of interests.”

House of Commons

# How can we improve?

We want to ensure that you receive the highest quality matches, as well as the best possible user experience from the NFI suite. Your responses to this survey have helped us shape our 2018 to 2022 strategy. We want to ensure that you receive the highest quality matches, as well as the best possible user experience from the NFI. Below are some examples of your feedback and how we will seek to address them.

## You said

“Management Information reports are not intuitive or easy to use.”

“Currently the matches provided contain many false positives and only about 10% are worth investigating.”

“There is a lack of engagement with users.”

## Our response

“As part of our continuous improvement strategy, we will develop management information tools, upgrade navigation options and improve web app functionality to better suit the user.”

“We will tighten matching rules, and risk scoring, improving the accuracy and quality of existing NFI data matching techniques. We will also look to add additional data sources from both the public and private sector.”

“We recognise the challenges around successful user engagement. As part of our strategy, we will identify the right people to ensure NFI becomes a fundamental aspect of every organisation’s counter-fraud work.”



## Contact us

We are always on the lookout for participants to help with ongoing improvements to the NFI. If you would like to get involved, [please contact us](#).

For more information about the NFI please visit our [website](#).

Follow the Cabinet Office on:

Page 178



<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Audit and Risk Committee</b> 10 December 2018
--	---

<b>Report title</b>	Internal Audit – External Assessment	
<b>Accountable director</b>	Claire Nye, Finance	
<b>Originating service</b>	Audit	
<b>Accountable employee(s)</b>	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
<b>Report to be/has been considered by</b>	Not applicable	

---

**Recommendation for noting:**

The Audit and Risk Committee is asked to note:

1. The results of the recent independent validation of the Council's internal audit team self-assessment exercise.

## **1.0 Purpose**

- 1.1 This report is to update the Committee on the results of the independent validation of the internal audit team self-assessment exercise.

## **2.0 Background**

- 2.1 As part of the Public Sector Internal Audit Standards there is a requirement for an external assessment of the internal audit service to be carried out at least once every five years and that this may be satisfied by either arranging for a full external assessment or by undertaking a self-assessment with independent validation.
- 2.2 At its meeting in December 2017 the Committee agreed an option for the Council's internal audit team to undertake a self-assessment with an independent validation.
- 2.3 The factors taken into consideration when arriving at this decision were the financial savings against the costs involved in procuring a full external assessment, that a good level of assurance could already be placed on the existing strong working relationship between the internal auditors, the Audit and Risk Committee and the external auditors, and the planned approach to the independent valuation by following the Chartered Institute of Public Finance and Accountancy's (CIPFA's) local government application note for the Public Sector Internal Audit Standards. This note stated that if an externally validated self-assessment is chosen, that the checklist included in the application note is recommended. Therefore, this checklist was used and externally validated.
- 2.4 In a reciprocal peer review arrangement with Solihull Metropolitan Borough Council, the validation was undertaken by their Head of Audit Services, a Qualified Internal Auditor and Investigator with experience of performing peer reviews, audit and consultancy work for other public sector organisations including colleges, parish council's and other local authorities.
- 2.5 He visited the Council in July 2018 and as part of the exercise also met with the Director of Finance and Chair of the Audit and Risk Committee.
- 2.6 His report included a range of findings and accompanying recommendations which have been translated into an action plan. These documents are attached to this report at Appendix 1.

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

- 3.1 Progress against the actions contained in the report and action plan will be monitored and reported back to the Audit and Risk Committee as appropriate.

#### **4.0 Financial implications**

- 4.1 There was no charge for the independent valuation due to the reciprocal peer review arrangement entered into with Solihull Metropolitan Borough Council.  
[MH/28112018/K]

#### **5.0 Legal implications**

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

[Legal Code: TS/29112018/S] ()

#### **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 Health and Wellbeing Implications**

- 10.1 There are no health and wellbeing implications arising from the recommendation in this report.

#### **11.0 Schedule of Background papers**

- 11.1 None

#### **12.0 Appendices**

- 12.1 Appendix 1 - Peer Review Report  
12.2 Appendix 2 – Action Plan

This page is intentionally left blank

## City of Wolverhampton Council

# Internal Audit: External Quality Assessment – Independent Validation

November 2018

Assessment by: Steve Sparkes – QIAL, CIA, CMIIA, CCIP

Head of Audit Services – Solihull Metropolitan Borough Council

## Introduction

1. As part of the Public Sector Internal Audit Standards there is a requirement for an external assessment of the Internal Audit service to be carried out at least once every five years and that this may be satisfied by either arranging for a full external assessment or by undertaking a self-assessment with independent validation.
2. In December 2017 the Audit and Risk Committee chose the option to undertake a self-assessment with independent validation as the preferred choice, and that the independent validation would be undertaken by Steve Sparkes, the Head of Audit at Solihull Metropolitan Borough Council.
3. The Chartered Institute of Public Finance and Accountancy's (CIPFA) have produced a local government application note for the Public Sector Internal Audit Standards. The application note states that if an externally validated self-assessment is chosen, then the checklist included in the application note is recommended. Therefore, this checklist was completed by the Internal Audit team and formed the basis of the external validation.
4. As part of the external validation 1-1 interviews were held with the following:
  - Director of Finance (Section 151 Officer)
  - Chair of the Audit and Risk Committee
  - Head of Audit Services
5. A group meeting with members of the internal audit service was also held. Finally a number of key documents produced by Internal Audit were also reviewed alongside the self-assessment including:
  - Internal Audit Plan 2018/19
  - Corporate Assurance Assessments Needs 2018/19
  - Internal Audit Reports
  - Audit Review Checklists
  - Audit and Risk Committee - Annual Report 2016/17
  - Audit and Risk Committee – Terms of Reference
  - Audit Services – Counter Fraud Update
  - Internal Audit Charter – Annual Review
  - Audit Services – Quality Assurance and Improvement Programme
  - Checklist for Compliance with Internal Audit Standards
  - Annual Report on Internal Audit 2017/18

## Concluding Assessment

6. ***From the evidence I have reviewed as part of the external validation of the self-assessment I can confirm that the Internal Audit function at the City of Wolverhampton Council conforms to the requirements of the Public Sector Internal Audit Standards and the requirements of the Local Government Application Note, with no material areas of non-compliance with the standards identified.***

### **Wider Professional Assessment**

7. The Council has an in-house Internal Audit Team managed by the Head of Audit who is directly employed by Sandwell Council but shares his work time with Wolverhampton on a contract basis. This is not a shared service arrangement. It may prove useful to continue to explore the potential for more sharing across both Sandwell Council and the City of Wolverhampton Council with regards to the internal audit arrangement.
8. The Head of Audit reports directly to the Director of Finance (Section 151 Officer). The Head of Audit is experienced and a professionally qualified accountant. Many of the team also hold professional audit and accountancy qualifications and are vastly experienced in terms of internal auditing and of their employment at the council. The team operates in accordance with an Internal Audit Charter approved by the Audit and Risk Committee and management.
9. The Head of Audit is also responsible for managing Risk Management, Insurance and Health and Safety on behalf of the Council, and has responsibility for counter fraud.
10. In their 1-1 interviews both the Director of Finance and the Chair of the Audit and Risk Committee explained that they hold the Internal Audit team, and the Head of Audit in high regards for the support provided to them in their roles and across the wider Council, and were very appreciative of the work they undertake. When asked if 'sharing' the Head of Audit with Sandwell Council provided any concerns, both the Director and Chair explained this was not an issue given the wider integration and experience of other team members within Internal Audit.
11. In an engaging meeting with members of the Internal Audit team it was clearly evident they demonstrated significant knowledge of the Public Sector Internal Audit Standards, the Council and were actively engaged in working to ensure they continue to provide a modern and effective service delivery.
12. The combination of Internal Auditors knowledge of the council and the Assessment Needs Model used to support this knowledge ensures that key and changing factors are continually fed into the audit planning process, and an annual Internal Audit Plan is produced for the Audit and Risk Committee and senior management who both have input into audit coverage.
13. The Internal Audit team provides regular monitoring reports for the Audit and Risk Committee, which helps ensure they remain well informed on the outcome of individual reviews. It was noted that members of the Internal Audit team support the Head of Audit with reporting at Audit and Risk Committee and this was evident from the conversations with the Chair of Audit and Risk Committee who welcomed the wider input.
14. Audit reports were reviewed and it was felt these provided good detail for both management and the Audit and Risk Committee where appropriate to offer challenge and monitor improvements in internal control through implementation of audit recommendations.
15. The time recording system (APACE) and Audit Plan was reviewed. This was found to be detailed and in line with normal expected processes of a professional Internal Audit service.
16. Counter-fraud arrangements were discussed and reviewed in detail and were cross checked to updates provided to the Audit and Risk Committee and this was all found to be consistent with expected areas of coverage in a local authority context.

17. The Head of Audit also maintains a series of performance indicators that are reported to Audit and Risk Committee which are typically used in the Internal Audit function. These were reviewed and found to demonstrate the service is performing well.
18. Internal Audit takes a leading role in respect of risk management and the Annual Governance Statement (AGS) process. This is not unusual in local government but Internal Audit needs to ensure this does not compromise its independence. The AGS is a management function.
19. As indicated above, as part of the self-assessment exercise undertaken using the model provided by CIPFA in their local government application note for the Public Sector Internal Audit Standards, the Head of Audit had already identified a number of minor actions that would help further develop their compliance with the standards. This self-assessment was reviewed as part of this external validation process and it was felt that this provided a fair and accurate reflection of the service area.

### **Other Considerations**

20. Whilst Internal Audit performs a typically sound counter-fraud function as would be found at most local authorities, at SMBC we have invested in training some of our investigation team in being accredited financial investigators. This has been particularly useful in social housing and internal investigations where it has been necessary to look into bank accounts etc. This service could also be used to support other aspects of council operations, i.e. Trading Standards.
21. The Audit Management system used is not being fully utilised (through choice) and whilst it was not relevant for this review against standards would probably attribute a cost to use. At SMBC we operated a similar system for which we used to pay an annual fee circa £20k. We replaced this with an in-house developed system (using excel) which provides better information at zero cost. We would be happy to demonstrate, share and support this (no charge).
22. It is recommended that the Annual Governance Process is reviewed to ensure that management complete this task rather than Internal Audit. The Annual Report on Internal Audit is the key independent document that offers an opinion on Internal Control and should be read alongside the AGS. If Internal Audit writes/presents the AGS it could be argued this compromises independence as it's a management statement. At SMBC we have a Risk Management/Governance Officer, that whilst based in Internal Audit, reports the AGS on management's behalf (through the Section 151 Officer).

### **Recommendations**

23. Recommendation 1 – Continue with the internal assessment process ensuring the Quality Assurance and Improvement Programme (QAIP) continues and is reported to senior management and Audit Committee.
24. Recommendation 2 - Explore the potential for a more sharing across both Sandwell Council and the City of Wolverhampton Council.
25. Recommendation 3 - Consider the suggestions in the 'Other Considerations' section of this report.

Steve Sparkes  
Head of Audit Services – Solihull MBC





No	PSIAS Ref	Issue	Required Action	Responsible Person	Target Date
1	EQA	Whilst Internal Audit performs a typically sound counter-fraud function as would be found at most local authorities, at SMBC we have invested in training some of our investigation team in being accredited financial investigators. This has been particularly useful in social housing and internal investigations where it has been necessary to look into bank accounts etc. This service could also be used to support other aspects of council operations, i.e. Trading Standards.	The possibility of training members of the investigation team to become accredited financial investigators will be explored.	Head of Audit	31 March 2019
2	EQA	The Audit Management system used is not being fully utilised (through choice) and whilst it was not relevant for this review against standards would probably attribute a cost to use. At SMBC we operated a similar system for which we used to pay an annual fee circa £20k. We replaced this with an in-house developed system (using excel) which provides better information at zero cost. We would be happy to demonstrate, share and support this (no charge).	Members of the Audit team will visit Solihull MBC for a demonstration, with a view to sharing this system.	Head of Audit	31 March 2019

No	PSIAS Ref	Issue	Required Action	Responsible Person	Target Date
3	EQA	It is recommended that the Annual Governance Process is reviewed to ensure that management complete this task rather than Internal Audit. The Annual Report on Internal Audit is the key independent document that offers an opinion on Internal Control and should be read alongside the AGS. If Internal Audit writes/presents the AGS it could be argued this compromises independence as it as a management statement. At SMBC we have a Risk Management/Governance Officer, that whilst based in Internal Audit, reports the AGS on management's behalf (through the Section 151 Officer).	This matter will be discussed with the Director of Finance and Director of Governance	Head of Audit	In advance of the preparation of the 2018-2019 AGS
4	EQA	Explore the potential for more sharing across both Sandwell Council and the City of Wolverhampton Council with regards to Internal Audit.	This will be explored	Head of Audit	31 March 2019
Actions arising from the self-assessment (CAE = Chief Audit Executive/Head of Audit)					
5	1110	Does the chief executive or equivalent undertake, countersign contribute feedback to or review the performance appraisal of the CAE?	Head of Audit to speak to Director of Finance on formalising this part of the appraisal process.	Head of Audit	Next appraisal
6	1110	Is feedback sought from the chair of the Audit Committee for the CAE's performance appraisal?	As above - Head of Audit to speak to Director of Finance on formalising this part of the appraisal process.	Head of Audit	Next appraisal
7	1210	Do internal auditors have sufficient knowledge of the appropriate computer assisted audit techniques that are available to them to perform their work, including data analysis techniques?	While there is limited use of IDEA, its use is to be reviewed and expanded.	Head of Audit Audit Business Partners	31 March 2019

No	PSIAS Ref	Issue	Required Action	Responsible Person	Target Date
8	1300	Has the CAE developed a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the internal audit activity and enables conformance with all aspects of the PSIAS to be evaluated?	QAIP to be further developed – the outcome of the EQA will provide a good start point.	Head of Audit	31 March 2019
9	2050	Consider how the CAE can share information and coordinate activities with other internal and external providers of assurance and consulting services?	Consider further development of this wherever possible.	Head of Audit	31 March 2019
10	2110	Has the internal audit activity evaluated the: a) Design b) Implementation, and c) Effectiveness of the organisation's ethics-related objectives, programmes and activities?	While ethics are implicit in each review, to carry out an Ethics Audit in 2019 – 2020	Head of Audit Audit Business Partners	2019 - 2020 Audit Plan
11	2110	Has the CAE considered the proportionality of the amount of work required to assess the ethics and information technology governance of the organisation when developing the risk based plan?	As above, alongside consideration of information technology governance.	Head of Audit	2019 - 2020 Audit Plan
12	2200	Does the engagement plan include the engagement's: a) Objectives b) Scope c) Timing d) Resource Allocations	To amend the Planning Brief to include details of Audit resources - i.e who will be doing audit, time allocated and who will be reviewing.	Audit Business Partners	31 December 2018
13	2200	Where an engagement plan has been drawn up for an audit to a party outside of the organisation, have the internal auditors established a written understanding with that party about the following: a) Objectives	Planning Briefs are issued for all audits undertaken. Currently planning briefs do not include items in (C). While such wording is included in all audit reports: <i>'This report should not</i>	Head of Audit Audit Business Partners	31 December 2018

No	PSIAS Ref	Issue	Required Action	Responsible Person	Target Date
		b) Scope c) The respective responsibilities and other expectations of the internal auditors and the outside party (including restrictions on distribution of the results of the engagement and access to engagement records)	<i>be disclosed to any third party, quoted or referred to without prior consent. Internal audit has undertaken this review subject to the limitations outlined below'</i> a similar reference will also be included in such Planning Briefs.		
14	2220	Where significant consulting opportunities have arisen during an assurance engagement, was a specific written understanding as to the objectives, scope, respective responsibilities and other expectations drawn up?	While the scope and objectives are agreed and are included in each report, more formal Planning Briefs will also now be completed where appropriate.	Audit Business Partners	31 December 2018
15	2330	Has the CAE developed and implemented retention requirements for all types of engagement records?	Following the introduction of GDPR this will be revisited to ensure that retention requirements are documented for all engagements.	Head of Audit Audit Business Partners	31 December 2018

<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Audit and Risk Committee</b> 10 December 2018
--	---

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

---

**Recommendation for noting:**

The Audit and Risk Committee is asked to note:

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

## **1.0 Purpose**

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

## **2.0 Background**

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

- Following the introduction of Agresso, the Council now publishes its own spend data, instead of using a third party.
- The data is available on the Council's internet site under Transparency and Accountability (payments to suppliers) and is updated monthly.
- In addition, to the spend to date, the site also includes spend for the financial years from 2011.
- Since last reported to the Audit and Risk Committee in September 2018, there has 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.  
[MH/28112018/K]

## **5.0 Legal implications**

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

## **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 Health and Wellbeing Implications**

10.1 There are no health and wellbeing implications arising from the recommendation in this report.

**11.0 Schedule of background papers**

11.1 None

This page is intentionally left blank

<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<h1>Audit and Risk Committee</h1> <p>10 December 2018</p>
--	---

<b>Report title</b>	CIPFA Audit Committee Update – Issue 26	
<b>Accountable director</b>	Claire Nye, Finance	
<b>Originating service</b>	Audit	
<b>Accountable employee(s)</b>	Peter Farrow Tel Email	Head of Audit 01902 554460 <a href="mailto:peter.farrow@wolverhampton.gov.uk">peter.farrow@wolverhampton.gov.uk</a>
<b>Report to be/has been considered by</b>	Not applicable	

---

**Recommendation for noting:**

The Audit and Risk Committee is asked to note:

1. The contents of the latest CIPFA Audit Committee Update, Issue 26 – CIPFA's Position Statement on Audit Committees in Local Authorities and Police, a briefing on topical issues and Audit Committee training.

## **1.0 Purpose**

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

## **2.0 Background**

- 2.1 The latest edition of these briefings includes CIPFA's Position Statement on Audit Committees in Local Authorities and Police, a briefing on topical issues and Audit Committee training.

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

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

## **4.0 Financial implications**

- 4.1 There are no financial implications arising from the recommendation in this report.  
[MH/28112018/E]

## **5.0 Legal implications**

- 5.1 There are no legal implications arising from the recommendation in this report.  
[TS/29112018/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 recommendation in this report.

## **10.0 Health and Wellbeing Implications**

10.1 There are no health and wellbeing implications arising from the recommendation in this report.

## **11.0 Schedule of background papers**

11.1 CIPFA Audit Committee Update – Issue 26

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

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank