

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 Alan Butt (Lab)

Vice-chair Cllr Jonathan Yardley (Con)

Labour

Cllr Mary Bateman

Cllr Philip Bateman MBE

Cllr Craig Collingswood

Cllr Roger Lawrence

Cllr Barbara McGarrity QN

Cllr Lynne Moran

Independent Members

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

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

Agenda

Part 1 – items open to the press and public

Item No. *Title*

MEETING BUSINESS ITEMS

- 1 **Apologies for absence**
- 2 **Declaration of interests**
- 3 **Minutes of previous meetings - 22 and 31 July 2019** (Pages 3 - 12)
[For approval]
- 4 **Matters arising**
[To consider any matters arising from the minutes]

DECISION ITEMS

- 5 **Annual External Audit Letter** (Pages 13 - 36)
[To receive the Annual External Audit Letter provided by Grant Thornton]
- 6 **Strategic Risk Register and Strategic Assurance Map** (Pages 37 - 68)
[To provide an update on the key risks the Council faces and how it can gain assurance that these risks are being mitigated]
- 7 **Annual Review - Internal Audit Charter** (Pages 69 - 76)
[To review and approve the Internal Audit Charter]
- 8 **Internal Audit Update - Quarter One** (Pages 77 - 86)
[To note the contents of the latest internal audit update as at the end of quarter one]
- 9 **Audit Services - Counter Fraud Update** (Pages 87 - 100)
[To note the contents of the latest Audit Services Counter Fraud update]
- 10 **Payment Transparency** (Pages 101 - 104)
[To receive an update on the Council's current position with regards to the publication of all its expenditure]
- 11 **CIPFA Audit Committee Update** (Pages 105 - 108)
[To note the contents of the latest CIPFA Audit Committee update]

CITY OF WOLVERHAMPTON COUNCIL	Audit and Risk Committee Minutes - 22 July 2019
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Attendance

Members of the Audit and Risk Committee

Cllr Alan Butt (Chair)
Cllr Jonathan Yardley (Vice-Chair)
Cllr Mary Bateman
Cllr Philip Bateman MBE
Cllr Barbara McGarrity QN
Cllr Lynne Moran
Mike Ager (Independent Member)

Employees

Ian Cotterill	Audit Business Partner
Kate Martin	Director of City Assets and Housing
Emma Bland	Finance Business Partner
Peter Farrow	Head of Audit
Dereck Francis	Democratic Services Officer
Claire Nye	Director of Finance
Mark Lowthian	Service Support Manager
Alison Shannon	Chief Accountant
Mark Wilkes	Audit Business Partner

External Auditors – Grant Thornton

Mark Stocks

Part 1 – items open to the press and public

Item No. *Title*

- 1 **Apologies for absence**
Apologies for absence were submitted on behalf of Councillors Craig Collingswood and Roger Lawrence and John Humphries, Independent Member.
- 2 **Declaration of interests**
No declarations of interests were made.
- 3 **Minutes of the previous meeting - 10 June 2019**
Resolved:
That the minutes of the previous meeting held on 10 June 2019 be approved as a correct record and signed by the Chair.

4 **Matters arising**

With reference to Minute 5 (External Audit Progress Report and Update), Councillor Jonathan Yardley asked whether the contract for the Second Phase of Construction of the Civic Halls had been executed and whether the 10% bond had been taken out. He also asked whether the information was available in response to his requests regarding, the value on the Second Phase of the Construction, and on exit packages and the detail behind the remuneration table referred to in the Statement of Accounts (Minute 6 - Draft Statement of Accounts 2018-2019 refers). Claire Nye, Director of Finance reported that she would confirm the position on the execution of the contract and the 10% bond. HR had indicated that a breakdown could be provided of the exit packages but not the individuals named. The detail behind the remuneration table had now been collated and together with the information in response to the other queries, would be forward to the Committee.

With reference to Minute 8 (Strategic Risk Register and Strategic Assurance Map), Councillor Philip Bateman MBE reported that he had received a response to his question on health and safety issues from the spraying of friendly weed killers in the city. He was satisfied with the response.

5 **Audited Statement of Accounts 2018-2019**

Mark Stocks from the Council's external auditors, Grant Thornton, took the Committee through the headlines and key findings from their report on the audit of the Council's Statement of Accounts for 2018-2019. He informed the Committee that the audit was substantially complete. A few adjustments had been made and unadjusted errors identified in the Statement of Accounts. The financial statements were of a good standard and he intended to issue an unqualified audit opinion. Regarding their Value for Money Conclusion on the Council's value for money arrangements, he informed the Committee that audit work on the Civic Halls was ongoing. As such they had not been able to conclude their work on the Council's Use of Resources. It was hoped that their work on the Civic Halls would be completed before the end of the month.

Councillor Philip Bateman MBE commented that the Committee needed to be mindful of the contents of the Auditors report and that local government was in for a difficult time. He also highlighted from the report the auditors comments about the Council's future savings plans and on the need for them to be delivered.

Mike Ager, Independent Member asked whether the Committee would receive a fuller report on the areas where the external auditors work was ongoing. Mark Stocks reported that if minor amendments are made to the Statement of Accounts, he would ask that the Chair of the Committee take delegated action to approve the amended accounts. In terms of the ongoing work on the Civic Halls, he would report on that at the end of the discussion on his report. Claire Nye, Director of Finance added that the final report on the Audit of the Council's Statement of Accounts would be submitted to the Committee during autumn as a matter of course.

Councillor Philip Bateman MBE asked whether the auditor was satisfied with the Council's progress on the implementation of the Strategic Asset Management arrangements. Mark Stocks reported that he had presented his concerns to the Committee in previous updates on their audit work. Now that the Council had arrangements in place for managing and utilising its assets effectively to support delivery of strategic priorities, he would like to see them implemented. Now that

plans are in place, he no longer saw the issue as a risk. He was comfortable with the arrangements and would keep an eye on progress. The Director of Finance informed the Committee that the 'Our Council Scrutiny Panel' would be scrutinising the overall management of the Council's strategic assets.

Resolved:

1. That the formal publication of the 2018-2019 Statement of Accounts, as required by the Accounts and Audit Regulations 2015, which require publication by 31 July 2019 be approved.
2. That the draft Management Representation letter which would be signed by the Director of Finance on behalf of the Council be approved.
3. That authority be delegated to the Chair of the Audit and Risk Committee to agree subsequent changes to the Statement of Accounts and Management Representation letter in consultation with the Director of Finance, should there be any audit adjustments.
4. That the 2018-2019 report to those charged with governance from the Council's External Auditors, Grant Thornton be noted.
5. That it be noted that the Council's external auditors intend to issue an unqualified opinion on the Statement of Accounts 2018-2019, subject to the outcomes of remaining elements of audit work.
6. That it be noted that the external auditors have identified no material errors which are expected to remain unadjusted in the amended Statement of Accounts.

6 **Tenancy Management Organisations - Audit Review Update**

Kate Martin, Director of City Assets and Housing gave a brief explanation as to why she had requested Internal Audit undertake reviews of the Council's four Tenant Management Organisations (TMOs) in 2018-2019. Mark Lowthian, Service Support Manager went on to present the progress report on the implementation of the recommendations arising from the reviews. Across the four audit reports there were a total of 111 recommendations. 103 (93%) had been signed off as implemented by the Housing Strategy team.

Members of the Committee observed that the number of recommendations was high but thorough. They asked about the plans for the outstanding eight recommendations. The Service Support Manager reported that the four comprehensive audits were a measured response. It drew out a number of themes that all four TMOs needed more support on. Some of the issues would require significant areas of work such as equalities, health and safety and governance. The Director of City Assets and Housing added that some of the audit recommendations were short and were able to be closed down relatively quickly. The key items from the reviews had been closed down. Others formed part of a long term improvement plan. Those changes would take longer to embed and resources to enable their successful delivery. The Service Support Manager also reported that in terms of lessons learned from the internal audit process, it was felt that the level of assurance was now higher than it was a year ago. In future, a more targeted mini audit approach would be followed rather than the full audit approach undertaken.

Councillor Philip Bateman MBE asked about the benchmarking used to judge the TMOs effectiveness compared to others. The Director of City Assets and Housing reported that there were a number of approaches being taken but the TMOs did need to benchmark more and this would be progressed. Key performance indicators for the TMOs that are reported to the Cabinet (Performance Management) Panel on a quarterly basis had recently been reviewed. National rigour would also be introduced on local authority housing business against which the TMOs would performance manage and respond.

Councillor Barbara's McGarrity QN asked whether the TMOs held joint training events. The Service Support Manager confirmed that they came together when there was value to be gained from joint meetings and when it was cost effective to do so. This included training events or management agreement meetings where there were shared issues under discussion.

Resolved:

That the update on the implementation of the recommendations arising from the recent internal audit reviews of the Council's Tenancy Management Organisations be noted.

7 **Exclusion of the press and public**

Resolved:

That in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business as it involves the likely disclosure of exempt information falling within the paragraph 1 of Schedule 12A of the Act.

Part 2 - exempt items, closed to press and public

8 **Audited Statement of Accounts 2018-2019**

Mark Stocks from the Council's external auditors Grant Thornton presented a report on two issues that they investigated during the course of work against their Audit Plan. One issue related to a complaint, part of which was whistleblowing in nature. The second issue related to the governance and sign off of a severance package.

Members of the Committee were concerned that the Council's Contract Procedure Rules had not been followed in full in relation to the first issue.

In response to questions Claire Nye, Director of Finance confirmed that the recommendations from an Internal Audit review would be monitored to make sure they are implemented. The recommendation from the external auditor on the second issue relating to procedures for approving senior manager severance packages, would also be followed up.

Returning to the Civic Halls, Mark Stocks reported that their audit work was nearly complete. He asked the Committee if it wished to receive the report with their findings at the September 2019 meeting of the Committee or to call a special meeting before the end of July 2019. The Chair indicated that he would be happy if the Committee met on 31 July. The Committee were in agreement.

Resolved:

1. That the Audit Findings Report provided by Grant Thornton be noted'.

2. That a Special Meeting of the Committee be arranged for 31 July 2019 at 10 am to receive an update from the external auditors on their Value for Money Arrangements Conclusions following completion of their audit work on the Civic Halls.

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Attendance

Members of the Audit and Risk Committee

Cllr Alan Butt (Chair)
Cllr Jonathan Yardley (Vice-Chair)
Cllr Mary Bateman
Cllr Philip Bateman MBE
Cllr Roger Lawrence
Cllr Barbara McGarrity QN
Cllr Lynne Moran

Employees

Emma Bland	Finance Business Partner
Ian Cotterill	Audit Business Partner
Dereck Francis	Democratic Services Officer
Claire Nye	Director of Finance
Alison Shannon	Chief Accountant

External Auditors – Grant Thornton
Mark Stocks

Part 1 – items open to the press and public

Item No. *Title*

- 1 Apologies for absence**
Apologies for absence were submitted on behalf of Councillor Craig Collingswood and Mike Ager and John Humphries (Independent Members).
- 2 Declaration of interests**
No declarations of interest were made
- 3 Audited Statement of Accounts 2018-2019**
Mark Stocks from the Council's external auditors Grant Thornton presented the update report on their audit of the Council's Statement of Accounts for 2018- 2019. He reported on extra items/ unadjusted errors that had been identified since the last meeting on 22 July 2019. The anticipated 'unqualified opinion' on the accounts that he reported on 22 July would be unmodified. Mark Stocks also informed the Committee that their risk based review of the Council's value for money arrangements with regard to its Medium Term Financial Resilience and Strategic Assets was now complete. There were no issues to report on this matter. Their audit work in relation to the Civic Halls refurbishment was also complete and due to

the findings, he proposed to issue an 'exempt for qualification' opinion. He took the Committee through the details of the Value for Money work and the conclusions on their Civic Halls refurbishment audit work.

The Chair said that it was important to note that the Civic Halls refurbishment programme had changed substantially from the original project and that the current scheme was a complete refurbishment. That went some way to explain why the costs had increased.

Councillor Jonathan Yardley queried the increased costs for the removal of asbestos, the reduction to the budget for project management of the scheme, when the decision was made to change the scope of the scheme, and why the contract for the refurbishment work had not been stopped instead of rolling it on. The external auditor reported that he had probed the Council on the issue of asbestos. When the original project commenced a preliminary budget had been set. As the Council got further into the scheme and surveys were undertaken, it became clear that the budget had to be increased and new specialists brought in. A decision was then made to take out all of the asbestos from the Civic Halls buildings. The end costs were therefore always going to be at the amount now identified. Regarding the change of the project into the major scheme it is now, the decision was made in December 2017. The Council had reflected on legislation and advice from its advisors. In hindsight maintaining more project management might have helped but he could not fault the Council for taking advice.

Ian Cotterill, Audit Business Partner informed the Committee that from the outset of the project a strategic construction partner and a project manager were in place to oversee the project.

Councillor Roger Lawrence agreed with the external auditors finding that the Civic Halls project was now significantly different to the original scheme. He said that with hindsight there were errors that the Council would need to learn from. The original scheme was a smaller refurbishment project. Until you get into the detail of the scheme the weaknesses are not known. In his view the Council had been let down on a number of occasions. In October 2017 it was clear that there was a significant problem and there were a number of decisions to be made. The options were considered and in the end, it was decided to undertake all the refurbishment work in one go. It was the right decision and that approach should have been taken from day one. Keeping the building open for a few months in the year was in hindsight a mistake. However, a plus had been the emergence of Aldersley Leisure Village as an entertainments venue. The external auditor's report on the project was a helpful endorsement of the Council's Internal Audit Lessons Learned report presented to Committee in July 2018. He hoped that there would be changes in practices around management of significant projects and he noted that this was already occurring, with strong project management arrangements in place for the i9 and i10 developments.

Councillor Lynne Moran asked for more information on the non-compliance with the Council's Contract Procedure Rules regarding the engagement of externally provided project management services. The Audit Business Partner reported that a project manager was appointed. A subsequent health check on the project management identified that they had not been procured in accordance with the Council's Procurement rules. This issue had now been addressed.

Councillor Philip Bateman MBE said that the auditors report was hard hitting, forensic and fair. It identified the weaknesses and made bold comments to the Council. The work was all about making sure that the Council does not find itself in that position again. He suggested that the Council look at all the areas of weakness identified by the auditor and that the Council should pursue those companies/contractors who had failed the Council. Claire Nye, Director of Finance agreed to follow up on the points. She also reported that the issues identified in the external auditors report were flagged up in the Lessons Learned report and Action Plan that the Committee had previously considered. Progress on the action plan had also been reviewed by the Committee and the other issues identified by the external auditor would be followed up.

Councillor Jonathan Yardley commented that strong programme management was required at the outset of any major project. He referred to the comment in the external auditors report about the cross party meetings. And said in his view the meetings were not cross party. He also asked about the due diligence work the Council had undertaken on Shaylors; the findings from the analysis of their Statement of Accounts; and the external auditors views on the governance arrangements of a Cabinet Member chairing the member reference group overseeing a project the Cabinet Member had leading responsibility for. In response to the latter point, Mark Stocks reported that it was not inappropriate governance. The Member Reference Group was as strong as a Committee. Governance was about having the right people around the table to respond and who would provide balance in terms of people who could challenge.

Responding to the question on the due diligence work, the Director of Finance reported that information on the due diligence work undertaken was given the external auditor and his team. It included credit checks, a letter from Shaylors' solicitor and a letter from Shaylors, as well as market intelligence. All the information suggested there were no flags for concern. The Company's Statement of Accounts had also been signed off by their external auditors saying that the company was solvent. Mark Stocks confirmed that he had seen all the documentation. The Company's Financial Statement had been signed off in March 2019 and it was reasonable to expect that the external auditors opinion on the Company would cover a calendar year. That information combined with the other due diligence work should have been sufficient. It was not unreasonable what the Council did and he did not know what else he would have suggested.

Councillor Roger Lawrence requested that a note be circulated to the Committee about the legal advice sought prior to extending the contract for the Civic Halls refurbishment with Shaylors, and to confirm that following the extension of the contract the work never commenced and no payments were made under the extended contract. The Director of Finance confirmed that work on the second phase of construction had not commenced and no payments had been made for that phase of the works. She undertook to confirm the position on the legal issue.

The Chair reported that he would like to see the Council obtain independent external references on contractors other than the referees offered by contractors.

Councillor Jonathan Yardley said that it was his understanding that the completion date for the Civic Halls refurbishment programme was being preserved. With no work currently taking place on the buildings he queried how this would be possible. He asked that this issue be checked with the programme schedule. The Director of Finance undertook to follow up on the question.

Resolved:

1. That the formal publication of the 2018-2019 Statement of Accounts, as required by the Accounts and Audit Regulations 2015, which require publication by 31 July 2019 be approved.
2. That the draft Management Representation letter which would be signed by the Director of Finance on behalf of the Council be approved.
3. That authority be delegated to the Chair of the Audit Committee to agree subsequent changes to the Statement of Accounts and Management Representation letter in consultation with the Director of Finance, should there be any audit adjustments.
4. That the 2018-2019 report to those charged with governance from the Council's External Auditors, Grant Thornton be noted.

Audit and Risk Committee

16 September 2019

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

Recommendations for noting:

The Committee is asked to note:

1. The Annual Audit Letter provided by Grant Thornton.

1.0 Purpose

- 1.1 To update the Audit and Risk Committee on the key findings arising from the work carried out at the Council, its subsidiaries (the group) and the West Midlands Pension Fund for the year ended 31 March 2019.

2.0 Background

- 2.1 Annually Grant Thornton provide a commentary on the results of their work to the Council and external stakeholders, and to highlight issues that they wish to draw to the attention of the public. A copy of the Annual Audit Letter is attached at Appendix A.

3.0 Financial Implications

- 3.1 The audit of the accounts and the Value for Money conclusion by the external auditors, are important elements of the accountability and transparency of the Council's finances.
[EB/04092019/M]

4.0 Legal implications

- 4.1 The Secretary of State makes the Accounts and Audit Regulations in exercise of powers conferred by the Local Audit and Accountability Act 2014. The Accounts and Audit Regulations 2015 require the 2019-2020 Statement of Accounts be produced in accordance with proper practice.
- 4.2 This is exemplified by the Code of Practice on Local Authority Accounting which is published by CIPFA. These regulations also require that the accounts are approved by 31 May 2019 and published by 31 July 2019.
[TC/04092019/K]

5.0 Equalities implications

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

6.0 Climate change and environmental implications

- 6.1 There are no climate change 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 There are no relevant preceding reports.

11.0 Appendices

11.1 Appendix 1 – Annual Audit Letter from Grant Thornton

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The Annual Audit Letter for City of Wolverhampton Council

Year ended 31 March 2019
27 August 2019



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Your key Grant Thornton
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Section

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2. Audit of the Financial Statements
3. Value for Money conclusion

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Appendices

- A Reports issued and fees

Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at City of Wolverhampton Council (the Council) and the group for the year ended 31 March 2019.

This Letter is intended to provide a commentary on the results of our work to the Council and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Council's Audit Committee as those charged with governance in our Audit Findings Report on 31 July 2019.

Our work

Materiality We determined materiality for the audit of the Council's financial statements to be £16m, which is 1.9% of the Council's gross operating expenditure. Materiality for the Pension Fund was £110m (0.75% of the Fund's net assets).

Financial Statements opinion We gave an unqualified opinion on the Council's and Pension Fund's financial statements on 31 July 2019.

Whole of Government Accounts (WGA) We are in the process of completing our work on the Council's consolidation return following guidance issued by the NAO.

Use of statutory powers We did not identify any matters which required us to exercise our additional statutory powers.

Value for Money arrangements We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources except for the deficiencies we identified in respect of the Civic Halls Refurbishment. We therefore qualified our value for money conclusion in our audit report to the Council on 31 July 2019.

Certification of Grants We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions, Housing Capital receipts grant and the Certification of Teachers Pension Returns. Our work on these claims is not yet complete and will be finalised by 30 November 2019. We will report the results of this work to the Audit and Risk Committee separately.

Certificate We are unable to certify that we have completed the audit of the accounts of City of Wolverhampton Council as we are required to give an opinion on the consistency of the pension fund financial statements of the Authority included in the Pension Fund Annual Report with the pension fund financial statements included in the Statement of Accounts. We anticipate the Pension Fund Annual Report being available in September (ahead of the 1 December deadline) and therefore at the time of this report we have yet to issue our report on the consistency of the pension fund financial statements. Until we have done so, we are unable to certify that we have completed the audit of the financial statements.

Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council and group's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council and group's financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

Executive Summary

Working with the Council

During the year we have delivered a number of successful outcomes with you:

- An efficient audit – we delivered an efficient audit with you in July, delivering the financial statements by the deadline, releasing your finance team for other work.
- Understanding your operational health – through the value for money conclusion we provided you with assurance on your operational effectiveness.
- Sharing our insight – we provided regular audit committee updates covering best practice.
- Providing training – we provided your teams with training on financial statements and annual reporting

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP
August 2019

Audit of the Financial Statements

Our audit approach

Materiality

In our audit of the Council's financial statements (including the pension fund), we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

Authority materiality

We determined materiality for the audit of the group financial statements to be £16.040m, which is 1.9% of the group's gross operating expenditure. We determined materiality for the audit of the Council's financial statements to be £10m, which is 1.9% of the Council's gross operating expenditure. We used this benchmark as, in our view, users of the group and Council's financial statements are most interested in where the group and Council has spent its revenue in the year.

We also set a lower level of specific materiality for senior officer remuneration. We set a lower threshold of £35,000, above which we reported errors to the Audit Committee in our Audit Findings Report.

Pension fund materiality

For the audit of the West Midlands Pension Fund accounts, we determined materiality to be £110m, which is 0.75% of the Fund's net assets. We used this benchmark, as in our view, users of the Pension Fund accounts are most interested in the value of assets available to fund pension benefits. We considered the need to set lower levels of materiality for sensitive balances, transactions or disclosure in the accounts, and determined not to set any lower levels.

The scope of our audit

Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the remainder of the financial statements and the narrative report, Annual Governance Statement to check it is consistent with our understanding of the Council and with the financial statements on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the Financial Statements

Authority Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>The revenue cycle includes fraudulent transactions (rebutted)</p> <p>Under ISA (UK) 240 – <i>the Auditor's Responsibility to Consider Fraud in an Audit of Financial Statements</i> - 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>As part of our audit work, we considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority. We have determined as part of our planning procedures that the risk of fraud arising from revenue recognition can be rebutted.</p>	<p>We have not altered our assessment as reported in the audit plan and therefore have no issues to report in this regard.</p>
<p>Management override of controls</p> <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.</p> <p>The Group 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 one of the most significant assessed risks of material misstatement for both the Group and Authority.</p>	<p>As part of our audit work, we:</p> <ul style="list-style-type: none"> • Gained an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness • Obtained a full listing of journal entries, identify and tested unusual journal entries for appropriateness • evaluated the rationale for any changes in accounting policies or significant unusual transactions. 	<p>We identified from our review of the journal control environment that both the Chief Accountant and the Director of Finance have the ability to post journals. In our opinion these posting rights are incompatible with the duties of these posts. This does not constitute best practice and as such we engineered our testing to obtain an appropriate level of assurance that this weakness did not give rise to a possible material misstatement.</p> <p>From the testing performed we are content that journals posted are appropriate, eligible and valid, and can be agreed to supporting evidence.</p> <p>The Council has now amended the access of these roles to the system, such that they are no longer able to raise and post journals.</p>

Audit of the Financial Statements

Authority Significant Audit Risks - continued

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of land and buildings The Authority revalues all assets over £1m annually, 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 to ensure that carrying value is not materially different from the current value at the financial statements date.</p>	<p>We have:</p> <ul style="list-style-type: none"> documented and evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work evaluated the competence, capabilities and objectivity of the valuation expert written to the valuer, with follow up discussions as necessary, to confirm the basis on which the valuations were carried out challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding 	<p>In our review of assets not valued and assets revalued before the year end we have identified a potential understatement of £12.2m.</p>
<p>Valuation of the pension fund net liability</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved 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 have:</p> <ul style="list-style-type: none"> documented 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; evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; tested 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; and, undertaken 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. 	<p>During the course of the audit, the Council has sought a revised report from the actuary in order to account for the impact of the recent "McCloud" judgement. This was provided in July and the accounts updated accordingly. The net pension liability on the balance sheet has therefore moved from £568m to £581m. We are satisfied that these adjustments have been reflected in the revised financial statements.</p>

Audit of the Financial Statements

Pension Fund Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>The revenue cycle includes fraudulent transactions (rebutted)</p> <p>Under ISA (UK) 240 – <i>the Auditor’s Responsibility to Consider Fraud in an Audit of Financial Statements</i> - there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>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 Pension Fund, we have determined with the exception of income from contributions (see overleaf) that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited and • the culture and ethical frameworks of local authorities, including the City of Wolverhampton Council as the administering body, mean that all forms of fraud are seen as unacceptable. 	<p>We have not altered our assessment as reported in the audit plan and therefore have no issues to report in this regard.</p> <p>We have not altered our assessment as reported in the audit plan and, whilst not a significant risk, as part of our audit work we did undertake work on material revenue items. Our work did not identify any matters that would indicate our rebuttal was incorrect. We therefore have no issues to report in this regard.</p>
<p>Management override of controls</p> <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.</p>	<p>As part of our audit work, we:</p> <ul style="list-style-type: none"> • gained an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness • obtained a full listing of journal entries, identify and tested unusual journal entries for appropriateness • evaluated the rationale for any changes in accounting policies or significant unusual transactions • evaluated the design effectiveness of management controls over journals 	<p>From the testing performed we are content that journals posted are appropriate, eligible and valid, and can be agreed to supporting evidence.</p>

Audit of the Financial Statements

Pension Fund Significant Audit Risks - continued

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Level 3 Investments Valuation is incorrect</p> <p>The Fund revalues its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date.</p> <p>Under ISA (UK) 315 - <i>Identifying and Assessing the risks of Material Misstatement through Understanding the Entity and its Environment</i>, significant risks often relate to significant non-routine transactions and judgemental matters.</p> <p>Due to the lack of observable inputs Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end..</p> <p>These valuations therefore represent 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>We identified the valuation of level 3 investments as a risk requiring special audit consideration.</p>	<p>We have:</p> <ul style="list-style-type: none"> gained an understanding of the Fund's process for valuing level 3 investments and evaluated the design of any associated controls. We then tested the operating effectiveness of your controls to value level 3 investments (non direct property) reviewed the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met for a sample of investments, tested the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciled those values to the values at 31 March 2019 with reference to known movements in the intervening period we evaluated in more detail the arrangements the Fund has for assessing the competence and capabilities and objectivity of the fund managers as valuers, monitoring the valuations which they produce and assessing their overall governance and compliance. for direct property investments we undertook procedures to be satisfied that the Fund has appropriate arrangements to ensure valuers have been provided with a complete list of assets and agree values in total to the valuer's report and also review title deeds or land registry documents for ownership. We evaluated the competence, capabilities and objectivity of the property valuation expert and review instructions provided by management to valuers and their understanding of assumptions used. 	<p>Our work has not identified any significant issues in valuation of level 3 investments.</p>

Audit of the Financial Statements

Pension Fund Significant Audit Risks - continued

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Income from normal and deficit contributions</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>Normal contributions from employers and employees' represents a significant percentage of the Fund's revenue.</p> <p>Deficit contributions from a number of large scheme employers have been prepaid.</p> <p>In 2017/18 material adjustments were required to these entries and reported as a key audit matter. For West Midlands Pension Fund, we have therefore concluded that the greatest risk of material misstatement relates to contributions income.</p> <p>We have therefore identified the classification and accuracy of normal and deficit contribution income as one of the most significant assessed risks of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> evaluated the Fund's accounting policy for recognition of income from normal and deficit contributions for appropriateness; gained an understanding of the Fund's system for accounting for income from contributions and evaluated the design of the associated controls; agreed, on a sample basis, amounts recognised as income from normal and deficit contributions in the financial statements to source data; and rationalised contributions received with reference to changes in member body payrolls and number of contributing members to ensure that any unusual trends were satisfactorily explained 	<p>We did not identify any significant issues in income from normal and deficit contributions. We refer on page 17 to additional audit input required to complete this work.</p>

Audit of the Financial Statements

Audit opinion

We gave an unqualified opinion on the Council's financial statements on 31 July 2019.

Preparation of the financial statements

The Council presented us with draft financial statements in accordance with the national deadline and provided a good set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit.

Issues arising from the audit of the financial statements

We reported the key issues from our audit to the Council's Audit and Risk Committee on 22 July 2019 and at the Extraordinary Audit and Risk Committee on 31 July 2019.

In addition to the key audit risks reported above, we identified the following issues/adjustments throughout our audit:

- The Council amended its date of valuation from 31 March to 1 April, meaning that both valuers have provided their valuations as at 1 April 2018. We therefore undertook significant additional work to satisfy ourselves that the carrying value as at 31 March 2019 was not materially misstated. From this we identified a potential understatement of fixed asset balances of £12.2m in assets as at 31 March 2019. This was not adjusted for on the grounds of materiality.
- An understatement of pension liabilities by approximately £1.7m in relation to the Guaranteed Minimum Pension ruling. This was not adjusted for on the grounds of materiality.
- An understatement of borrowing in relation to PFI schemes of approximately £2.2m. This was not adjusted for on the grounds of materiality.
- An understatement of expenditure of £2.4m as a result of payments made in the new financial year that should have been accrued for in 2018/19 but which were not. This was not adjusted for on the grounds of materiality.

- We identified 2 adjustments to the financial statements that have resulted in a £13.4m adjustment to the Council's Comprehensive Income and Expenditure Statement and a £15.6m adjustment to the Group's Comprehensive Income and Expenditure statement. This related to additional pension liabilities following the McCloud Appeal judgement in July 2019. This increased the pension liabilities of the Council and one of its subsidiary companies, Wolverhampton Homes Limited.
- Investment Properties are valued by the Council as at 1 April 2018 rather than the financial statement date. We have applied indices to the valuation performed as at 1 April 2018 to assess whether the Investment Property valuations in the financial statements are correct. The indices indicate a range of movement between 1 April 2018 and 31 March 2019 from -3% to 1.5%, which equates to a valuation difference of between -£1m to £0.5m misstated. We note that one asset does not appear to have been valued since 2015. The maximum impact is an undervaluation of circa 20% or £180k. These potential differences are not material and we therefore did not report them as unadjusted errors but recommended that the Council value its investment properties as at the balance sheet date.

Annual Governance Statement and Narrative Report

We are required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website in the Statement of Accounts in line with the national deadlines.

Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with the financial statements prepared by the Council and with our knowledge of the Council.

Whole of Government Accounts (WGA)

We are in the process of carrying out work on the Council's Data Collection Tool in line with instructions provided by the NAO. Upon completion of this work we will issue an assurance statement to the group auditor.

Audit of the Financial Statements

Pension fund accounts

We gave an unqualified opinion on the pension fund accounts of West Midlands Pension Fund on 31 July 2019.

Issues arising from the audit of the pension fund accounts

The Fund received an updated statement from the actuary which accounts for the impact of the McCloud ruling and this has been included in the updated final set of accounts. The actuary's estimate was of a possible increase in the pension liability at 31 March 2019 from £22.4bn to £22.6bn.

We reviewed the analysis performed by the actuary, and consider that the approach that has been taken to arrive at this estimate is reasonable.

We are satisfied that readers of the accounts have been provided with the information they need to understand the position within the disclosure notes, (i.e. the IAS19 estimate excluding McCloud and the explanatory note setting out the maximum potential impact of McCloud). As such we are satisfied there is no unadjusted misstatement in the financial statements.

There were no unadjusted or adjusted misstatements reported to those charged with governance.

Certificate of closure of the audit

We are also required to certify that we have completed the audit of the accounts of City of Wolverhampton Council in accordance with the requirements of the Code of Audit Practice.

We are unable to certify that we have completed the audit of the accounts of City of Wolverhampton Council as we are required to give an opinion on the consistency of the pension fund financial statements of the Authority included in the Pension Fund Annual Report with the pension fund financial statements included in the Statement of Accounts. We anticipate the Pension Fund Annual Report being available in September (ahead of the 1 December deadline) and therefore at the time of this report we have yet to issue our report on the consistency of the pension fund financial statements. Until we have done so, we are unable to certify that we have completed the audit of the financial statements.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in November 2017 which specified the 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.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the risks where we concentrated our work.

The risks we identified and the work we performed are set out overleaf.

Overall Value for Money conclusion

We are satisfied that, in all significant respects, except for the matter we identified overleaf, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2019.

Value for Money conclusion

Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Medium Term Financial Resilience 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.</p>	<p>As part of our work we have: We have reviewed the Council's Medium Term Financial Strategy and financial monitoring reports and assessed the assumptions used.</p>	<p>On the basis of the work performed we have concluded that the risk was sufficiently mitigated and we are therefore satisfied that the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.</p>
<p>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.</p>	<p>We reported last year that while we thought arrangements were adequate, the speed of implementation was slow. We have revisited the Council's progress against this for 2018/19 through discussion with officers and review of relevant documents.</p>	<p>On that basis of the work undertaken by the Council during 2018/19 and our findings above, we are satisfied that the Council has proper arrangements in place for managing and utilising assets effectively to support the delivery of strategic priorities in this respect.</p>
<p>Civic Halls Refurbishment Findings As part of our VFM conclusion for 2017/18 we noted that the Council 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.</p>	<p>We have continued our work on the Civic Halls into 2018/19.</p>	<p>On this basis of the findings detailed within the Audit Findings Report, we have concluded that the management arrangement for the Civic Halls were not adequate and that therefore a qualified "except for" value for money conclusion will be given.</p>

A. Reports issued and fees

We confirm below our final reports issued and fees charged for the audit and provision of non-audit services.

Reports issued

Report	Date issued
Audit Plan	10 December 2018
Audit Findings Report	31 July 2019
Annual Audit Letter	August 2019

Fees

Page	Planned £	Actual fees £	2017/18 fees £
101			
Statutory audit	145,860	158,360	189,428
Audit of pension fund	37,438	52,012	61,618
Audit of subsidiary company Wolverhampton Homes Limited (1)	27,000	27,000	27,000
Audit of subsidiary company City of Wolverhampton Housing Company Limited, (trading as WV Living) * (1)	20,000	TBC	12,000
Audit of subsidiary company - Yoo Recruit Limited	13,500	TBC	15,000
Total fees	206,360	185,360	

Audit fee variation

As outlined in our audit plans, the 2018-19 scale fees published by PSAA assume that the scope of the audit does not significantly change. There are a number of areas where the scope of the audit has changed, which has led to additional work in both the audit of the Authority as well as the pension fund.

These are set out in the tables overleaf.

A. Reports issued and fees - Authority

We confirm below our final reports issued and fees charged for the audit and provision of non-audit services.

Audit fee variation

As outlined in our audit plan, the 2018-19 scale fee published by PSAA of £145,860 assumes that the scope of the audit does not significantly change. There are a number of areas where the scope of the audit has changed, which has led to additional work. These are set out in the following table.

Area	Reason	Fee proposed
Assessing the impact of the McCloud ruling	The Government's transitional arrangements for pensions were ruled discriminatory by the Court of Appeal last December. The Supreme Court refused the Government's application for permission to appeal this ruling. As part of our audit we have reviewed the revised actuarial assessment of the impact on the financial statements along with any audit reporting requirements.	£3,000
Pensions – IAS 19	The Financial Reporting Council has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across local government audits. Accordingly, we have increased the level of scope and coverage in respect of IAS 19 this year to reflect this.	£2,000
PPE Valuation – work of experts	As above, the Financial Reporting Council has highlighted that auditors need to improve the quality of work on PPE valuations across the sector. We have increased the volume and scope of our audit work to reflect this.	£2,000
VFM – Civic Hall	We undertook additional work to assess the Council's arrangements with regard to the Civic Hall.	£3,000
Governance	We undertook additional work in relation to laws and regulations.	£2,500
Total Additional fees for Authority		£12,500

These fee variations are subject to PSAA approval.

A. Reports issued and fees – Pension Fund

We confirm below our final reports issued and fees charged for the audit and provision of non-audit services.

Audit fee variation

As outlined in our audit plan, the 2018-19 scale fee published by PSAA of £37,438 assumes that the scope of the audit does not significantly change. There are a number of areas where the scope of the audit has changed, which has led to additional work. These are set out in the following table.

Area	Reason	Fee proposed
Additional work on contributions. <div style="writing-mode: vertical-rl; transform: rotate(180deg); position: absolute; left: -40px; top: 50%; font-weight: bold;">Page 33</div>	<p>The Fund has devoted significant resources to addressing the issues reported in the previous year. In 2018/19 controls were strengthened to ensure that employers can only make one submission per period, all contributions submissions are captured and also quarterly employer statements are being requested which can be reconciled to submissions on a more timely basis. There were however some remaining issues.</p> <p>Due to the volume of transactions and new processes still in implementation, there were challenges reconciling the cash position to the pension fund accounts. This meant that we were required to perform additional audit procedures to gauge the reasonableness of the information provided and spend time reconciling our interim and closing populations at the final accounts stage.</p> <p>As a result of this further investigations were needed to understand and test the new environment, and we have had to undertake additional audit work.</p>	£6,574
Pensions – IAS 19 letters	In addition to the audit of the main financial statements, we are also responsible for the audit of the Pension Fund. In that capacity, we have been contacted by the auditors of other local authorities who are employer bodies of the pension scheme to provide assurance in terms of our work on the Pension Fund audit. Both PSAA, in the Terms of Appointment, and the National Audit Office, in its Auditor Guidance Notes, expects that auditors will cooperate with other local government auditors and therefore we are required to respond. Our estimate is that the fee for this will be £3,000 plus an additional £500 for each of the ten local government bodies which requested a letter of assurance.	£8,000
Total Additional fees for Pension Fund		£14,574

These fee variations are subject to PSAA approval.

A. Reports issued and fees continued

We confirm below our final reports issued and fees charged for the audit and provision of non-audit services.

Fees for non-audit services

Service	Fees £
Audit related services	
• Housing capital receipts	TBC
• Housing Benefit Subsidy Claim	16,000
• Teachers Pension Return	4,500
Non-Audit related services	2,500
• Final bill for Telecoms project for work undertaken in previous years, as reported in our 2015-16 Audit Findings Report. This is included in 2017/18 statements.	

Non- audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table above summarises all non-audit services which were identified.
- We have considered whether non-audit services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards are put in place.

The above non-audit services are consistent with the Council's policy on the allotment of non-audit work to your auditor.



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CITY OF WOLVERHAMPTON COUNCIL	<h1>Audit and Risk Committee</h1> <p>16 September 2019</p>
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Report title	Strategic Risk Register and Strategic Assurance Map	
Accountable director	Claire Nye, Finance	
Originating service	Audit	
Accountable employee(s)	Peter Farrow	Head of Audit
	Tel	01902 550417
	Email	Peter.Farrow@wolverhampton.gov.uk
Report to be/has been considered by	Strategic Executive Board	27 August 2019

Recommendations for noting:

The Committee is asked to note:

1. The latest summary of the Council's strategic risk register as at Appendix 1.
2. The increase in the scores for the following risks:
 - Risk 7 – Safeguarding, a temporary increase whilst changes to the Council's Multi-Agency Safeguarding arrangements are implemented.
 - Risk 30 – Civic Halls, in light of the Civic Hall's construction contractor going into administration.
3. That risk 35 – Brexit has been incorporated into risk 8 – Business Continuity Management which has been renamed Business Continuity Management, Including Brexit Implications. This risk has been increased from amber to red and will be continually monitored alongside the ongoing political situation.
4. Changes to the target date for a reduction in the scores of the following risks:
 - Risk 29 – Fire Safety – Public Buildings
 - Risk 24 – Maximising Benefits from the West Midlands Combined Authority.
5. 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 June 2019. 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 detailed summary of the strategic risk register is included at Appendix 1 of this report which sets out the status of the risks as at August 2019. 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 The key risks at the time of this report and their underlying direction of travel is as follows:

Medium Term Financial Strategy	16	↔
Business Continuity Management (including Brexit implications)	16	↑
Civic Halls	16	↑
City Centre Regeneration	12	↔
Emergency Planning	12	↔
Skills for Work and Inclusive Growth	10	↔
Safeguarding	10	↑
Cyber Security	12	↔
Compliance with National Building Safety Programme	10	↔
Fire Safety – Public Buildings	10	↔
Parent Company Assurance TMOs	12	↔
Information Governance	8	↔
Maximising Benefits from the Combined Authority	6	↔
Payment Card Industry Data Security Standard	4	↔
Health and Safety	8	↔
Waste Management Services	4	↔
Governance of Major Capital Projects and Programmes	8	↔

2.6 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 independent challenge to the levels of assurance provided by business operations and oversight functions

3.0 Progress, options, discussion

3.1 The strategic risk register will be updated as required and presented at approximately quarterly intervals to the Committee.

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/20082019/Q]

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/20082019/R]

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 Climate change and environmental implications

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

8.0 Human resources implications

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

9.0 Corporate landlord implications

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

10.0 Health and Wellbeing implications

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

11.0 Schedule of background papers - None

11.1 None

12.0 Appendices

12.1 Appendix 1 – Strategic Risk Register

12.1 Appendix 2 – Assurance Map

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Appendix 1 – Strategic Risk Register

August 2019



- 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 (May 2019)	Direction of travel	Current score (Aug 2019)	Target score and date (where appropriate)	Comment																																											
4 01/14	<p>Medium Term Financial Strategy 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					16 Red		16 Red	12* Amber On-Going	<p>The Draft Budget and Medium-Term Financial Strategy 2020-2021 to 2023-2024 was approved by Cabinet on 31 July 2019. The report detailed the following matters:</p> <ul style="list-style-type: none"> Since 2010-2011 despite the successive cuts in Council resources, which have led to significant financial challenges, the Council has set a balanced budget. Over the last eight years the Council has identified budget reductions in excess of £220 million. The extent of the financial challenge over the medium term continues to represent the most significant challenge that the Council has ever faced, with reducing resources, growing demand for services and significant cost pressures. The Budget and Medium-Term Financial Strategy (MTFS) 2019-2020 to 2023-2024 was presented to Full Council for approval on 6 March 2019. The Council was able to set a balanced budget for 2019-2020 without the use of General Fund reserves. However, it was projected that the Council would be faced with finding further estimated budget reductions totalling £27.3 million in 2020-2021 rising to £40-£50 million over the medium term to 2023-2024. It should be noted that the updated projected budget deficit assumes the achievement of budget reduction and income generation proposals amounting to £9.6 million over the five-year period from 2019-2020 to 2023-2024. Work has been ongoing across the Council to identify opportunities to address the budget deficit reported to Council in March 2019. A number of proposals were detailed in the report, which reduced the projected deficit to £4.9 million in 2020-2021. Progress on the development of budget reduction and income generation proposals will be reported to Cabinet in October 2019 along with further options to address the projected budget deficit of £4.9 million.
Likelihood	5																																																
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7 01/14	<p>Safeguarding</p> <p>If the Council’s safeguarding procedures and quality assurance processes are not consistently and effectively implemented then it will fail to safeguard children and vulnerable adults and lead to reputational damage.</p> <p>Risk owner: Emma Bennett Cabinet Member: Cllr John Reynolds and Cllr Linda Leach</p> <table border="1" data-bbox="219 676 674 1027"> <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>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>10</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	Red	Red	3	Green	Yellow	Yellow	Yellow	Red	2	Green	Green	Yellow	Yellow	10	1	Green	Green	Green	Yellow	Yellow			1	2	3	4	5			Impact					8 Amber		10 Amber	8 Amber <small>Once new arrangements are embedded</small>	The score of this risk has been temporarily increased to 10 – amber whilst the Council’s new multi-agency safeguarding arrangements are implemented. The risk score will be continually monitored alongside the implementation of the new arrangements and it is envisaged that the score will be reduced once the new arrangements become embedded.
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8 01/14	<p>Business Continuity Management (BCM), including Brexit implications</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 Jasbir Jaspal</p>	12 Amber		16 Red	8* Amber On-going	<p>The score of this risk has been temporarily increased to red, due to ongoing uncertainties surrounding Brexit and the possibility of a no-deal Brexit. The risk score will be continually monitored in conjunction with the ongoing political situation.</p> <p>The main focus of work for the Resilience team continues to be preparations for Brexit and in particular a no-deal Brexit. The team are in the process of analysing Business Continuity Plans to identify gaps and where possible resolve issues. Work is being completed in conjunction with members of the West Midlands Local Resilience Forum (LRF), regular meetings with the LRF regarding Brexit commenced during August 2019. Continual monitoring of the political situation to identify and prepare for potential impacts</p>																																													

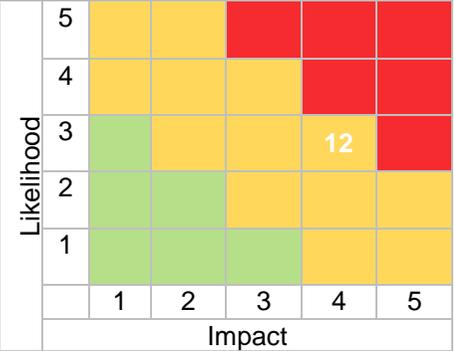
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9 01/14	<p>City Centre Regeneration</p> <p>If the city centre regeneration programme is not effectively managed in terms of project timings, costs and scope, then it will be unable to maximise opportunities including:</p> <ul style="list-style-type: none"> • the attraction of private sector investment and the creation of space to accommodate new businesses and economic growth • the enhancement and creation of visitor attractions 	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"> • The I9 funding agreement with the Accountable Body is being finalised along with the suite of legal agreements between THE Council and the developer ION. Cost inflations related to Severn Trent diversion works, specification changes, Value Engineering not being achieved, and inflation are being managed and ION are leading on contract negotiations with Grahams. Works to relocate the sewer easement onsite have commenced. • A revised funding strategy for the delivery of the Westside Leisure scheme has now been agreed. As previously reported 																																													

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	<ul style="list-style-type: none"> the creation of well-paid employment retention of skilled workers the creation of residential opportunities a functioning city centre offer that serves the residents of the City a reduced demand on Council services <p>Risk owner: Richard Lawrence Cabinet member: Cllr Harman Banger</p> <table border="1" data-bbox="219 614 672 965"> <tr> <td rowspan="5" style="writing-mode: vertical-rl; transform: rotate(180deg);">Likelihood</td> <td>5</td> <td style="background-color: yellow;"></td> <td style="background-color: yellow;"></td> <td style="background-color: red;"></td> <td style="background-color: red;"></td> <td style="background-color: red;"></td> </tr> <tr> <td>4</td> <td style="background-color: yellow;"></td> <td style="background-color: yellow;"></td> <td style="background-color: yellow;"></td> <td style="background-color: red;"></td> <td style="background-color: red;"></td> </tr> <tr> <td>3</td> <td style="background-color: lightgreen;"></td> <td style="background-color: yellow;"></td> <td style="background-color: yellow;"></td> <td style="background-color: yellow; text-align: center;">12</td> <td style="background-color: red;"></td> </tr> <tr> <td>2</td> <td style="background-color: lightgreen;"></td> <td style="background-color: lightgreen;"></td> <td style="background-color: yellow;"></td> <td style="background-color: yellow;"></td> <td style="background-color: yellow;"></td> </tr> <tr> <td>1</td> <td style="background-color: lightgreen;"></td> <td style="background-color: lightgreen;"></td> <td style="background-color: lightgreen;"></td> <td style="background-color: yellow;"></td> <td style="background-color: yellow;"></td> </tr> <tr> <td></td> <td></td> <td style="text-align: center;">1</td> <td style="text-align: center;">2</td> <td style="text-align: center;">3</td> <td style="text-align: center;">4</td> <td style="text-align: center;">5</td> </tr> <tr> <td></td> <td></td> <td colspan="5" style="text-align: center;">Impact</td> </tr> </table>	Likelihood	5						4						3				12		2						1								1	2	3	4	5			Impact									<p>the new arrangement gives the Council part of the responsibility to occupy the scheme and will in turn provide an opportunity to generate rental income. Contract negotiations are progressing well and Heads of Terms for the revised structure have been agreed. It is anticipated that Westside will have a significant impact on the City Centre, adding an estimated £6.5 million a year to the local economy, creating new jobs and raising business rates income to the Council.</p> <ul style="list-style-type: none"> 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 2019. These works will seek funding from the Combined Authority and through the Future High Streets Fund off the back of outputs secured through the associated major developments. 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 CWC 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. Funding for the design for the City Learning Quarter was approved by Cabinet on 31 July 2019. A demolition programme which forms part of the scheme has now commenced, a planning application for the development has now been submitted. The Council's funding bid to the Government's Future High Street Fund has been shortlisted. The Council has been allocated a £150,000 to help develop a full business case. The Future High Street Fund has been set up to support and make their high streets and town centres fit for the future. Work on the Wolverhampton Interchange project is ongoing with the first section of the new station building expected to become operational to customers later this year to coincide with the demolition of the remainder of the current building. The new station is due to be fully open during the summer of 2020.
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15 01/14	<p>Emergency Planning</p> <p>Failure to develop, exercise and review plans and capabilities for preventing, reducing, controlling or mitigating the effects of emergencies in both the response and recovery phases of a major incident. Failure to train sufficient numbers of staff to undertake the roles in our plans that assist our residents in emergencies and protect the council's reputation from damage. Failure to audit the emergency response plans and capabilities of third party organisations that deliver statutory services on behalf of the council.</p> <p>Risk owner: John Denley Cabinet member: Cllr Jasbir Jaspal</p> <table border="1" data-bbox="219 845 672 1197"> <tr> <td rowspan="5">Likelihood</td> <td>5</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>4</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>3</td> <td></td> <td></td> <td>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></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td colspan="6">Impact</td> </tr> </table>	Likelihood	5						4						3			12			2						1								1	2	3	4	5		Impact						12 Amber	➔	12 Amber	8* Amber On-going	For full details see risk 8 – Business Continuity Management above.
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22 01/17	<p>Skills for Work and Inclusive Growth</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 low rates of inclusive growth will result in increased demand for council services.</p> <p>Risk owner: Meredith Teasdale Cabinet Member: Cllr Dr Michael Hardacre</p> <table border="1" data-bbox="219 699 674 1050"> <tr><td></td><td>5</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td></td><td>4</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td></td><td>3</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td></td><td>2</td><td></td><td></td><td></td><td></td><td>10</td></tr> <tr><td></td><td>1</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td></td><td></td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr> <tr><td></td><td></td><td colspan="5">Impact</td></tr> </table>		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"> www.wolvesworkbox.com launched in June 2017 as the virtual front door to skills and employment support in the city. To date the site has had over 394,000 unique visits, 110 organisations are using workbox to promote their offer and over 3,300 residents have signed up to workbox to receive information. A user portal is currently in development to make the site more interactive and enable tracking of outcomes. Workbox continues to be developed with information about employers, health and work and learning communities. Wolves at Work is a joint partnership between DWP and the Council aimed at supporting 3,000 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 4,487 local people to gain employment – around 45 percent of which are aged 18 to 29. Continuation of funding past March 2020 is now being explored. Future funding is a risk for Wolves at Work. The Council sought funding from the West Midlands Combined Authority (WMCA) in 2019 however unfortunately this was not granted even though the success of the project was recognised. Efforts are continuing to seek external funding from a range of sources. IMPACT is a Black Country wide European Social Fund Youth Employment Initiative project that has 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 2800 young people have been engaged to date with over 1,400 achieving positive outcomes into training or employment. Connexions supports young people who are 14 - 19, or with Special Educational Needs who are under 25 with no access to education, employment or training (NEET). NEETs and Not Knowns in Wolverhampton currently stands at 4.2% which is better than national and regional comparators. 94.2 % of (academic age) 16 and 17-year olds in the City were in learning, Wolverhampton is the best performing authority in the Black Country in this area.
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						<ul style="list-style-type: none"> The Council has recently updated its apprenticeship recruitment process to include an improved salary offering for all apprentices regardless of age. The salary is based on the level of apprenticeship being undertaken. This was created through consultation with young people including care leavers. Apprenticeships are recruited at all levels from level 2 to 6 and across different services of the Council. Work is underway to create apprenticeship pathways offering an alternative to university for people leaving mainstream education. The new approach has been called inclusive apprenticeships and focuses on providing the bespoke support required by the person undertaking the apprenticeship and their manager, to ensure that it is a success. Workbox has been updated with Apprenticeship information and showcase opportunities in the city. The number of apprenticeships starts has increased from number of starts 64 to 223. Work has begun to look at Inclusive growth through the Social Value agenda. A number of activities and relationships are underway with partners in the city, including Galiford Try who are the prime contractor for the new Interchange station. This is a new area of work and is being led through the Strategic Executive Board (SEB).
23 01/17	<p>Cyber Security Failure to maintain a high level of cyber security (technology, processes and awareness) throughout the Council may result in cyber-attacks and theft or loss of confidential data leading to financial penalties, reputational damage and a loss in public confidence.</p> <p>Risk owner: Mark Taylor Cabinet Member: Cllr Sandra Samuels OBE</p>	12 Amber		12 Amber	10 Amber Dependent on cyber world-wide cyber incidents	<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-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"> The Council have become the first authority in the West Midlands to be awarded a Cyber Essentials Plus certification. The certificate was developed by Government Communications Headquarters (GCHQ) and gained after two cyber security experts attempted and failed to gain access to the Council's systems. The award of this certificate highlights the progress made by the Council in relation to Cyber Security.

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27 02/19	<p>City assurance of response and compliance with the requirements of National Building Safety Programme, Grenfell Inquiry Report Recommendations and MHCLG Building Regulation Guidance Advice Notice(s)</p> <p>There is a risk of injury to members of the public, reputational damage, exposure to regulatory action and financial penalties to Council if appropriate processes and controls to ensure compliance with the requirements of the National Building Safety Programme, Grenfell Inquiry Report Recommendations and MHCLG Building Regulation Guidance Advice Notice(s).</p> <p>Risk Owner: Kate Martin Cabinet Member: Cllr Peter Bilson</p> <table border="1" data-bbox="219 948 672 1299"> <tr> <td rowspan="5" style="writing-mode: vertical-rl; transform: rotate(180deg);">Likelihood</td> <td>5</td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FF0000;"></td> <td style="background-color: #FF0000;"></td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td>4</td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FF0000;"></td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td>3</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td>2</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700; text-align: center;">10</td> </tr> <tr> <td>1</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> </tr> <tr> <td></td> <td></td> <td style="text-align: center;">1</td> <td style="text-align: center;">2</td> <td style="text-align: center;">3</td> <td style="text-align: center;">4</td> <td style="text-align: center;">5</td> </tr> <tr> <td></td> <td></td> <td colspan="5" style="text-align: center;">Impact</td> </tr> </table>	Likelihood	5						4						3						2					10	1								1	2	3	4	5			Impact					10 Amber		10 Amber	5 Amber	<p>The National Building Safety Programme was established by the Ministry of Housing, Communities and Local Government (MHCLG) to review national building safety, regulations and policies covering high-rise residential buildings over 18 meters (including hotels and non-residential buildings of mixed uses) following the Grenfell tragedy on 14 June 2017.</p> <p>The purpose of the review is to make sure that users of high rise buildings are safe, and feel safe, now and in the future. The scope of the review includes building management practice, property health and safety, fire safety management and building regulations/legislation and policy for all high-rise buildings (over 18m) in public and private ownership, as well as buildings housing vulnerable residents, new residential developments and non-residential buildings, in particular those with mixed uses.</p> <p>The Council are continuing to work in collaboration with partners such as Wolverhampton Homes, Tennant Management Organisations (TMOs) and West Midlands Fire Service (WMFS) to keep up to date with requirements from the programme and ensure compliance with these requirements.</p> <p>Details of work undertaken are reviewed and approved through partnership meetings with WMFS, the TMO Managing Agents Group, Wolverhampton Homes Asset Management Group and the Safer Highrise Homes Group. All work is reported to the Council's Corporate Fire Safety Board. Regular updates are provided to Cabinet and the Leader of the Council via quarterly briefings.</p>
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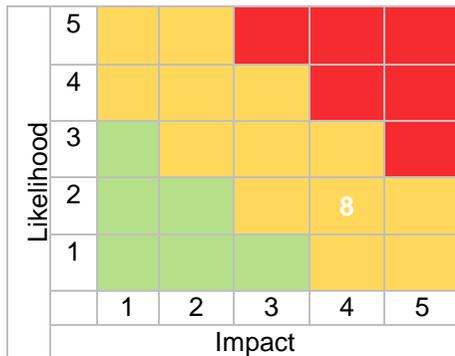
Risk ref	Risk title and description	Previous score (May 2019)	Direction of travel	Current score (Aug 2019)	Target score and date (where appropriate)	Comment																																											
29 12/17	<p>Fire Safety – Public Buildings If the Council does not have in place appropriate systems 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: Mark Taylor Cabinet Member: Cllr Peter Bilson</p> <table border="1" data-bbox="219 778 674 1129"> <tr> <td rowspan="6" style="writing-mode: vertical-rl; transform: rotate(180deg);">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" style="text-align: center;">Impact</td> </tr> </table>	Likelihood	5						4						3						2					10	1							1	2	3	4	5		Impact					10 Amber	➔	10 Amber	5 Amber April 2020	<p>The Council is the Responsible Person for public buildings. The named Responsible Person is now the Deputy Chief Executive.</p> <ul style="list-style-type: none"> 98% of public buildings currently have a fire risk assessment (FRA). Existing FRA's have been reviewed and new FRA's commissioned where required, 95% of corporate buildings and 95% of community schools have a suitable and updated FRA. Work is ongoing to complete the remaining outstanding FRA's. FRA's identify actions required to improve fire safety, which are the responsibility of either Corporate Landlord or the Site Duty-holder to complete. However, Corporate Landlord retain oversight of all actions in order to ensure implementation. 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, a report regarding resource requirements and a proposed compliance structure has been approved by SEB, the new post will be advertised imminently As reported previously there are financial pressures with regards to undertaking required fire safety works, a detailed report regarding this issue is due to be presented to SEB during September 2019. The role of Responsible Person was launched in June 2018. In conjunction with Workforce Development training has now been delivered to all Responsible Persons and 500 fire marshals. Corporate Landlord will now undertake six monthly site audits to ensure that Responsible Persons are fulfilling their duties. Corporate Landlord has implemented liaison arrangements for i10, i11 and other buildings in multiple occupation. 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
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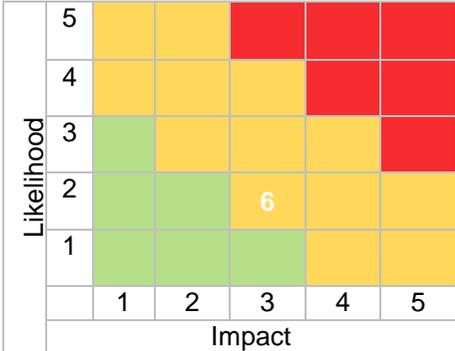
Risk ref	Risk title and description	Previous score (May 2019)	Direction of travel	Current score (Aug 2019)	Target score and date (where appropriate)	Comment																																											
						<p>checks are being undertaken, along with training and review of emergency arrangements. To date 85% of returns have been submitted, Corporate Landlord are continuing to liaise with the Head of School Organisation regarding the outstanding returns.</p> <ul style="list-style-type: none"> Annual visits to schools are undertaken to assess fire safety arrangements and investigations are ongoing into safety defects in the Building School for the Future (BSF) schools. 																																											
30 01/18	<p>Civic Halls</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: Richard Lawrence Cabinet Member: Cllr Harman Banger</p> <table border="1" data-bbox="219 954 672 1305"> <tr> <td rowspan="6" style="writing-mode: vertical-rl; transform: rotate(180deg);">Likelihood</td> <td>5</td> <td style="background-color: #ffff00;"></td> <td style="background-color: #ffff00;"></td> <td style="background-color: #ff0000;"></td> <td style="background-color: #ff0000;"></td> <td style="background-color: #ff0000;"></td> </tr> <tr> <td>4</td> <td style="background-color: #ffff00;"></td> <td style="background-color: #ffff00;"></td> <td style="background-color: #ffff00;"></td> <td style="background-color: #ff0000; text-align: center;">16</td> <td style="background-color: #ff0000;"></td> </tr> <tr> <td>3</td> <td style="background-color: #90ee90;"></td> <td style="background-color: #ffff00;"></td> <td style="background-color: #ffff00;"></td> <td style="background-color: #ffff00;"></td> <td style="background-color: #ff0000;"></td> </tr> <tr> <td>2</td> <td style="background-color: #90ee90;"></td> <td style="background-color: #90ee90;"></td> <td style="background-color: #ffff00;"></td> <td style="background-color: #ffff00;"></td> <td style="background-color: #ffff00;"></td> </tr> <tr> <td>1</td> <td style="background-color: #90ee90;"></td> <td style="background-color: #90ee90;"></td> <td style="background-color: #90ee90;"></td> <td style="background-color: #ffff00;"></td> <td style="background-color: #ffff00;"></td> </tr> <tr> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td colspan="5" style="text-align: center;">Impact</td> </tr> </table>	Likelihood	5						4				16		3						2						1							1	2	3	4	5		Impact					12 Amber	↑	16 Red	12 Amber To review once a new contractor has been appointed	<p>This risk score has been increased in light of the Civic Hall's construction contractor going into administration. The status of this risk will be reviewed once a new contractor has been appointed.</p> <p>It is noted that a risk with regard to the insolvency / administration of a contractor, is included in the Civic Hall contract risk register. To mitigate against this risk, regular credit checks were undertaken during the contract period. Also, the Council's external project management consultants continually monitor the market for any changes. Based upon assurances given the risk previously remained at an amber level on the programme's risk register and therefore did not impact at the time on the overall risk status contained within the Council's Strategic Risk Register. In addition, a confirmation letter was sought from both the construction contractor's board, and their solicitors, that they had no outstanding claims against them. Therefore, every action was taken to seek assurances around financial stability.</p> <p>The Programme's external legal advisors are advising the Council on the administration process and have also been asked to advise on the procurement and appointment process for a replacement contractor. It is anticipated that the procurement process is likely to take up to three months. The programme team are confident that this should not significantly impact on the original completion date of July 2021.</p>
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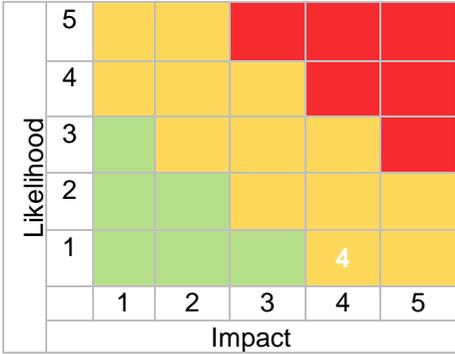
Risk ref	Risk title and description	Previous score (May 2019)	Direction of travel	Current score (Aug 2019)	Target score and date (where appropriate)	Comment																																													
36 05/19	<p>Parent company assurance of Tenant Management Organisations (TMOs)</p> <p>There is a risk to the safety of residents if assurance cannot be provided that adequate management and safety controls are in place within TMOs.</p> <p>Risk Owner: Kate Martin Cabinet Member: Cllr Peter Bilson</p> <table border="1" data-bbox="219 646 672 997"> <tr> <td rowspan="5" style="writing-mode: vertical-rl; transform: rotate(180deg);">Likelihood</td> <td>5</td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FF0000;"></td> <td style="background-color: #FF0000;"></td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td>4</td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FF0000;"></td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td>3</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FF0000; text-align: center;">12</td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td>2</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> </tr> <tr> <td>1</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> </tr> <tr> <td></td> <td></td> <td style="text-align: center;">1</td> <td style="text-align: center;">2</td> <td style="text-align: center;">3</td> <td style="text-align: center;">4</td> <td style="text-align: center;">5</td> </tr> <tr> <td></td> <td></td> <td colspan="5" style="text-align: center;">Impact</td> </tr> </table>	Likelihood	5						4						3				12		2						1								1	2	3	4	5			Impact					12 Amber		12 Amber	4 Amber June 2020	<p>Wolverhampton currently has four TMO's responsible for the management of approximately 2,500 properties within the City. A review completed by internal audit during 2018-2019 provided limited assurance that TMO's were operating in accordance with their management agreement(s) and identified non-implementation of recommendations made in previous audit reports.</p> <p>Since publication of the audit reports additional support has been provided to TMO's to assist with the implementation of outstanding issues, this work is being overseen by the Director for City Housing and a considerable number of recommendations made in the audit reports have now been implemented.</p> <p>A programme to support TMOs during 2019-2020 has been established and was approved by SEB on 7 May 2019. The programme covers 17 areas of support which includes; Governance, financial management, health and safety, housing development support, provision of safeguarding training, access to legal services, information governance support, risk management, business continuity, audit and procurement support and the introduction of improved Key Performance Indicator's (KPI's). Resources within the Housing Strategy Team have been increased to provide support and focus on TMOs</p> <p>TMO management agreements have been reviewed and new agreements are in the process of being implemented, ongoing monitoring will be undertaken to ensure compliance with these agreements.</p> <p>The Director for City Assets and Housing attended the Audit and Risk Committee meeting on 22 July 2019 and presented a report detailing the considerable progress made in responding to the TMO Audits carried out during 2018. She also briefed the Committee on the enhanced resources deployed to deliver the current work, framed in a workplan for 2019/20, which is providing additional support for the TMO's whilst providing the Council with a greater level of assurance.</p>
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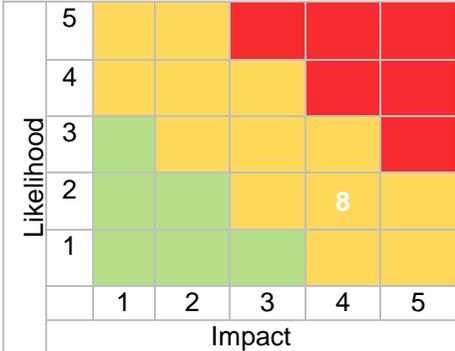
- The following are the medium and low (assessed at less than 10) strategic risks that the Council faces in delivering its corporate priorities.

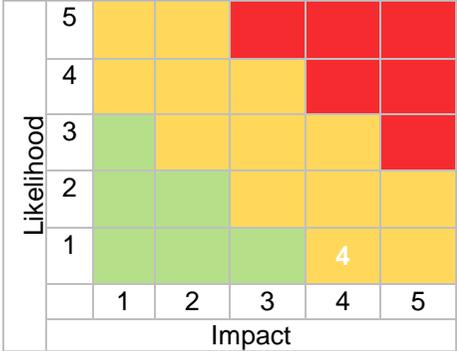
Risk ref	Risk title and description	Previous score (May 2019)	Direction of travel	Current score (Aug 2019)	Target score and date (where appropriate)
3 01/14	<p>Information Governance (IG)</p> <p>If the Council does not put in place appropriate policies, procedures and technologies to ensure:</p> <ul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

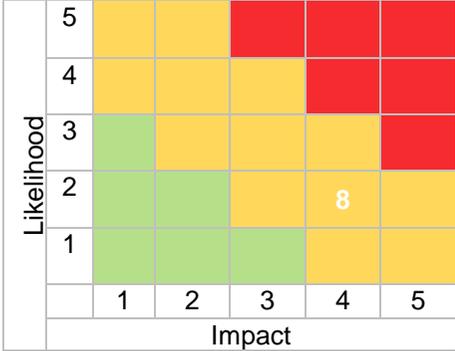


Risk ref	Risk title and description	Previous score (May 2019)	Direction of travel	Current score (Aug 2019)	Target score and date (where appropriate)
24 01/17	<p>Maximising Benefits from West Midlands Combined Authority</p> <p>If the Council does not put in place effective co-ordination arrangements to utilise the opportunities available from being part of West Midlands Combined Authority (WMCA) it will be unable to maximise the benefits and opportunities available to it.</p> <p>Risk owner: Tim Johnson Cabinet Member: Cllr Ian Brookfield</p> 	6 Amber		6 Amber	3* Green Ongoing

Risk ref	Risk title and description	Previous score (May 2019)	Direction of travel	Current score (Aug 2019)	Target score and date (where appropriate)
25 03/17	<p>Payment Card Industry Data Security Standard</p> <p>If the Council does not put in place appropriate systems, procedures and technologies to ensure agent-led telephone payments are compliant with the Payment Card Industry Data Security Standard, there is a risk of data breaches which may result in regulatory action, financial penalties and reputational damage.</p> <p>Risk owner: Claire Nye Cabinet Member: Cllr Louise Miles</p> 	4 Amber		4 Amber	4* Amber Ongoing

Risk ref	Risk title and description	Previous score (May 2019)	Direction of travel	Current score (Aug 2019)	Target score and date (where appropriate)																																										
28 10/17	<p>Health and Safety</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: Mark Taylor Cabinet Member: Cllr Sandra Samuels OBE</p>  <table border="1" data-bbox="250 515 705 866"> <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>8</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>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>	5	Yellow	Yellow	Red	Red	Red	4	Yellow	Yellow	Yellow	Red	Red	3	Green	Yellow	Yellow	Yellow	Red	2	Green	Green	Yellow	8	Yellow	1	Green	Green	Green	Yellow	Yellow		1	2	3	4	5		Impact					8 Amber		8 Amber	4 Amber To fall in conjunction with other Health and Safety associated risks.
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32 06/18	<p>Waste Management Services</p> <p>If the Council does not continue to effectively manage the delivery of its waste service 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: Ross Cook Cabinet Member: Cllr Steve Evans</p> 	4 Amber		4 Amber	4* Amber Ongoing

Risk ref	Risk title and description	Previous score (May 2019)	Direction of travel	Current score (Aug 2019)	Target score and date (where appropriate)																																										
37 05/19	<p>Governance of Major Capital Projects and Programmes</p> <p>The Council will fail to maximise opportunities and incur significant reputational and financial risks if it does not continue to manage, monitor and review major capital projects effectively, particularly in terms of project timescales, achievement of milestones and costs.</p> <p>Risk owner: Laura Phillips Cabinet Member: Cllr Louise Miles</p>  <table border="1" data-bbox="250 550 705 901"> <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>8</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>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>	5	Yellow	Yellow	Red	Red	Red	4	Yellow	Yellow	Yellow	Red	Red	3	Green	Yellow	Yellow	Yellow	Red	2	Green	Green	Yellow	8	Yellow	1	Green	Green	Green	Yellow	Yellow		1	2	3	4	5		Impact					8 Amber		8 Amber	4* Amber Ongoing
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* The target assessment for these risks remains constant as they are risks which are likely to remain at their current level over the medium term and as such these risks may not have target dates.

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Strategic Risk Assurance Map – August 2019

Risk Ref	Risk Title and Description	Current Score	Types of Assurance			Comments / Gaps in Assurance/Risk Exposure
			External/ Independent (Third Line of Defence)	Risk and Compliance (Second Line of Defence)	Operational and Management (First Line of Defence)	
3	<p>Information Governance (IG) If the Council does not put in place appropriate policies, procedures and technologies to ensure:</p> <ul style="list-style-type: none"> that the handling and protection of its data is undertaken in a secure manner and consistent with both the provisions of the Data Protection Act 1998 and the General Data Protection Regulation (GDPR) which came into force during May 2018; compliance with the Freedom of Information Act and Environmental Information Regulations; <p>then it may be subject to regulatory action, financial penalties, reputational damage and the loss of confidential information.</p>	8 Amber	<p>Internal audit review 2016/17 – Freedom of Information Requests (Substantial Assurance)</p> <p>Internal audit review 2016/17 – Information Governance (Satisfactory assurance)</p> <p>Internal audit Health-Check 2018/19 – 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- 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>
	<p>Medium Term Financial Strategy If the Council does not manage the risks associated with the successful delivery of its medium term financial strategy including the continual review of the assumptions and projections of the strategy, the effective management of the key MTFS programmes and projects 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>	16 Red	<p>Assumptions of the 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 – 2016/17 (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 (2016/17 Audit Findings Report) – Risk sufficiently managed</p> <p>LGA Finance Peer review follow up – September 2017</p> <p>Internal audit review Main Accounting – 2017/18 (Satisfactory assurance)</p> <p>Internal audit review Main Accounting – 2018/19 (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>

Risk Ref	Risk Title and Description	Current Score	Types of Assurance			Comments / Gaps in Assurance/Risk Exposure
			External/ Independent (Third Line of Defence)	Risk and Compliance (Second Line of Defence)	Operational and Management (First Line of Defence)	
7	Safeguarding If the Council's safeguarding procedures and quality assurance processes are not consistently and effectively implemented then it will fail to safeguard children and vulnerable adults and lead to reputational damage.	10 Amber	S.11 (Safeguarding self-Assessment) Audit 2016/17 Internal audit review 2016/17 – MASH (satisfactory assurance) Children's Services Ofsted Inspection January / February 2017 (Requires Improvement Rating) Children's Services Ofsted Inspection January / February 2017 (Good Rating) Grant Thornton – Review Significant Risks (2016/17 Audit Findings Report) - Risk sufficiently managed Ofsted Inspection Sept / Oct 2018 Independent review of Safeguarding Boards	Annual reports from adults and children's local safeguarding boards 'Our Story' report to Cabinet Member for Children and Families National and local Wolverhampton performance indicators in relation to social care Self- audits confirmation by schools of s175 compliance Annual Reports from: IRO Service, Local Authority Designated Officer, Foster Home Reviewing Officer Safeguarding Adults Board Annual Review – Report to Adult and Safer City Scrutiny Panel 31 January 2017	Quality Assurance Framework and assessments Controls Assurance Statement WSCB Self-Assessment against Ofsted Descriptors	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.
8	Business Continuity Management, Including Brexit Implications 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.	16 Red	Audit and Risk Committee review of risk – July 2016 Internal audit review 2018/19 – Business continuity and resilience management (satisfactory assurance) Scrutiny from LRF and neighbouring Local Authorities	Reports from Wolverhampton Resilience Board to SEB Strategic Business Continuity Plan, approved by SEB Approval of emergency plans / business continuity plans from SEB	Controls Assurance Statement Implementation of the Apprise Co-ordination system Implementation of Strategic control group	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.
64	City Centre Regeneration If the city centre regeneration programme is not effectively managed in terms of project timings, costs and scope, then it will be unable to maximise opportunities including: <ul style="list-style-type: none"> creation of well-paid employment retention of skilled workers sector and economic growth increased prosperity and reduced demand on council services 	12 Amber	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 2016/17 – Regeneration programmes Reviews by the Project Assurance Group (PAG) Reports and approvals from Cabinet / Full Council Reporting to Member Reference Group	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.
15	Emergency Planning Failure to develop, exercise and review plans and capabilities for preventing, reducing, controlling or mitigating the effects of emergencies in both the response and recovery phases of 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.	12 Amber	Audit and Risk Committee review of risk – July 2017 Internal audit review 2018/19 – Business continuity and resilience management (satisfactory assurance)	Reports to Wolverhampton Resilience Board (WRB) Regular reports from WRB to SEB and C3 Scrutiny Panel	Controls Assurance Statement	The exercise and testing programme, once developed and implemented will provide further assurances on the management of this risk. In the meantime, unplanned incidences and the lessons learned from these exercises continue to provide some level of assurance.

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
22	<p>Skills for Work and Inclusive Growth</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 low inclusive growth 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 (2016/17 Audit Findings Report) - Risk sufficiently managed</p> <p>Internal Audit Review – IMPACT 2018/19 Satisfactory</p>	<p>Stronger City Economy Scrutiny Panel Review – Investment and Funding July 2016</p> <p>Report to SEB – City Board –</p> <p>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>Cyber Security</p> <p>Failure to maintain a high level of cyber security (technology, processes and awareness) throughout the Council may result in cyber-attacks and theft or loss of confidential data leading to financial penalties, reputational damage and a loss in public confidence.</p>	12 Amber	<p>Annual Public Service Network (PSN) certification</p> <p>Independent testing of cyber security technical defences</p> <p>Use of 3rd party software to stimulate email phishing attacks</p> <p>Audit and Risk Committee review of risk – July 2017</p> <p>Audit and risk Committee review of risk – May June 2019</p> <p>Internal audit review - ICTS Strategic Planning</p> <p>Cyber Security Essentials Plus certification</p>	<p>Information risk register and reports to Information Governance Board</p> <p>Reports to SEB and Cabinet (Performance Monitoring)</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>	<p>Independent testing of the Council's cyber security defences will continue to provide assurance.</p>
24	<p>Maximising Benefits form West Midlands Combined Authority</p> <p>If the Council does not put in place effective co-ordination arrangements to utilise the opportunities available from being part of West Midlands Combined Authority (WMCA) it will be unable to maximise the benefits and opportunities available to it.</p>	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 (2016/17 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>

Risk Ref	Risk Title and Description	Current Score	Types of Assurance			Comments / Gaps in Assurance/Risk Exposure
			External/ Independent (Third Line of Defence)	Risk and Compliance (Second Line of Defence)	Operational and Management (First Line of Defence)	
25	<p>Payment Card Industry Data Security Standard</p> <p>If the Council does not put in place appropriate systems, procedures and technologies to ensure agent-led telephone payments are compliant with the Payment Card Industry Data Security Standard there is a risk of data breaches and which may result in regulatory action, financial penalties and reputational damage.</p>	4 Amber	<p>Advice provided by the Payment Card Industry</p> <p>Internal Audit Review – PCI Compliance 2018/19 Satisfactory</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>Reports to Project Assurance Group (PAG)</p> <p>Reports to Commercial Business Improvement Programme Board (CBIP)</p>	Controls Assurance Statement	The implementation of a 3 rd 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 rd party.
27	<p>City assurance of response and compliance with the requirements of National Building Safety Programme, Grenfell Inquiry Report Recommendations and MHCLG Building Regulation Guidance Advice Notice(s)</p> <p>There is a risk of injury to members of the public, reputational damage, exposure to regulatory action and financial penalties to Council if appropriate processes and controls to ensure compliance with the requirements of the National Building Safety Programme, Grenfell Inquiry Report Recommendations and MHCLG Building Regulation Guidance Advice Notice(s).</p>	10 Amber	<p>Independent testing by a Government approved laboratory – confirming that tower-bocks have passed fire safety tests.</p> <p>Independent assurance / review from West Midlands 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>Regular meetings with TMO Managing Agents Group, Wolverhampton Homes Asset Management Group and the Safer Highrise Homes Group.</p> <p>Reports to Corporate Fire Safety Board and Cabinet.</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>	Joint work with Wolverhampton Homes, the Fire Service and specialist contractors is on-going to review fire safety and provide assurance to residents.
28	<p>Health and Safety</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"> Completed Health and Safety audits Compliance with RIDDOR reporting 	<p>Bi-weekly Health and Safety Meetings Strategic Director Place</p> <p>Senior management briefings and presentations, including reports to Wolverhampton Homes Board</p>	Regular Health and Safety audits in accordance with audit schedule.	The number of reported incidents will continue to provide assurance in this area. In addition, approval of the Health and Safety plan 2017-19 and monitoring of targets set out within the plan will provide assurance that controls are in place.
29	<p>Fire Safety – Public Buildings</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	External inspections by the Fire-Service	<p>Scrutiny review -Fire Safety</p> <p>Monitoring of FRA's 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>	Work is on-going to ensure that sufficient systems and processes are in place to comply with regulations and public safety.
30	<p>Civic Halls</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>	16 Red	<p>Audit Services Lessons Learnt Review – 2017/18</p> <p>External advice – Equib</p>	<p>Ongoing risk assessment / risk register within Verto.</p> <p>Risk workshops</p> <p>PAG reviews and monitoring</p> <p>Reports to Member Reference Group</p>	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.

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
32	Waste Management Services 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.	4 Amber	Internal Audit Review – Waste Services and Future Contract Arrangements (Substantial assurance) Audit and Risk Committee review of risk – September 2018	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.
36	Parent company assurance of Tenant Management Organisations (TMOs) There is a risk to the safety of residents if assurance cannot be provided that adequate management and safety controls are in place within TMOs.	12 Amber	Independent internal audit reviews TMOs 2017/18- Limited Assurance	Support programme for TMOs Implementation of improved KPI's	Controls Assurance Statements Implementation of revised TMO Management agreements	Ongoing support to TMOs as agreed in the support programme and monitoring of improved KPI's will provide assurance on the management of this risk.
37	Governance of Major Capital Projects and Programmes The Council will fail to maximise opportunities and incur significant reputational and financial risks if it does not continue to manage, monitor and review major capital projects effectively, particularly in terms of project timescales, achievement of milestones and costs	8 Amber	Audit services Lessons Learnt Reports – 2017/18 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 Learnt Action Plan to ensure that improvements are put in place and adhered to.

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CITY OF WOLVERHAMPTON COUNCIL	Audit and Risk Committee 16 September 2019
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Report title	Internal Audit Charter – Annual Review	
Accountable director	Clare Nye, Finance	
Originating service	Audit	
Accountable employee(s)	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
Report to be/has been considered by	Not applicable	

Recommendation for decision:

The Committee is recommended to:

1. Perform an annual review of and approve the Internal Audit Charter.

1.0 Purpose

- 1.1 The Charter was originally approved by the Committee in September 2013 and is now due for its latest review. The Charter was last reviewed in September 2018 and there have been no changes since that time.

2.0 Background

- 2.1 There is a statutory requirement for Internal Audit to work in accordance with the 'proper audit practices'. These 'proper audit practices' are in effect the 'Public Sector Internal Audit Standards' and the Internal Audit Charter reflects this.

3.0 Progress, options, discussion

- 3.1 The Internal Audit Charter will continue to be subject to annual review by the Audit and Risk Committee.

4.0 Financial implications

- 4.1 There are no financial implications arising from the recommendation in this report.
[GE/29082019/T]

5.0 Legal implications

- 5.1 There are no legal implications arising from the recommendation in this report.
[TS/29082019/W]

6.0 Equalities implications

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

7.0 Climate change and environmental implications

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

8.0 Human resources implications

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

9.0 Corporate landlord implications

- 9.1 There are no corporate landlord implications arising from the recommendations of 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 report is PUBLIC
[NOT PROTECTIVELY MARKED]

Internal Audit Charter

CITY OF
WOLVERHAMPTON
COUNCIL



Definition of internal auditing

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

Mission of internal audit

To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

Core Principles for the Professional Practice of Internal Auditing

- Demonstrates integrity.
- Demonstrates competence and due professional care.
- Is objective and free from undue influence (independent).
- Aligns with the strategies, objectives, and risks of the organisation.
- Is appropriately positioned and adequately resourced.
- Demonstrates quality and continuous improvement.
- Communicates effectively.
- Provides risk-based assurance.
- Is insightful, proactive, and future-focused.
- Promotes organisational improvement

Authority and standards

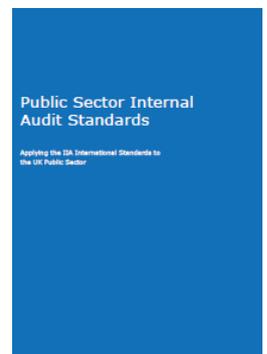
Internal audit is a statutory service in the context of the Accounts and Audit Regulations (Amendment)(England) 2015. Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs and appoint a Chief Financial Officer to have responsibility for those arrangements

The Local Government, England and Wales, Accounts and Audit Regulations 2015 also states that: *"A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance"*. These Standards have been adopted by the Council's internal audit section.

The responsibility for ensuring that the Council has an effective internal audit has been delegated to the Chief Financial Officer/Section 151 Officer.

In the Council's Financial Procedure Rules, the Section 151 Officer has the responsibility to ensure that an adequate and effective internal audit of all Council activities is carried out in accordance with the most recent CIPFA Statements on Internal Audit Practice and relevant legislation.

Internal audit have the right of access to all records, assets, personnel and premises, including those of partner organisations, and has the authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities.



Throughout the Public Sector Internal Audit Standards, reference is made to the terms 'Chief Audit Executive', 'board' and 'senior management'. For the purposes of this Charter, the 'Chief Audit Executive' is defined as the Head of Audit the 'board' as the Audit and Risk Committee and 'senior management' as the Strategic Executive Board.

Scope and objectives of internal audit activities

The scope of work of internal audit is to determine whether the Council's risk management, control, and governance processes are adequate and effective in order to ensure that:

- Key risks are identified and managed;
- Key financial, managerial, and operating information is accurate, reliable, and timely;
- Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations;
- Resources are acquired economically, used efficiently, and adequately protected;
- Programs, plans, and objectives are achieved;
- Quality and continuous improvement are fostered in the Council's control process; and
- Key legislative and regulatory issues impacting the Council are identified and addressed appropriately.

Internal audit's remit extends to the entire control environment of the Council and not just financial controls. Where other internal or external assurance providers may have undertaken relevant assurance and audit work, internal audit will seek to rely on the work of these other assurance providers where professional standards would make it appropriate to do so.

Responsibilities

Internal audit has a responsibility to:

- Provide a cost effective and value added full internal audit service;
- Develop a flexible annual audit plan using a risk-based methodology;
- Implement the annual audit plan;
- Track status of outstanding management actions;
- Provide regular updates on the work of internal audit to the Audit and Risk Committee and where appropriate, senior officers;
- Assist, as needed, in the investigation of significant suspected fraudulent activities within the organisation; and
- Work with the External Auditor and other review bodies to share assurance and minimise duplication.

Organisational independence

Internal audit is involved in the determination of its priorities in consultation with those charged with governance. The Head of Audit has direct access and freedom to report in his own name to all officers and councillors and particularly to those charged with governance. If required the Head of Audit may request to meet privately with the Audit and Risk Committee.

Internal audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a manner which facilitates impartial and effective professional judgements and recommendations.

Objectivity is presumed to be impaired when individual auditors review any activity in which they have previously had operational responsibility. If individual auditors are extensively consulted during system, policy or procedure development, and independence could be seen as being compromised, or if they have had previous operational roles, they will be precluded from reviewing and making comments during routine or future audits, for the remainder of that financial year and for the following financial year after their involvement.

Accountability, reporting lines and relationships

The Head of Audit reports on an administrative basis to the Section 151 Officer and reports functionally to the Audit and Risk Committee, the Managing Director and other senior management. An Annual report will also be produced and presented to the Audit and Risk Committee which will include an 'opinion' from the Head of Audit on the adequacy and effectiveness of internal control, risk management and governance within the Council.

A written report will be prepared by internal audit for every internal audit review. The report will be subject to an internal quality review before being issued to the responsible officer and, where appropriate, will include an 'opinion' on the adequacy of controls in the area that has been audited. The responsible officer will be asked to respond to the report in writing. The written response must show what actions have been taken or are planned in relation to each recommendation. Accountability for the response to the advice and recommendation of Internal Audit lies with management, who either accept and implement the advice or formally reject it.

The full role and responsibilities of the Audit and Risk Committee are detailed in their terms of reference, which are based on the model provided by CIPFA in their "Audit Committees – Practical Guidance for Local Authorities".

Internal audit resourcing

Internal audit must be appropriately staffed in terms of numbers, grades, qualification levels and experience. Internal auditors need to be properly trained to fulfill their responsibilities and should maintain their professional competence. The Section 151 Officer is responsible for the appointment of the Head of Audit, who must be suitably qualified and experienced. The Head of Audit is responsible for appointing all of the other staff to internal audit and will ensure that appointments are made in order to achieve the appropriate mix of qualifications, experience and audit skills. The Head of Audit is also responsible for ensuring that the resources of internal audit are sufficient to meet its responsibilities and achieve its objectives. If a situation arose whereby it was concluded that resources were insufficient, this must be formally reported to the Section 151 Officer, and, if the position is not resolved, to the Audit and Risk Committee.

Fraud

Managing the risk of fraud is the responsibility of management. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected. Internal audit does not have responsibility for the prevention or detection of fraud and corruption. Internal auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption. Internal audit may be requested by management to assist with fraud related work. It is a requirement of the council's Anti-Fraud and Corruption Policy that any concerns over suspected fraud and corruption should be raised initially with the Head of Audit Services. Internal audit will then control any such investigations.

Advisory work

The standards allow that internal audit effort may, where considered to have the right skills, experience and available resource, sometimes be more usefully focused towards providing advice rather than assurance over key controls. Any such internal audit involvement in consultancy and advisory work, would only take place where it would not constitute a conflict of interest in keeping an independent stance. Any significant additional consulting services will be approved by the Audit and Risk Committee beforehand.

Review of the internal audit charter

This charter will be reviewed annually by the Head of Audit Services and the Audit and Risk Committee.

CITY OF WOLVERHAMPTON COUNCIL	Audit and Risk Committee 16 September 2019
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Report title	Internal Audit Update – Quarter One	
Accountable director	Claire Nye, Finance	
Accountable employee(s)	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
Report to be/has been considered by	Not applicable	

Recommendation for noting:

The Committee is asked to note:

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

1.0 Purpose

- 1.1 The purpose of this report is to update the Committee on the progress made against the 2019 - 2020 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 June 2019 (quarter one) contains details of the matters arising from audit work undertaken so far this year. The information included in the report will feed into, and inform, the overall opinion in our annual internal audit report issued at the year end. It also updates the Committee on various other activities associated with the internal audit service.

3.0 Progress, options, discussion, etc.

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

4.0 Financial implications

- 4.1 There are no financial implications arising from the recommendation in this report.
[GE/29082019/B]

5.0 Legal implications

- 5.1 There are no legal implications arising from the recommendation in this report.
[TS/29082019/T]

6.0 Equalities implications

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

7.0 Climate change and environmental implications

- 7.1 There are no climate change and 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

Internal Audit Update Report Quarter 1 (2019-2020)

[NOT PROTECTIVELY MARKED]



1 Introduction

The purpose of this report is to bring the Audit and Risk Committee up to date with the progress made against the delivery of the 2019 - 2020 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

Four 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	2019/20 (@ Q1)	2018/19	2017/18
Substantial	1	18	17
Satisfactory	3	23	21
Limited	-	6	9

2 *Summary of audit reviews completed*

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

Auditable area	AAN Rating	Recommendations					Level of assurance
		Red	Amber	Green	Total	Number accepted	
2018/19 Audits Completed in this quarter:							
Fixed Assets	High	-	1	-	1	1	Satisfactory
Wolves @ Work	Medium	-	1	1	2	2	Substantial
Reported this quarter for the first time:							
Senior Officer Remuneration	High	-	-	-	-	-	N/A
Long Knowle Primary School	Medium	-	7	10	17	17	Satisfactory
St. Patrick's Primary School	Medium		6	5	11	11	Satisfactory

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Key:
AAN Assessment of assurance need.

3 On-going assurance where reports are not issued

It is a requirement of the Internal Audit Charter that Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a manner which facilitates impartial and effective professional judgements and recommendations. Objectivity is presumed to be impaired when individual auditors review any activity in which they have previously had operational responsibility. If individual auditors are extensively consulted during system, policy or procedure development, and independence could be seen as being compromised, or if they have had previous operational roles, they will be precluded from reviewing and making comments during routine or future audits, for the remainder of that financial year and for the following financial year after their involvement. Therefore, should any reviews be conducted on the below, then they will be lead by another member of the audit team.

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.

Project/Programme	Was this in the original plan?	Audit Service's Role
Delivering Independent Travel Programme	Yes	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	Yes	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.
Business Support Programme	Yes	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	Yes	Audit Services have been invited to provide an assurance role for the programme. This is a major capital investment project which has a reputational risk to the Council.
Agresso Board	Yes	A member of the team sits on this Board to oversee the on-going development of the Council's enterprise resource planning (ERP) solution.
Children's Transformation Board	Yes	A member of the team attends the Board and provides support and assurance on project management arrangements and specific audit issues.
Transform Adult Social Care Programme	New	A member of the team will be attending the Board from September 2019 to provide support and assurance on project management arrangements and specific audit issues.
Transport Asset Group	New	A member of the team is involved in this group. The purpose of the group is to ensure that business cases submitted by business areas for vehicles and equipment replacement are reviewed and assessed prior to approval, as well as addressing future Council Fleet requirements and climate targets for a cleaner environment and reduction in carbon emissions, and future use of electric / hybrid vehicles.
HR Improvement Programme	New	The purpose of this programme is to review current Human Resource systems, processes and procedures to drive out efficient service improvements. A member of the team sits on the Board to provide support and assurance around changes proposed in order to ensure risks are managed and controls are not compromised.

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 June 2019 and these will be reported upon in later update reports.

6 *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.

Rainbow Nursery

An audit of the key financial controls at Rainbow Nursery, Stow Heath Primary School was undertaken in April 2018 and we found that the controls operating within the nursery, only provided limited assurance as part of the process to mitigate risks to an acceptable level.

We carried out follow up visits in February and June 2019. The latest review has confirmed arrangements and improvements have been made to the administrative systems. However, there were still a number of areas where action needed to be taken. We have an audit of Stow Heath Primary School, where the nursery is based, scheduled for the Autumn of 2019 and the outstanding actions from this review will be followed up at that time.

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CITY OF WOLVERHAMPTON COUNCIL	Audit and Risk Committee 16 September 2019
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Report Title	Audit Services – Counter Fraud Update	
Accountable Director	Claire Nye	Finance
Accountable employee(s)	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
Report to be/has been considered by	Not applicable	

Recommendation for noting:

The Committee is asked to note:

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

1.0 Purpose

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

2.0 Background

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

2.2 The Counter Fraud Unit was set up within Audit Services, in response to the increased emphasis being placed upon both fraud prevention and detection by the 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 June 2019, it was agreed that regular updates on the progress the Council was making in tackling fraud would continue to be brought before the Committee.

4.0 Financial implications

4.1 There are no financial implications arising from the recommendation in this report.
[GE/05092019/G]

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/04092019/H]

6.0 Equalities implications

6.1 There are no equalities implications arising from this report.

7.0 Climate change and environmental implications

7.1 There are no climate change and 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.

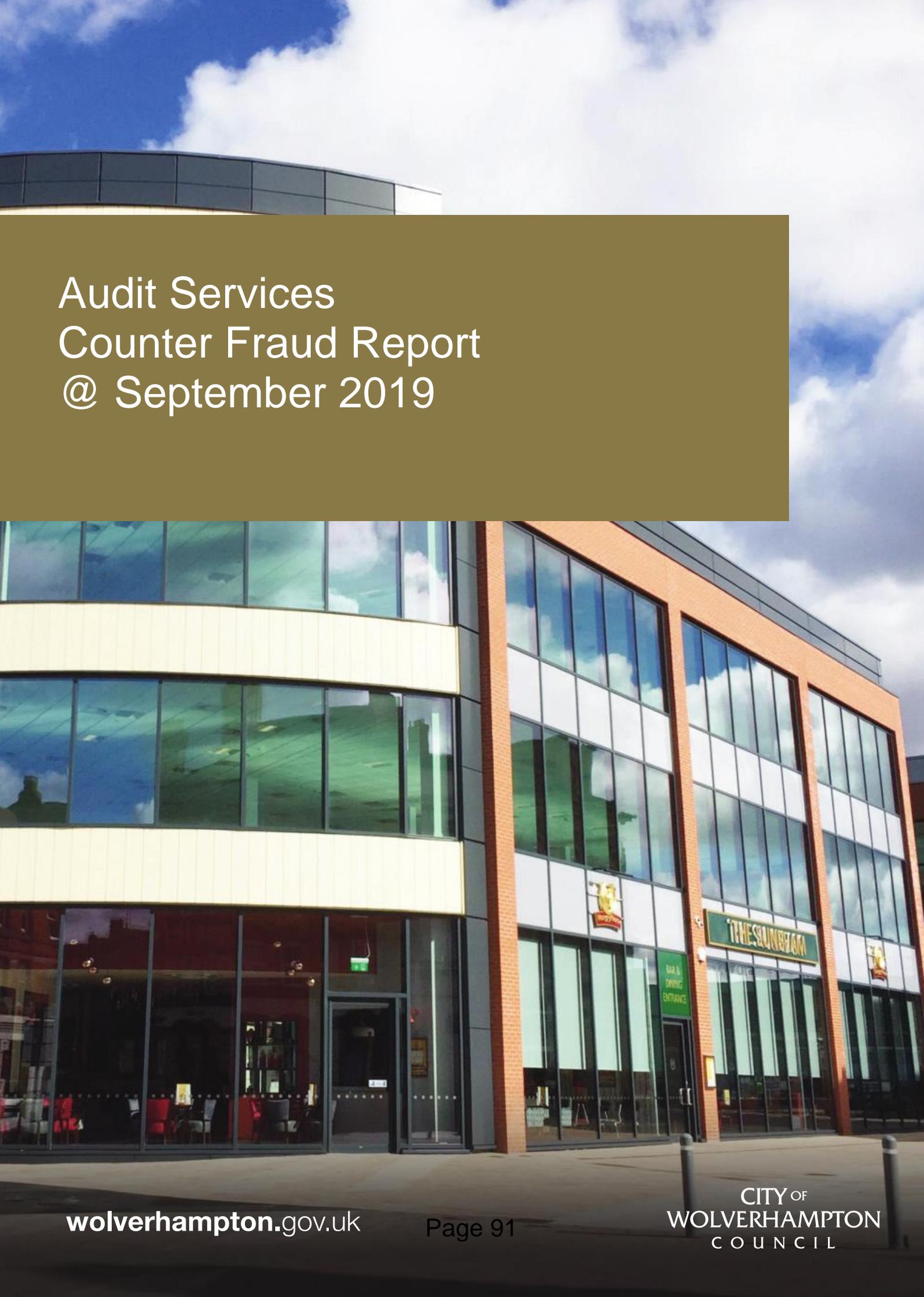
10.0 Health and Wellbeing implications

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

11.0 Schedule of background papers

11.1 None.

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[NOT PROTECTIVELY MARKED]



Audit Services Counter Fraud Report @ September 2019

1 *Introduction*

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

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

2 *The Counter Fraud Team*

The Counter Fraud Team, which sits within Audit Services, is continuing to develop and lead in raising fraud awareness across the Council and in promoting an anti-fraud culture. The team carries out investigations into areas of suspected or reported fraudulent activity and organises a series of Council wide pro-active fraud activities, including the targeted testing of areas open to the potential of fraudulent activity. The team maintains the Council's fraud risk register, 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.

Commencing September 2019, a new structure has been implemented for the Counter Fraud Team. New roles have been created which reflect the scope of work completed by the Counter Fraud Team and provide for the continued development of the team's role.

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. Alerts which either involve suppliers used by the Council or are applicable to all Councils, are notified to appropriate sections of the Council. The most common alerts relate to Bank Mandate fraud, Council Tax Refund fraud and cyber fraud including ransomware and email interception.

National Fraud Initiative Exercise 2019/20

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

The latest NFI exercise commenced in January 2019 and a total of 15,006 matches have now been released by the Cabinet Office. As the Cabinet Office continues to develop and refine the NFI exercise it is anticipated that further matches may be released in the coming months. A total of 1,725 matches have been processed with no issues found indicating systems are working effectively. As more matches are processed details of the progress made will be brought before the Committee as it becomes known.

National Fraud Initiative HMRC Pilot

The Council was selected, by the Cabinet Office, as one of only ten Local Authorities to take part in a pilot NFI exercise where HMRC data has been matched to the Council's data for the first time. This is a significant development for the NFI project. HMRC hold information about household composition, household earnings and property ownership.

A sample of matches were investigated with the majority relating to tenancy issues. The Counter Fraud Team has provided feedback to the Cabinet Office which has been used to help refine the matches and to ensure the maximum impact is achieved from the exercise. The HMRC data has now been incorporated into the national exercises for all Councils.

Counter Fraud Team - Tenancy Fraud Performance

The Counter Fraud Teams Tenancy Fraud results for March 2019 to July 2019 are shown in the following tables:

	April 2019 – July 2019
Type of fraud and/or error	Number
Total Number of Referrals Received	59
Open referrals being investigated	9
Anti-Money Laundering – Right to Buy Checks	48
Residency Duration Checks for Right to Buy Applications	34

Further details of the above figures are included below.

	April 2019 – July 2019	
Type of fraud and/or error	Cases	*Value £
Tenancy sub-letting – Illegal subletting of properties which were recovered	5	465,000
Right to buy – preventing fraudulent RTB applications	1	65,000
Other tenancy fraud – succession, abandonment or non-occupation – legal action required where fraudster fails to hand keys back	1	93,000
Social Housing Application fraud – offers withdrawn and/or applicants excluded from waiting list	2	72,000
Total	9	695,000

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

Social housing tenancy fraud - Notional £93,000 (previously £18,000). The increase in the notional savings recognises the future losses prevented from recovering the property. Previously the calculation only considered one year's loss.

Social housing application fraud – Notional £36,000 (previously £8,000). The increase in the notional savings recognises the future losses prevented by not letting the property to an ineligible individual and with the potential of having to place a genuine prospective tenant from the waiting list in expensive temporary accommodation. There is no allowance in this calculation for past value fraud and therefore the notional loss is less than that of social housing tenancy fraud.

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

Tenancy Fraud Training

During June 2019, the Counter Fraud Team developed and delivered face-to-face Tenancy Fraud training to 66 frontline staff including Tenancy Officers, Income Officers and ASB Officers. The training was well received by staff, and there are initial indications that the quality of fraud referrals has improved.

To complement the face-to-face training the Counter Fraud Team is working to produce a tenancy fraud e-learning course which will benefit all employees

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 June 2019 discussions were held on Right to Buy, DWP joint working, Insurance fraud, Business Rates fraud and cases of interest.

Counter Fraud Plan Update

Issue	Action	Timescale
Raising counter fraud awareness across the Council	Develop and deliver Fraud Awareness seminars	Fraud based training provided by NatWest Bank June 2017
	Develop on line fraud training for staff.	To be refreshed Autumn 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.	Autumn 2019
	Hold fraud surgeries to enable staff to report areas of suspected fraud.	Fraud surgeries planned for Autumn 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 January 2019
	Complete the annual CIPFA fraud survey.	CIPFA Survey completed July 2019
	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 June 2019 next meeting Autumn 2019
	Attend external fraud seminars and courses.	NAFN Counter Fraud Summit October 2018 Midland Fraud Forum Conference – February 2018

Issue	Action	Timescale
		Cyber Security Training - January 2019 Fighting Fraud and Corruption Locally Conference – March 2019 NAFN Fraud Roadshow – June 2019 Direct Payment Fraud Training – July 2019
Assess the counter fraud strategy against best practice	Complete national fraud self-assessments, for example:	
	<ul style="list-style-type: none"> • New CIPFA Code of Practice 	June 2015 (the last time required)
	<ul style="list-style-type: none"> • CIPFA Counter Fraud Tracker Survey 	Annually
	<ul style="list-style-type: none"> • The former Department for Communities and Local Government – ten actions to tackle fraud against the Council. 	On-going
<ul style="list-style-type: none"> • Consideration of fraud resilience toolkit 	On-going	
Identify and rank the fraud risks facing the Council	Manage the Council's fraud risk register to ensure key risks are identified and prioritised.	On-going
	Develop measures of potential fraud risk to help justify investment in counter fraud initiatives.	On-going
	Seek opportunities to integrate the fraud risk register with other corporate risk registers and also the Audit Services Audit Plan	On-going
Work with other fraud investigation teams at the Council	Develop good communication links between the Counter Fraud Unit, Wolverhampton Homes, and Audit Services.	The Council's Counter Fraud Team provide a tenancy fraud service to Wolverhampton Homes.
Work with external organisations to share knowledge about frauds?	Establish formal joint working relationships with external bodies, for example Police, Health Service and Immigration Enforcement.	On-going
Participate in external initiatives and address requests for information	Implement industry best practice as identified in reports produced by external bodies, for example; Cipfa's Annual Fraud Tracker Survey and the National Fraud Initiative report.	Annual/on-going
	Encourage Service Areas to participate in initiatives to identify cases of fraud.	Corporate Fraud Group established

Issue	Action	Timescale
	Look for opportunities to use analytical techniques such as data matching to identify frauds perpetrated across bodies, for example other Councils.	On-going
	Undertake a programme of proactive target testing.	On-going
	Respond to external requests for information or requests to take part in national initiatives.	On-going
All cases of reported fraud are identified, recorded and investigated in accordance with best practice and professional standards.	Work with Service Areas to develop methods of recognising, measuring and recording all forms of fraud.	Corporate Fraud Group established
	Manage and co-ordinate fraud investigations across the Council.	As reported back to the Audit and Risk Committee on a quarterly basis
	Implement and update the Council's portfolio of fraud related policies in response to changes in legislation.	Latest version approved at Audit and Risk Committee – March 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 Autumn 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 Autumn 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 @ September 2019

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 by others and continuing use after a person dies.	Amber
Electoral	Postal voting, canvassing.	Amber
Schools	School accounts, expenses, procurement, finance leases.	Amber
Bank Mandate Fraud	Fraudulent request for change of bank details (increased following a recent case).	Amber
Theft	Theft of Council assets including cash (increased following a recent case).	Amber
Insurance	Fraudulent and exaggerated claims.	Green
Manipulation of data	Amending financial records and performance information.	Green
Grants	False grant applications, failure to use for its intended purpose.	Green
Bribery	Awarding of contracts, decision making.	Green
Money Laundering	Accepting payments from the proceeds of crime.	Green

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CITY OF WOLVERHAMPTON COUNCIL	Audit and Risk Committee 16 September 2019
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Report title	Payment Transparency	
Accountable director	Claire Nye, Finance	
Accountable employee(s)	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
Report to be/has been considered by	Not applicable	

Recommendation for noting:

The Committee is asked to note:

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

1.0 Purpose

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

2.0 Background

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

- The Council publishes its own spend data which is available on the Council's internet site under Transparency and Accountability (payments to suppliers) and is updated monthly.
- 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, 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.
[GE/05092019/E]

5.0 Legal implications

5.1 There are no legal implications arising from the recommendation in this report.
[Legal Code: TS/04092019/F]

6.0 Equalities implications

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

7.0 Climate change and environmental implications

7.1 There are no climate change and 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 this report.

11.0 Schedule of background papers

11.1 None

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CITY OF WOLVERHAMPTON COUNCIL	Audit and Risk Committee 16 September 2019
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Report title	CIPFA Audit Committee Update	
Accountable director	Claire Nye, Finance	
Originating service	Audit	
Accountable employee(s)	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
Report to be/has been considered by	Not applicable	

Recommendation for noting:

The Committee is asked to note:

1. The contents of the latest CIPFA Audit Committee Update – The CIPFA Statement on the Role of the Head of Internal Audit, External Audit Arrangements for English Local Government Bodies and a Regular Briefing on Current Issues.

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 covers the CIPFA Statement on the Role of the Head of Internal Audit, External Audit Arrangements for English Local Government Bodies and a Regular Briefing on Current Issues.

3.0 Progress, options, discussion

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

4.0 Financial implications

- 4.1 There are no financial implications arising from the recommendation in this report.
[GE/29082019/D]

5.0 Legal implications

- 5.1 There are no legal implications arising from the recommendation in this report.
[TS/29082019/S]

6.0 Equalities implications

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

7.0 Climate Change and environmental implications

- 7.1 There are no climate change and 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

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.

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